

**London Borough of Brent**  
**Statement of Accounts**  
**2020/21**

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## Narrative Statement

I am very pleased to present Brent Council's Statement of Accounts for 2020/21. Whilst by their very nature the accounts can be backward looking they do provide the context of the financial position for Brent at the end of the financial year as well as the numerous challenges presently facing the local authority sector and likely to do so in the future.

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## Financial Performance in 2020/21

- 2020/21 has been a challenging year dominated by the COVID-19 pandemic which has had severe impact on the local economy and many of our front line services including rents collection from housing, pressures on adult social care function, collection rates for council tax and business rates and the Council's finances.
- As set out in the table below, the Council's General Fund had a net overspend of £37.8m in the year, and £5.6m within its Dedicated Schools Grant (DSG) activity. The primary cause of the General fund overspend was COVID-19 and this was offset by additional emergency COVID-19 funding from central government. This is detailed in table 1

### Revenue Expenditure

Table 1

	Full Year Budget	Actual Expenditure	Non COVID-19 Overspend/ (Underspend)	COVID-19 Overspend/ (Underspend)	COVID-19 Related service underspends	Total Actual Overspend/ (Underspend)
	£m	£m	£m	£m	£m	£m
Assistant Chief Executive	8.1	9.1	0.0	1.1	(0.1)	1.0
Chief Executive Department	17.2	17.2	0.0	0.2	(0.2)	0.0
Children and Young People	48.7	54.0	0.0	5.5	(0.2)	5.3
Community and Well-Being	135.5	149.7	0.0	15.5	(1.3)	14.2
Customer & Digital Services	28.7	30.6	0.0	2.4	(0.5)	1.9
Regeneration & Environment	41.8	48.0	0.0	7.2	(1.0)	6.2
<b>Subtotal Service Area Budgets / Outturn</b>	<b>280.0</b>	<b>308.6</b>	<b>0.0</b>	<b>31.9</b>	<b>(3.3)</b>	<b>28.6</b>
Central items	(280.0)	(270.8)	0.0	9.2	0.0	9.2
COVID-19 Funding utilised	0.0	(37.8)	n/a	(37.8)	0.0	(37.8)
<b>General Fund (GF) Budgets / Outturn</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>3.3</b>	<b>(3.3)</b>	<b>0.0</b>
DSG Funded Activity	0.0	5.6	5.0	0.6	0.0	5.6
Housing Revenue Account (HRA)	0.0	0.0	(0.3)	0.3	0.0	0.0
<b>Total (GF, HRA, DSG)</b>	<b>0.0</b>	<b>5.6</b>	<b>4.7</b>	<b>4.2</b>	<b>(3.3)</b>	<b>5.6</b>

3. Table 1 above sets out the total pressures for the year (non-COVID-19 and COVID-19) of £46.7m which was offset by underspends of £3.3m within the services.
  - Non-COVID-19: The Council overspent by £4.7m. £5.0m relates to the Dedicated Schools Grant (DSG), offset by a £0.3m underspend on the Housing Revenue Account (HRA).
  - COVID-19: The COVID-19 related overspend by the Council was £42m comprising of £29.1m of additional expenditure and £12.9m of income losses to services. The COVID-19 pressures are shared between General Fund: £41.1m, DSG: £0.6m and the HRA: £0.3m.
4. Overall, the combination of additional expenditure and increased funding meant that both the General Fund and the Housing Revenue Account (HRA) spent to their budget. The DSG total overspend of £5.6m was transferred to an unusable reserve as required by statutory regulation.
5. This emergency funding from the Ministry of Housing, Communities and Local Government (MHCLG) and other government agencies has been used to offset the in-year COVID-19 pressures of £37.8m. The remainder of the overspend in the General Fund (£3.3m) was offset by compensatory COVID-19 related underspends totalling £3.3m. These COVID-19 related underspends were a deliberate management intervention in order to take a proactive approach to managing the financial impact of COVID-19 in-year.
6. Total COVID-19 funding of £51.1m was received by the Council during 2020/21. This funding comprised of targeted grants of £22.3m, non-ringfenced grants of £22.0m and compensation for sales, fees and charges of £6.8m.
7. £13.2m of the remaining £13.3m of COVID-19 funding (combination of ring-fenced and non-ringfenced) received has been transferred to reserves to address any unbudgeted additional costs of COVID-19 in 2021/22 and £0.1m as deferred income. The table below provides a summary of the COVID-19 funding receipt and utilisation.

Table 2 - COVID-19 Grant Receipt and Utilisation Summary during 2020/21

	Targeted Grant	General	Sales, Fees & Charges Compensation	Total
	£m	£m	£m	£m
Grant Received	22.3	23.2	6.8	52.3
Amount Used	(18.5)	(13.7)	(6.8)	(39.0)
<b>Balances held in Reserves and Creditors</b>	<b>3.8</b>	<b>9.5</b>	<b>0.0</b>	<b>13.3</b>

### *General Fund*

8. The Corporate departments, **Assistant Chief Executive, Chief Executive Department and Customer & Digital Services** had a net overspend of £2.9m due to COVID-19. The financial pressures have arisen as a result of lost income from services such as venue hire, cancellation of events and additional costs incurred in providing services due to the national lockdowns and restrictions which forced many businesses and local amenities to close for a large part of the year.

9. The **Children and Young People (CYP)** department had a net overspend of £5.3m due to COVID-19 related pressures. The COVID-19 related pressures are due to additional costs and loss of income totalled £5.5m and were offset by (£0.2m) COVID-19 related underspends.
10. The £5.5m COVID-19 related pressures included:
- £2.8m increases in the demand for parent and baby placements; delays in stepdown arrangements from residential placements to foster placements and/or semi-independent placements; additional placement costs for care leavers, where the lockdown has caused a delay in bidding for and moving into their own tenancies; Supporting families and care leavers in need of emergency payments for food, utilities or other hardship issues;
  - £0.9m temporary staffing cost pressures across the social work teams to deal with increased capacity and caseloads as a result of the pandemic;
  - £0.8m slippage in the delivery of the 2020/21 savings target because of the pandemic; and
  - £1m loss of income from: traded services with schools; loss of nursery income from fee paying families, loss of revenue in issuing Education Penalty notices, training income, and reduced income from other local authorities utilising the Borough's Short Break Centre.
11. This department continues to face pressures in to 2021/22 from two main cost drivers namely; the national challenge of recruitment and retention of social workers; and demand for placements. A shortage of social workers and other case holding staff is an acknowledged regional issue, which requires a coordinated regional approach over the medium term. CYP management will continue to take steps to improve recruitment and retention of social workers. Also, although placement numbers in Brent are relatively low, a challenge remains that these children that are in care are older, have needs that are more complex and are being placed in higher cost placements.
12. **Community Well Being** overspent by £14.2m. This overspend is fully attributable to the financial pressures that have arisen as a result of the COVID-19 outbreak.
13. The majority of the COVID-19 related pressures amounting to £8.6m were experienced by the Adult Social Care service and were associated with supporting vulnerable residents and care providers. The additional expenditure was necessary to support care providers throughout the pandemic, including providing Personal Protective Equipment (PPE) and increasing hourly rates for providers who were taking COVID-19 positive clients. Whilst the demand for Residential and Nursing placements reduced, the level of homecare provision increased as the day centres were closed and additional care was required for clients where families were unable to support them.
14. The Housing service's finances were also impacted by the pandemic due to the need to accommodate the increased demand in temporary accommodation for homeless people whilst the rent collection rates decreased resulting in increased arrears. The total impact on Housing budgets was £1.3m.
15. The Council was providing financial support to assist leisure centre contractors throughout the pandemic whilst some leisure services and libraries related income was lost as the facilities were operating at a reduced capacity. This resulted in a 1.4m pressure on Culture budgets.
16. The Public Health service incurred expenditure of £2.9m associated with activities related to test and trace, for which the Council received specific grant funding.

17. The department's finances have already been significantly affected by the COVID-19 outbreak and even though we are entering the recovery phase with government restrictions being gradually lifted, some risks remain for 2021/22. The main risk areas are the volatility of rent collection rates, continuous high demand for temporary accommodation for homeless people, as well as permanent effects of the prolonged pandemic on mental health and the increased complexity of care needs.
18. **Regeneration and Environment's** position is a net overspend of £6.2m. This is made up of £7.2m financial pressures due to COVID-19 offset by £1.0m underspends achieved by the service in order to offset the financial impact of COVID-19. The financial pressure due to COVID-19 included £5.2m reduction in income for parking due to reduced motoring activity during 2020/21 and £1.3m relating to costs incurred on the overflow mortuary at Marsh Road and additional pan London Mortuary costs.

#### *Schools and DSG*

19. Dedicated schools grant (DSG) funds local authority schools' budgets, and this is the main source of income for schools. In 2020/21 maintained school balances have increased by £4.1m from £13.7m to £17.8m. Prior to the COVID-19 pandemic, the trend was a reduction in school balances mainly attributed to inflationary cost pressures. However, of the 56 maintained schools, 43 increased their balances and 13 decreased their balances. Also included in this total are 6 schools in deficit. This increase in balances is partly due to the partial closures of schools during the pandemic, and the carrying forward of catch up premium funding received. This funding is to support children and young people to catch up on missed learning caused by the pandemic (COVID-19) and schools are able to carry forward the funding to future academic years as stipulated by the DfE guidance.
20. At the end of 2020/21, the overall DSG deficit has increased to £10.5m following an in-year deficit of £5.6m and a 2019/20 carried forward deficit of £4.9m. The deficit is against the High Needs Block (HN), which has come under increased pressure in supporting children with special educational needs. The HN block has been impacted by the increasing number of children with Education, Health and Care plans (EHCP). Nationally the growth in 2020/21 was a 10% increase while locally in Brent, there has been a 16% growth in the number of EHCPs. This has led to spend which is significantly higher than the funding provided by the Department for Education (DfE).
21. This deficit will be disclosed as an earmarked unusable reserve in line with DfE regulations (the School and Early Years Finance (England) Regulations 2020). The regulations make clear the requirement for any DSG deficit balance to be held within the local authority's overall DSG and carried forward to be funded from future year's funding and/or recovery plans agreed with the DfE. This also means that authorities cannot fund a deficit from the general fund without the secretary of state's approval.
22. In light of this, the deficit of £10.5m will be carried forward to 2021/22. Longer-term actions will be required to recover the deficit and a task group has been set up by the Council to coordinate and monitor these actions. Some of these actions to reduce costs include developing Alternative Provision education in the Borough, increasing the amount of special provision within the Borough, particularly for secondary phase pupils and 16-25 year old SEND students and utilising the West London Alliance (WLA) of Local Authorities to develop its commissioning arrangements to address cost pressures for the High Needs block. A combination of these longer-term recovery actions and anticipated funding increases will reduce the deficit. Further details on the DSG performance during the year have been disclosed in note 21.



### *Housing Revenue Account (HRA)*

23. The Housing Revenue Account is a ring-fenced account, which manages income and expenditure in relation to 7,912 units of Council owned housing stock. Stock levels have increased by 118 units overall, when compared to the previous year, as a result of ongoing investment in the affordable housing programme.
24. The HRA reported a break-even position for 2020/21. The HRA operating reserve balance remains unchanged from last year at £1.4m.
25. The HRA finances have also been impacted by the COVID-19 outbreak that resulted in additional budget pressures of £0.3m. These pressures included losses of rental income due to delays to new build completions arising from stoppages on site during the first lockdown and subsequently causing delays in letting new properties out to tenants, as well as employing additional temporary staffing in caretaking services to provide cover for colleagues staying in isolation.
26. The in-year budgetary pressures were mitigated by deferring major works and re-profiling the planned maintenance programme
27. Whilst there was no material impact on the 2020/21 collection rates of rent and service charges as a result of the COVID-19 outbreak, looking ahead, a potential prolonged recession and the longer-term impact of the pandemic on rent and service charge collection remains a key risk area for the HRA. This will be continuously monitored with an updated position reported in the Medium Term Financial Strategy (MTFS). Despite the pressures experienced by the HRA in 2020/21 as a result of the COVID-19 outbreak, the HRA received no emergency government funding, as was the case for the General Fund and DSG.

### *Capital Expenditure*

28. The Council has an ambitious five-year capital investment programme totalling £672.7m which is financed from a combination of capital receipts, grants, contributions, reserves and external borrowing.
29. For 2020/21 the Council spent £171.8m which equates to 76% of the approved capital programme budget and was under spent compared to budget by £53.1m or 24% as shown in Table 3 below. A separate report will be brought to Cabinet to review the underspends available that can be re-profiled and repurposed in future years.

Table 3

Directorate	Full year Budget £m	Expenditure £m	Over / (Under) spend £m
Corporate Landlord	12.6	10.2	(2.4)
Regeneration	8.1	6.9	(1.2)
St. Raphael's Estate Regeneration	0.7	0.5	(0.2)
Housing Care Investment	155.1	116.5	(38.6)
Schools	14.8	9.4	(5.4)
South Kilburn	8.1	6.7	(1.4)

Public Realm	25.5	21.6	(3.9)
<b>Grand Total</b>	<b>224.9</b>	<b>171.8</b>	<b>(53.1)</b>

#### *Corporate Landlord*

30. Corporate Landlord is reporting a £2.4m underspend. A number of projects within the programme have not progressed as anticipated. The Oracle Cloud Programme delivery profile changed since the budget was set driven by changes in the scope of the project and the availability of the contractor resource due to COVID-19, resulting in slippage of £0.9m into the next financial year. The Energy Programme has been impacted by delays in procuring a delivery contractor causing slippage of £0.6m.

#### *Regeneration*

31. Regeneration is reporting a £1.2m underspend. The Morland Gardens project incurred delays in the materials procurement and commencement of works due to COVID-19 resulting in slippage of £0.1m. The Housing Zones programme has been delayed whilst the Council awaits the outcome of a de-designation of land from Central Government. Delays in the operator procurement for Picture Palace have caused delays in the refurbishment works, and delays in commencing the consultation on Design Works resulted in slippage for the Harlesden Regeneration Programme of £0.8m.

#### *St Raphael's*

32. The slippage of £0.2m is due to a delay in procurement of the Design Team for Phase 1 of the programme.

#### *Housing, Care and Investment*

33. The £38.6m underspend in housing is due to several projects. The Private Rented Sector Programme through i4B (the Council's wholly owned subsidiary company) had been working on purchasing a new build opportunity which did not materialise, resulting in slippage of £19m for use on future opportunities. An underspend of £14.7m within the New Council Homes Programme was due to site delays (such as new planning permission being required to move the site boundary and site activity delays due to COVID-19), delays in agreeing Heads of Terms for our Community Centres, and unused contingency. There was an underspend of £3.9m on the major repairs and works scheme due to changes in the programme following full surveys and consultation with leaseholders. COVID-19 also caused delays in the delivery of materials, with some suppliers experiencing a 16 week delay in manufacturing lead times.

#### *Schools*

34. The £5.4m underspend is caused by slippage on a number of projects within the annual maintenance programme and schools expansion programme now planned to be carried forward and completed in 2021/22. The Uxendon Manor project experienced delays in its completion as additional works were identified which will be completed early in the new financial year. There was also an underspend on the schools asset management programme, the Council's Ark Elvin contribution and devolved formula capital works, owing to delays in the scheduling of the work caused by COVID-19.

#### *South Kilburn*

35. There is an underspend of £1.4m on the Neville and Winterlys project due to property acquisitions expected to complete in March being delayed until the new financial year. This was partially offset by overspends in Austen & Blake Court and Carlton & Granville of £0.7m with the schemes having progressed further than expected, requiring the use of future year's budget.

#### *Public Realm*

36. There is a £3.9m underspend across a number of infrastructure improvement programmes. There is an underspend of £2.2m in the highways programme primarily on the footways project due to delays

in delivery. The remaining budget is projected to be spent in the new financial year. The highways S106 projects also have a £0.7m underspend, these projects are being reviewed to ensure any funding that is not required will be reallocated. There are additional underspends in other areas including £0.5m in parking and street lighting and £0.4m in landscaping due to delays caused by COVID-19. These are forecast to be spent in 2021/22.

### Capital Programme Review

37. The Council continues to review the capital programme to assess the financial and delivery implications of the crisis on programmes and projects planned to be completed within the next financial year. Most of our capital programmes and projects have been progressing albeit within the social distancing constraints. Other than some of the savings targets (linked to securing rental income) now being delayed, there are no material impacts anticipated from the recent review undertaken.

### Other significant financial results and information

#### Staffing

38. During the year the number of school staff and Council officers paid over £50,000 in 2020/21 has increased by 113 compared to 2019/20. The increase of 51 in the number of Council officers compared to 2019/20 in the main was due to reduced turnover of employees in 2020/21. The majority of these were where employees had joined the organisation part way in 2019/20 and their part year YTD salary was under £50k, however their full year annual salary was over £50k.

#### Borrowing

39. The Council's external borrowing increased to £659.1m (2019/20: £598.8m), an increase of £60.3m to fund the Council's growing Capital Programme. The breakdown of the Council's borrowing is detailed below and includes borrowing from the PWLB (Public Works Loan Board), LOBO and Fixed Rate loans, and short term loans with other councils.

Table 4

Loans		2020/21	2019/20
		£m	£m
Long-term	PWLB	367.0	296.6
	LOBO	70.5	70.5
	Other Fixed Rate	95.0	95.0
	Local Authority	5.0	-
Short-term	PWLB	9.6	3.7
	Local Authority	112.0	133.0
<b>Grand Total</b>		<b>659.1</b>	<b>598.8</b>

40. The Council's external borrowing rose significantly over the year to fund the growing capital programme not already funded through grants, contributions, receipts or reserves. This included the New Council Homes Programme which is supporting the commitment to provide 1,000 homes and works on the Borough's footways to ensure they are safe for residents.
41. The Council's MTFs provides for regular reviews of the capital financing budget and the minimum revenue provision to ensure that capital investment remains sustainable and affordable. In the past the Council has always minimised its interest costs by utilising internal cash resources over the short-term instead of undertaking more expensive external borrowing. However due to the reduction of cash reserves combined with the need for additional borrowing to finance the Council's capital programme, and the availability of cheap borrowing, new borrowing has been undertaken this financial year.

### *Pension Fund*

42. 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.
43. Brent Council's net pension liability increased by £203m on an IAS 19 basis. This is due to changes in financial assumptions, in particular assumptions concerning pension increase rates and salary increases have increased and consequently has increased the liability. These assumptions are formally reviewed at each valuation to compare expectations against actual experience and they will be reviewed as part of the 2022 valuation.
44. Since March 2019, the investments of the pension fund have generated a return higher than the returns assumed by the fund actuary as part of the valuation. During 2020/21, the value of the Pension Fund's investments increased to £1,032m (2019/20 £835m). This is due to strong returns in some markets (particularly global and emerging equity markets) over the last 12 months. The Fund holds a diverse portfolio, which has been invested in line with its investment strategy, therefore some assets are held defensively in order to mitigate impact of market falls. This increase in investment value has helped to reduce the increase in net liability this financial year.
45. Total contributions received from employers and employees was £61m for the year, an increase from the previous year. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £42m, a decrease on the previous year's £48m. As in 2019/20, the Pension Fund 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.
46. The Brent Pension Fund is revalued every three years by an independent actuary. This is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities and set employer contribution rates. It was agreed in the 2019 valuation that the employer contribution rate would remain stable at 35% for the next 3 years. This is consistent with the Fund's deficit recovery plan to clear its deficit within 19 years of the balance sheet date.
47. The 2019 Triennial Valuation revealed that the Fund's assets, at 31 March 2019, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 55% funding level as at the March 2016 valuation.

### *In Year Debt Collection*

48. The Council collected 92% of the 2020/21 council tax due during the year, a 3.1% reduction in collection rate from last year. Business rates has seen a drop to 87.3% in performance respectively compared to 98.2% collection rate last year and below the target of 95.0%. Housing rents collection has risen to 99.2% from 98.6% last year against a target of 100%. Performance in the collection of sundry debts remains low at 71.5%, an increase from the 69.5% achieved last year, compared to a target collection rate of 100% and 80% respectively. The table below reflects actual performance against targets set for in year collection.

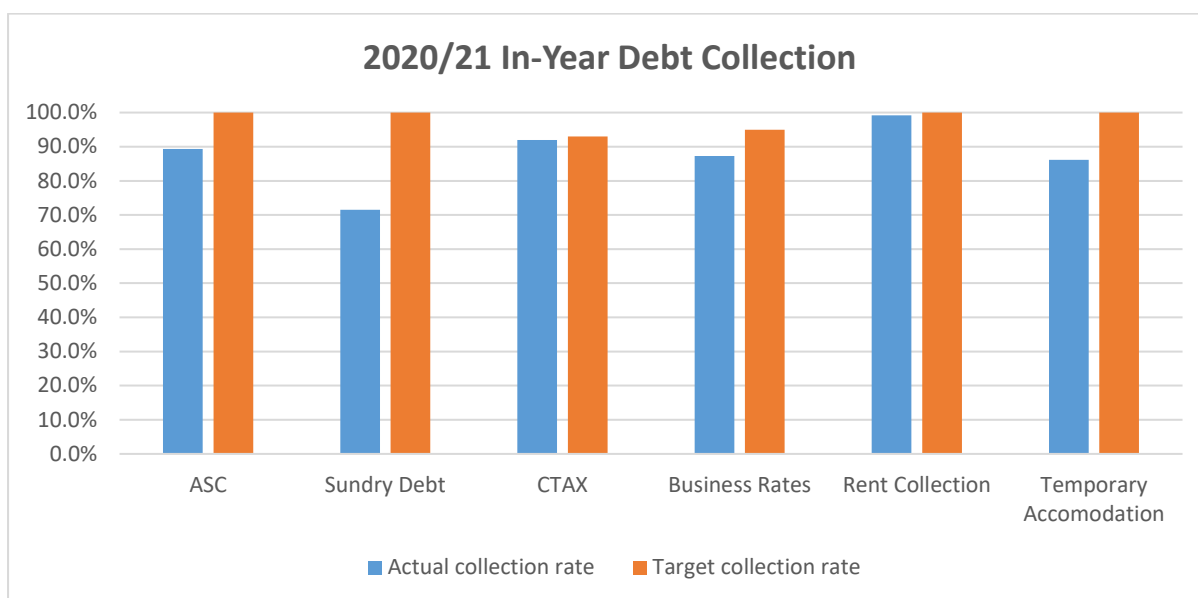


Table 5

	ASC	Sundry Debt	CTAX	Business Rates	Rent Collection	Temporary Accommodation
Actual collection rate	89.4%	71.5%	92.0%	87.3%	99.2%	86.2%
Target collection rate	100.0%	100.0%	93.0%	95.0%	100.0%	100.0%

Outstanding debt			
Debt Categories	Debts as at 31st Mar 2020 £m	Debts as at 31st Mar 2021 £m	Increase/ (Reduction) £m
Council Tax	44	49	5
Housing Benefits overpayments	24	50	26
Business Rates	7	11	4
Sundry Debt	3	5	2

49. For 2020/21 the provision for debt was uplifted by 10% to reflect emerging issues arising from the pandemic. As part of the Council's rapid response debt enforcement action was paused in line with the government's Debt Respite Scheme (Breathing Space) and in some cases payment holidays were allowed so it is not expected that payment performance will be comparable to previous years for a variety of debtors. This measure was to provide support during the pandemic outbreak and lockdowns. It will gradually be scaled down as situation improves. It is not known to what extent the debt will be collectible due to conditions not improving in the future. Additional information on the provision can be found in the Key Judgements and Material Estimates disclosure.

#### *COVID-19 Pandemic*

50. This financial year has been a challenging year for local government with the outbreak of the COVID-19 pandemic causing significant disruption to the local and national economy and public finances.

51. The pandemic affected operations for the full 2020/21 financial year as the first lockdown commenced in March 2020 and lasted well into 2020/21, with a subsequent lockdown over the autumn and winter carrying on into 2021/22. COVID-19 has impacted the Council's ability to generate income from a variety of services and created financial pressures due to the lockdowns, restrictions imposed by the Government and social distancing measures introduced. The additional costs and reductions in income have had a significant impact on the financial outturn for 2020/21. The Council experienced substantial losses across many of its largest income streams such as car parks and leisure centres.
52. Prior to the pandemic outbreak, the Council was already dealing with a decade of austerity measures, Business Rate reforms, a re-setting of government funding with the Fair Funding Review, Adult Social Care pressures and the impact of Brexit. The pandemic is unprecedented and the current situation is exceptional. The Council has had to make critical decisions quickly, often in response to specific and constantly evolving government direction and guidance.
53. The Council's initial response to the pandemic was to follow government guidance with regard to the scientific evidence and whilst services were reduced and staff began working from home we did not shut down all services. All through 2020/21, the Council's stand was to ensure that it responded to the emerging needs of residents and businesses.
54. Despite the fact that the majority of staff are now home based the Council has been able to continue to deliver the majority of services without disruption by enhancing access to services using the internet and telephones. Although some services by the nature of the public interface had to be temporarily closed down e.g. libraries and sports centres, recycling centre, whilst other services experienced increased activities as a result of the lockdowns, for example registrations, mortuaries. Additional services were also required in response to the pandemic outbreak such as COVID compliant monitoring, enhanced cleaning around the Borough and within Council buildings, and ensuring social distancing.
55. The main areas of increased Council activities have been:
  - Social Care and PPE - maintaining sufficient supply of PPE to services, supporting with infection control measures including rapid testing for front line staff, monitoring of vaccination uptake, providing support to care homes, supported living and domiciliary care settings with risk assessing and implementation of latest government guidelines.
  - Parks, Open Spaces & Mortuaries – provided advice and enforcement of social distancing in parks, open spaces and high streets; kept our parks maintained and free of litter during periods of much heavier than normal usage; provided effective monitoring and enforcement of which shops should and should not be open; operated an additional temporary mortuary for part of the year; increased workload relating to waste collection given the higher levels of domestic waste.
  - Staff redeployment - redeployed staff to ensure that increased benefits and council tax enquiries are efficiently expedited and all calls answered, contacting all NHS shielded residents and others referred to us as vulnerable and providing food and medicines to those who are in need.
  - Grants to businesses and residents – provided direct financial support to both businesses and residents to reduce the financial impact of COVID-19. Over £107m has been paid out to businesses across the Borough to cover costs during lockdown, support jobs and help them through re-opening. A range of payments and increased benefits have been made available to support residents during shielding, self-isolation and reduced income periods such as furlough or redundancy. In April 2020 there were 17,510 accounts of working age customers in receipt of Council Tax Support, by the end of May 2021 that had risen to 19,338 an increase of 10.5%.

- Voluntary Sector & Partnerships - the Council has worked with the voluntary and community sector to provide support and indeed food and transport to foodbanks, advice and support Voluntary Sector & Partnerships foodbanks, advice and support to residents and communications media, answering enquiries and ensuring information is given to residents in the Borough through the web and other social media channels.
- Rough Sleepers - provided additional temporary accommodation following the Government's relaxation of the eligibility criteria under the 'Everyone In' scheme. This led to an additional 350 individuals being accommodated at short notice in block booked accommodation.
- Educational Settings - worked very closely with schools in the Borough to support with PPE distribution and provide guidance and helped co-ordinate in relation to the childcare commitment for key workers and those children identified as vulnerable.
- Communications - information has constantly needed to be updated and sent to residents, staff, businesses and members.

### *COVID-19 Funding and Expenditure Tracker*

56. In response to the pandemic outbreak, Central Government made a number of announcements during the year releasing additional funds, in the form of grants, which have been made available to councils to support the response, these are:
- COVID-19 Fund - A £4.6 billion fund for local authorities to help in the response to coronavirus (COVID-19) pressures across all the services they deliver. Brent's share of this fund was £31.3m of which £9.3m was received at the end of 2019/20;
  - Sales Fees & Charges Compensation Grant – To compensate local authorities for a proportion of their lost income chargeable to customers for goods and services provided. Brent's share anticipated is £6.8m;
  - Targeted Grants – A range of targeted grants were made available to enable local authorities to provide specific or additional services to the community to contain the COVID-19 pandemic spread and keep the community safe. Brent's share of this was £22.8m; and
  - Grants to support businesses and the community – A number of grants have been given to local authorities to provide practical financial support to businesses and residents to overcome the financial impact they incurred due to; enforced closure or restrictions on businesses, loss of income and hardship suffered by residents due to COVID-19. Brent's share of this was £204.9m and these grants were, and continue to be, paid out in line with government regulations.
57. The ongoing impact of COVID-19 is expected to have a lasting effect on businesses, residents and the Council beyond 2020/21. Additional funds have already been made available by Central Government, which, together with funds released from Council reserves, have been built into the Council's budget to contain departmental pressures and provide additional support to the community. The magnitude of these pressures will depend on the severity of the pandemic, how long it lasts and the speed of recovery. Brent continues to monitor the financial impact on departments, based on the Government's evolving roadmap, and will be reported to the Council's Cabinet in quarterly forecast reports.
58. The COVID pressures and risks are routinely tracked and monitored through the various internal governance boards and committees.
- ### *Treasury Management*
59. The Government provided a series of additional funding measures in response to the challenges caused by COVID-19 during 2020/21. This resulted in large investment balances which declined throughout the year as the funding was utilised.



60. The Council's Treasury Management Strategy articulates the Council's policies for managing this cash and gives priority to the security and liquidity over that of return. During this period of increased financial risk the Council worked within this approved framework and to cope with this inflow whilst also ensuring large sums were not exposed to undue credit risk through diversifying investments across money market funds, short-term local authority loans and the DMADF (Debt Management Account Deposit Facility operated by Central Government).
61. The future funding landscape as we progress through the pandemic provides uncertainty for the Council's cash flow throughout 2021/22. The Council will continue to monitor the cash flow position closely and ensure there are sufficient funds available when required.

#### *Managing the financial Impact of COVID-19 pressures*

62. At this stage although the full financial impact for 2021/22 cannot be determined with any degree of certainty, the Government has consistently announced that it is committed to supporting local authorities to play their part in the national response and recovery plan. However, it must be stressed that these forecasts and estimates are based on a number of assumptions which are subject to constant change. It is incredibly difficult to predict the implications of the changes to the furlough scheme, how business will recover as grants to businesses and business rates reliefs begin to wind down and how the general economy will recover after COVID-19. In addition, while the easing of restrictions announced in the Government's roadmap on 22 February and the pace of the vaccine rollout provided reasons to be optimistic, the Government's recent announcement that the final stage of the COVID-19 roadmap has been delayed demonstrates the constantly changing nature of the situation, making financial planning and management exceptionally challenging.
63. While the additional emergency funding from Government is welcome, it is unknown if further funding will be forthcoming. In the event that there is a shortfall, contingency plans are in place to keep the Council on a sound financial footing. The Council has set aside £13.2m from the COVID-19 funding received this year towards any unbudgeted COVID-19 pressures in 2021/22. These plans will be encapsulated in a more detailed report to Council later in the year. However the Council will use the full range of options available, including (but not limited to) taking steps to reduce demand for services, implementing further efficiency savings, streamlining processes wherever possible and as a last resort the re-diverting of earmarked cash reserves as a one-off measure.

#### *Impact on 2021/22 savings and MTFS*

64. The budget agreed by Council in February 2021 included savings of £8.5m in 2021/22, in order to deliver a balanced budget. Assuming the baseline assumption that the current lockdown measures do not continue beyond July 2021 and a further three months will be required to return to a form of normality, the impact on the savings planned for delivery in 2021/22 have been reviewed.
65. The initial analysis shows that of the £8.5m planned savings in 2021/22, £0.4m are at risk of not being delivered, £7.9m are on track to being delivered (either delivered early or not affected by the impact of COVID-19) and £0.2m will not be delivered in 2021/22.
66. Further analysis is underway to determine whether (i) the savings at risk will not be delivered at all, (ii) the savings at risk will be delivered but there may be some degree of slippage and/or (iii) mitigating actions can be implemented in the short term. It is envisaged that this outlook will become clearer in the coming months. Along with the review and tracking of COVID-19 cost pressures throughout the period of the pandemic, the position is being monitored on a regular basis and a detailed report along with a refreshed Medium Term Financial Strategy (MTFS) including revised proposals will be reported to Cabinet in July 2021.



### **Going Concern**

67. As with all local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2020/21. In accordance with the Code the Council's Statement of Accounts is prepared on the basis that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. It therefore naturally follows that the Council expects to realise its assets and settle its obligations in the normal course of business. There are several themes worth discussing when considering the "going concern" question.

### **Statute and regulations**

68. The Council cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. It is also extremely likely that, as in the case of other councils, Central Government would step in to provide support and assistance if any council ran into financial difficulties.

### **Current financial position**

69. The financial outturn position 2020/21 shows a balanced position and as at the 31 March 21 the Council held general revenue reserves of £15.1m. In addition, the Council held £358.2m of earmarked reserves. On the face of it this would appear to be a high figure, but the following analysis shows that in practice the figure for all practical purposes is substantially lower. £54.7m (15%) of these reserves are for the funding of the Council's ambitious capital programme. £154.9m (43%) is legally ring fenced for bodies such as our maintained schools, the Housing Revenue Account and Public Health. This also includes Community Infrastructure Levy (CIL) and Section 106 funds. £114.6m (32%) are committed reserves that have been earmarked for a specific purpose or future expenditure commitment. This includes reserves managed by departments (for example unspent government grants with ring fenced commitments set aside to meet expenditure pressures) and reserves used to smooth out expenditure that by its nature will vary considerably from year to year and avoid uncontrollable under and over spends, for example insurance claims, PFI contracts, redundancy and pension costs. Finally £34.1m (10%) are reserves that are earmarked to manage any future funding risks. Of this, and prior to COVID-19, £11.4m was previously earmarked to manage any unexpected disruptions to funding and service pressures as a result of changes to the local government finance system such as the Fair Funding Review and reforms to business rates. This has now increased by £22m as a result of emergency COVID-19 government grants and is expected to be utilised to address any unbudgeted additional costs of COVID-19 in 2021/22.

70. General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the Council. As part of the Medium Term Financial Strategy the Director of Finance has assessed that the optimum level of general reserves to be held by the Council is between 5-10% of net expenditure. At 31 March 2021 general reserves were at 5.4% of the net revenue budget for 2020/21. Overall, the Council recognises the importance of holding adequate reserves to meet the net financial impact of risks facing the Council to ensure it continues to operate in a financially resilient and sustainable manner.

### **Projected financial position**

71. Despite the unprecedented financial situation, the Council set a balanced budget in 2021/22. The budget included £26m of growth and technical adjustments and £8.5m of efficiency savings, all of which have been identified and were subject to an extensive process of consultation, scrutiny and equality analyses. The local government sector has faced significant reductions in central government grant funding and the Council has successfully achieved budget savings of £185m over the last 10 years, demonstrating a good track record of strong financial management.

72. The COVID-19 pandemic which has had a significant impact on the Council's finances and front line services is expected to continue beyond the 2020/21 financial year. The progress of the savings targets along with the ongoing impact of the pandemic will be carefully monitored over the medium term financial period and reported back to Cabinet periodically. In the event that the COVID-19 costs are not funded by Central Government the Council has the option of utilising general reserves as a one-off measure. However, in this event, the Council would need to find additional savings in the short-term to replenish these reserves to required levels.
73. The Council has a well-established process for the development of its Capital Strategy. As with the revenue budget it is reported to Cabinet each year along with the Treasury and Investment Strategy which ensures that the Council maintains a capital programme which is prudent, sustainable and affordable. The Council has an ambitious capital programme for 2021/22 to 2025/26 totalling £638m.

#### *The Council's balance sheet*

74. The balance sheet shows a net worth of £1,736m (excluding the pension liability of £863m). Accounting standards require the pension liability to be calculated using actuarial assumptions which will vary from year to year in line with market conditions. The actuary estimates the discounted value of benefits by making various assumptions about the future regarding investment returns, pay growth, pension increases, life expectancy and so on, based on market conditions at the accounting date. It is therefore treated as a provision in the financial statements, although this does not need to be paid immediately, nor does it affect the cash contributions paid by the Council. Therefore, excluding the pensions liability, the Council's balance sheet position remains healthy.

#### *The Council's governance arrangements*

75. The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements. An overview of this governance framework is provided within the Annual Governance Statement for 2020/21. This includes a detailed review of the effectiveness of the Council's governance arrangements, including arrangements put in place during the period of the COVID-19 pandemic.
76. Despite the challenges faced by COVID-19 which are captured throughout this statement, it is considered that whilst having regard to the Council's arrangements summarised above and other such factors as highlighted in this report that the Council remains a going concern.

#### **Governance**

77. The urgency of the pandemic outbreak has required decisions to be taken at speed and sometimes without the degree of consultation and debate that is usually considered desirable, because it is not currently practicable. As the COVID-19 outbreak and crisis is clearly an exceptional one, interim arrangements were enacted that authorised the Chief Executive under the Constitution to exercise any executive or non-executive functions where the matter is urgent, unless this is prohibited by law.
78. These steps were necessary in order to protect critical and essential services, comply with the Government and Public Health England guidance or to implement Government schemes and provisions of the Coronavirus Act 2020 and other new legislation. As part of the governance arrangements for these emergency powers, the decisions taken under emergency powers were reported to the Audit and Standards Advisory Committee on 29 July 2020, together with lessons learnt.
79. Further details of the emergency governance procedures implemented following the outbreak of the pandemic can be found in the Annual Governance Statement 2020/21.

### *Financial Governance*

80. The maintenance of financial control and stewardship of public funds will remain critical during the response to COVID-19. We have stressed that officers must continue to comply with their legal responsibilities and have regard to their duties as set out in *Managing Public Money* and other related guidance. Any financial mismanagement during this period will be dealt with in exactly the same way as at any other time. We have also highlighted officers to the dangers of fraud and put in place mitigations.
81. The Finance Department undertakes periodic reviews of our financial governance arrangements to ensure decisions to commit resources in response to COVID-19 are robust. We have also tested the resilience of the finance functions and business continuity plans to make sure that the most important elements (running payroll, paying suppliers, core reporting) can continue even with significant staff absences.

### *Recovery*

82. Prior to the outbreak of COVID-19, local government continued to face an extremely challenging financial outlook following a prolonged period of austerity as well as disproportionate growth in demand for services. Since 2010 the Council has delivered savings of £185m, and agreed a further £11.2m to 2022/23 (£8.5m in 2021/22 and £2.7m in 2022/23). This has been delivered through a combination of effective financial management, cost control and more innovative approaches to investment and demand management. As government funding has been cut the population has grown. This population growth has been particularly pronounced in the very oldest and very youngest age groups, which are statistically most likely to require services from the Council, thus adding to the cost pressures. Coupled with the impact of legislative change and uncertainty on the outcome of proposed reforms to local government funding, this has created substantial financial pressures.
83. Therefore, the Council was already operating in a significantly challenging financial environment prior to the outbreak of COVID-19.
84. While the funding measures announced in the last Spending Review were welcome, it is clear the pandemic will continue to have a huge impact on local government finances throughout 2021/22. It will be essential that councils are adequately resourced to be able to continue playing their vital role in the management of the community and the economic effects of the health crisis. Many of the roles local councils have been asked to undertake, including distributing emergency grants to business and vulnerable families, shielding the vulnerable, local test and trace and marshalling social distancing measures, are effectively 'new burdens' that will need to be recognised in the foreseeable future.
85. In addition to the uncertainty, there is also the potential for significant spending pressures from demand-led services, specifically in Children's and Adult Social Care, new burdens which impact on the budget and new pressures as a result of COVID-19. Although growth has been built into the MTFS to help alleviate some of these pressures, they continue to present a significant budget risk, particularly in respect of the demographic and contractual pressures. For example:
- The impacts of the new COVID-19 variant is not fully known or how the pandemic will play out for the remainder of the year. The public health impact of lifting restrictions is uncertain and could see spending forecasts increase (especially if a third wave occurs). It is expected that the costs of new variants and ongoing costs of test and trace will continue for the remainder of the year.
  - The new income loss compensation scheme announced for Council Tax and Business Rates does not fully cover the losses the Council is estimating and only applies to losses incurred in 2020/21. The ending of the furlough scheme in September, the tapering of

business rates reliefs and the ending of business support grants are likely to have a continuing impact on business rates income. Other income losses will be dependent on the pace at which the economy recovers. Overall, income losses can pose a considerable budget pressure.

- The level of ‘scarring’ that has occurred, for example pent up demand in Children’s Social Care, long COVIDs and the mental health impact on Adult Social Care. In addition, the extent to which current circumstances will become the ‘new normal’, for example greater domestic waste if more people continue to work from home and a larger role for Public Health.

86. As a result, it must be recognised that the situation remains ongoing and it is extremely difficult to make a full, definitive and comprehensive assessment of the ongoing financial impact of the pandemic. In any case, the costs are highly likely to be significant over the next few years. However, the significance of the financial challenge cannot be underestimated and over time, the Council will need to develop a response that continues to maintain a commitment to strong financial resilience and sustainability. Likewise, the impact of COVID-19 will require the Council to review its medium term financial strategy on a more regular basis to ensure that it is still able to deliver its strategic priorities and maintain financial resilience. Though the precise financial impact of COVID-19 remains difficult to predict, officers will continue to report on the Council’s financial position to Cabinet at regular intervals in line with its existing governance arrangements. The MTFS will be refreshed as part of the draft 2022/23 budget that will be presented to the Cabinet later this year. Adopting a long term and forward looking approach should leave the Council in a relatively strong financial position, with long term plans in place to give certainty to residents about future levels of service provision.
87. Furthermore, and of significant concern, is the sustainability of the local government finance system and lack of detail regarding how the Government’s plans to ensure councils can continue to deliver services to residents over the longer term. For example, the two single-year Spending Reviews have had a detrimental impact on the ability of councils to plan for the future. In addition, council tax and business rates account for increasing amounts of local government funding. The pandemic has exposed these flaws, with revenues from both falling substantially due to increases in council tax support claims and business rates reliefs through lockdowns and beyond.
88. The events due in later this year (the multi-year Spending Review, the outcome of the fundamental review of business rates, the long-awaited reforms to adult social care and the conclusion of the Fair Funding Review) present an opportunity for the Government to ensure local government finance is put on a sustainable path. If these events are viewed in isolation without broad consideration of how they impact on local government, the continued delivery of vital local public services that will be essential to support the economy and help communities recover from the pandemic will be put at risk.
89. At the last update of the MTFS the Council’s budget approach has been very much on delivering efficiencies in order to deliver a balanced budget in the face of government funding reductions. As part of this, the Council has been successful in delivering a savings programme without significant reductions in service provision or adversely impacting on the most vulnerable. The MTFS has also been successful in providing a framework that has allowed the Council to adequately fund growth pressures resulting from both demographic pressures and the changing needs of its vulnerable residents, and investing in the local recovery.
90. Finally, it is within this overall financial context that the Council plans to further invest in the recovery from COVID-19. At the Full Council meeting of July 2021, a report will be presented that sets out how the Council intends to utilise its reserves to invest in programmes that build on the success of our

immediate response to the pandemic and take Brent forward to a sustainable, inclusive recovery, which also fully aligns to our Borough Plan priorities. These programmes are themed around supporting communities, supporting businesses, reducing health inequalities and the green recovery. Financial investment is an important driver for local recovery. Approaches to investment have been carefully considered, while understanding that a failure to invest in recovery could well be a risk in itself. In addition, an important factor will be to ensure the approach to investing in the recovery supports broader ambitions and long term priorities of the Council, such as the Borough Plan.



Minesh Patel

Director of Finance

## 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 2020 £m		Notes	31-Mar 2021 £m	
1,963.8	Property, Plant & Equipment	1	2075.6	Non Current Assets
0.5	Heritage Assets		0.5	
6.4	Intangible Assets		14.1	
62.4	Long Term Investments	24	76.3	
132.3	Long Term Debtors	24	152.9	
<b>2,165.4</b>	<b>Long Term Assets</b>		<b>2,319.4</b>	
0.0	Short Term Investments	24	0.9	Current Assets
156.8	Short Term Debtors	2	165.7	
135.2	Cash and Cash Equivalents	3	142.0	
<b>292.0</b>	<b>Current Assets</b>		<b>308.6</b>	
(140.9)	Short Term Borrowing	24	(125.5)	Liabilities
(125.0)	Short Term Creditors	7	(130.9)	
(8.3)	Grant Receipts in Advance- Revenue	19	(24.6)	
(2.2)	Provisions	9	(2.2)	
<b>(276.4)</b>	<b>Current Liabilities</b>		<b>(283.2)</b>	
(30.0)	Long Term Creditors	24	(26.9)	
(14.5)	Provisions	9	(37.9)	
(462.1)	Long Term Borrowing	24	(537.6)	
(674.3)	Other Long Term Liabilities	8	(875.1)	
<b>(1,180.9)</b>	<b>Long Term Liabilities</b>		<b>(1,477.5)</b>	
<b>1,000.1</b>	<b>Net Assets</b>		<b>867.3</b>	
	<b>Reserves</b>			Reserves
(396.8)	Usable Reserves		(443.4)	
(603.3)	Unusable Reserves		(423.9)	
<b>(1,000.1)</b>	<b>Total Reserves</b>		<b>(867.3)</b>	

## The Movement in Reserves Statement

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA	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 2020</b>	<b>(15.1)</b>	<b>(8.5)</b>	<b>(280.4)</b>	<b>(1.4)</b>	<b>(4.4)</b>	<b>(11.6)</b>	<b>0.0</b>	<b>(75.4)</b>	<b>(396.8)</b>	<b>(603.3)</b>	<b>(1,000.1)</b>
<b>Movement in reserves during 2020/21</b>											
(Surplus) or deficit on the provision of services	(32.6)	0.0	0.0	43.7	0.0	0.0	0.0	0.0	11.1	0.0	<b>11.1</b>
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	121.8	121.8
<b>Total comprehensive income &amp; expenditure</b>	<b>(32.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>43.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11.1</b>	<b>121.8</b>	<b>132.9</b>
Adjustments between accounting basis & funding basis under regulations	(35.1)	0.0	0.0	(41.0)	0.0	4.6	(0.6)	14.5	(57.6)	57.6	<b>0.0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(67.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.7</b>	<b>0.0</b>	<b>4.6</b>	<b>(0.6)</b>	<b>14.5</b>	<b>(46.5)</b>	<b>179.4</b>	<b>127.3</b>
Transfers (to)/from earmarked reserves	67.7	(9.3)	(58.4)	(2.7)	2.7	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>(Increase)/decrease in 2020/21</b>	<b>0.0</b>	<b>(9.3)</b>	<b>(58.4)</b>	<b>0.0</b>	<b>2.7</b>	<b>4.6</b>	<b>(0.6)</b>	<b>14.5</b>	<b>(46.5)</b>	<b>179.4</b>	<b>127.3</b>
<b>Balance as at 31 March 2021</b>	<b>(15.1)</b>	<b>(17.8)</b>	<b>(338.8)</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>(7.0)</b>	<b>(0.6)</b>	<b>(60.9)</b>	<b>(443.3)</b>	<b>(443.3)</b>	<b>(867.2)</b>

2019/20	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA	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 2019</b>	<b>(15.1)</b>	<b>(18.6)</b>	<b>(233.7)</b>	<b>(1.3)</b>	<b>(1.7)</b>	<b>(25.4)</b>	<b>0.0</b>	<b>(72.5)</b>	<b>(368.4)</b>	<b>(124.9)</b>	<b>(493.3)</b>
<b>Movement in reserves during 2019/20</b>											
(Surplus) or deficit on the provision of services	(20.1)	0.0	0.0	10.4	0.0	0.0	0.0	0.0	(9.7)	0.0	<b>(9.7)</b>
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(497.1)	<b>(497.1)</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>(20.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>10.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(9.7)</b>	<b>(497.1)</b>	<b>(506.8)</b>
Adjustments between accounting basis & funding basis under regulations	(16.4)	0.0	0.0	(13.1)	0.0	13.8	0.0	(3.0)	(18.7)	18.7	<b>0.0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(36.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.7)</b>	<b>0.0</b>	<b>13.8</b>	<b>0.0</b>	<b>(3.0)</b>	<b>(28.4)</b>	<b>(478.4)</b>	<b>(506.8)</b>
Transfers (to)/from earmarked reserves	36.5	10.1	(46.6)	2.7	(2.7)	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>(Increase)/decrease in 2019/20</b>	<b>0.0</b>	<b>10.1</b>	<b>(46.6)</b>	<b>0.0</b>	<b>(2.7)</b>	<b>13.8</b>	<b>0.0</b>	<b>(3.0)</b>	<b>(28.4)</b>	<b>(478.4)</b>	<b>(506.8)</b>
<b>Balance as at 31 March 2020</b>	<b>(15.1)</b>	<b>(8.5)</b>	<b>(280.4)</b>	<b>(1.4)</b>	<b>(4.4)</b>	<b>(11.6)</b>	<b>0.0</b>	<b>(75.4)</b>	<b>(396.8)</b>	<b>(603.3)</b>	<b>(1,000.1)</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

2019/20			2020/21				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£m	£m	£m		£m	£m	£m	
11.8	(2.2)	9.6	Assistant Chief Executive	13.8	(1.1)	12.7	
20.1	(0.9)	19.2	Chief Executive Department	19.4	(1.3)	18.1	
80.6	(30.2)	50.4	Children & Young People (GF)	85.2	(32.2)	53.0	
233.8	(202.3)	31.5	Children & Young People (DSG)	211.9	(211.6)	0.3	
232.4	(79.8)	152.6	Community Wellbeing (GF)	260.0	(96.4)	163.6	
59	(55.6)	3.4	Community Wellbeing (HRA)	95.1	(56.5)	38.6	
38.8	(17.9)	20.9	Customer & Digital Services	59.6	(29.5)	30.1	
90.9	(48.1)	42.8	Regeneration & Environment	95.7	(36.2)	59.5	
306.6	(358.5)	(51.9)	Central Items	283.1	(330.8)	(47.7)	
<b>1,074.0</b>	<b>(795.5)</b>	<b>278.5</b>	<b>Cost of Services</b>	<b>1,123.8</b>	<b>(795.6)</b>	<b>328.2</b>	
		3.2	Other operating expenditure			(3.5)	11
		38.1	Financing and investment income & expenditure			30.9	12
		(329.5)	Taxation and non-specific grant income			(344.5)	13
		<b>9.7</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>11.1</b>	
		(208.5)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(72.4)	
		(288.6)	Actuarial (gains)/losses on pension assets and liabilities			194.2	
		<b>(497.1)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>121.8</b>	
		<b>(506.8)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>132.9</b>	

## Cash Flow Statement

2019/20			2020/21
£m		Notes	£m
9.7	Net surplus or (deficit) on the provision of services		(11.1)
22.5	Adjustment to surplus or deficit on the provision of services for noncash movements	4	122
(78.0)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4	(55.9)
<b>(45.9)</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>		<b>60.7</b>
(67.8)	Net cash inflows/(outflow) from Investing activities	5	(102)
195.6	Net cash inflows/(outflow) from Financing activities	6	53.8
<b>81.9</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8.7</b>
53.3	Cash and cash equivalents at the beginning of the reporting period		135.2
<b>135.2</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	3	<b>142.0</b>

# Notes and Disclosures to the Core Statements

## Physical Assets

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

Movements in 2020/21	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 2020</b>	<b>626.0</b>	<b>1,007.7</b>	<b>55.2</b>	<b>291.5</b>	<b>8.2</b>	<b>121.9</b>	<b>2,110.5</b>	<b>129.6</b>
<b>Additions</b>	26.0	16.6	0.9	28.0	0.0	63.2	134.7	0.9
Depreciation written out	(7.9)	(15.5)	0.0	0.0	0.0	0.0	(23.4)	(2.2)
Revaluation increases (decreases) in the Revaluation Reserve	33.8	32.7	0.0	0.0	6.1	0.0	80.0	6.1
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(45.7)	(1.2)	0.0	0.0	(4.3)	0.0	(50.1)	0.0
Derecognition - Disposals	(1.9)	(2.8)	0.0	0.0	0.0	(7.4)	(12.1)	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	39.4	(10.2)	0.0	0.1	0.2	(29.5)	0.0	0.0
<b>At 31 March 2021</b>	<b>669.7</b>	<b>1,027.3</b>	<b>56.1</b>	<b>319.6</b>	<b>10.2</b>	<b>148.2</b>	<b>2,239.6</b>	<b>134.4</b>

#### Depreciation and Impairments

<b>At 1 April 2020</b>	<b>(7.5)</b>	<b>(18.6)</b>	<b>(36.0)</b>	<b>(84.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(146.7)</b>	<b>(8.9)</b>
Charge for 2020/21	(7.9)	(13.5)	(3.2)	(7.0)	0.0	0.0	(31.6)	(2.6)
Depreciation written out	7.9	15.5	0.0	0.0	0.0	0.0	23.4	2.2
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	(0.6)	0.0	0.0	0.0	0.0	0.0	(0.6)	0.0
Derecognition – Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2021</b>	<b>(8.1)</b>	<b>(16.6)</b>	<b>(39.2)</b>	<b>(91.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(155.5)</b>	<b>(9.3)</b>

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

<b>Balance Sheet NBV at 31 March 2021</b>	<b>661.6</b>	<b>1,010.7</b>	<b>16.9</b>	<b>228.0</b>	<b>10.2</b>	<b>148.2</b>	<b>2,075.6</b>	<b>125.1</b>
<b>Balance Sheet NBV at 1 April 2020</b>	<b>618.5</b>	<b>989.1</b>	<b>19.2</b>	<b>206.9</b>	<b>8.2</b>	<b>121.9</b>	<b>1,963.8</b>	<b>120.7</b>

\*Note: PFI Assets included within Land & Buildings, VP&E, intangibles 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

Movements in 2019/20	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 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>126.0</b>
<b>Additions</b>	33.7	20.4	1.1	18.1	0.1	89.8	163.2	0.9
Depreciation written out	(7.5)	(23.6)	0.0	0.0	0.0	0.0	(31.1)	(5.3)
Revaluation increases (decreases) in the Revaluation Reserve	3.0	205.7	0.0	0.0	(0.1)	0.0	208.6	8.0
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(20.8)	(20.8)	0.0	0.0	0.0	0.0	(41.6)	0.0
Derecognition - Disposals	(1.7)	(0.3)	0.0	0.0	0.0	(0.1)	(2.1)	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	10.0	1.9	0.0	0.0	0.0	(11.9)	0.0	0.0
<b>At 31 March 2020</b>	<b>626.0</b>	<b>1,007.7</b>	<b>55.2</b>	<b>291.5</b>	<b>8.2</b>	<b>121.9</b>	<b>2,110.5</b>	<b>129.6</b>

#### Depreciation and Impairments

<b>At 1 April 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>(11.7)</b>
Charge for 2019/20	(7.6)	(16.2)	(3.5)	(6.8)	0.0	0.0	(34.1)	(2.5)
Depreciation written out	7.4	23.4	0.1	0.1	0.0	0.0	31.0	5.3
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.1)	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	(0.1)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2020</b>	<b>(7.5)</b>	<b>(18.6)</b>	<b>(36.0)</b>	<b>(84.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(146.7)</b>	<b>(8.9)</b>

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

<b>Balance Sheet NBV at 31 March 2020</b>	<b>618.5</b>	<b>989.1</b>	<b>19.2</b>	<b>206.9</b>	<b>8.2</b>	<b>121.9</b>	<b>1,963.8</b>	<b>120.7</b>
<b>Balance Sheet NBV at 1 April 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>

### Capital Commitment

At 31 March 2021, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment. The major commitments are:

- Stonebridge Development- £19.1m
- Grand Union- £14.7m
- Honeypot Lane- £12.7m

### Valuation breakdown

	Council Dwellings	Land and Building*	Surplus Assets
	£m	£m	£m
Valuation in 2020/21	14.4	409.1	6.1
Valuation in 2019/20	6.2	176.7	1.4
Valuation in 2018/19	4.0	147.6	0.1
Valuation in 2017/18	4.5	58.5	2.4
Valuation in 2016/17	641.0	218.2	0.2
	<hr/> 670.1	<hr/> 1,010.1	<hr/> 10.2

\*Land and building under Note 1- significant movements on balances of property, plant and equipment contains £0.6m of Community assets which is excluded from this table as Community assets are held at depreciated historical cost.

## Current Assets

### Note 2 – Debtors

31-Mar-2020		31-Mar-2021	
£m			£m
67.7	Trade receivables Outstanding	77.2	
(19.5)	Less impairments	(23.3)	
<b>48.2</b>	<b>Net Trade receivables</b>	<b>53.9</b>	
<b>6.4</b>	<b>Prepayments</b>	<b>3.8</b>	
48.5	Local Taxation receivables Outstanding	51.4	
(19.7)	Less impairments	(25.8)	
<b>28.8</b>	<b>Net Local Taxation receivables</b>	<b>25.6</b>	
110.9	Other receivables amounts Outstanding	121.6	
(37.5)	Less impairments	(39.2)	
<b>73.4</b>	<b>Net Other receivable amounts</b>	<b>82.4</b>	
<b>156.8</b>	<b>Total</b>	<b>165.7</b>	

### Breakdown of non-impaired Local Taxation Debtors

31-Mar-2020		31-Mar-2021	
£m			£m
	Local Taxation receivable amounts Outstanding		
1.1	Due in less than three months	1.0	
1.3	Three to six months	1.1	
3.0	Six months to one year	2.7	
23.4	More than one year	20.8	
<b>28.8</b>		<b>25.6</b>	

## Note 3 – Cash and Cash Equivalents

**Restated**

<b>31-Mar-2020</b>			<b>31-Mar-2021</b>	
<b>£m</b>			<b>£m</b>	
14.2	Bank current accounts		14.0	
11.3	School bank accounts		25.4	
109.7	Short-term deposits		102.6	
<b>135.2</b>	<b>Total</b>		<b>142.0</b>	

## Cash Flow Notes

### Note 4 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

<b>2019/20</b>			<b>2020/21</b>	
<b>£m</b>			<b>£m</b>	
7.0	Interest received-cash inflow		7.2	
(23.0)	Interest paid-cash (outflow)		(23.0)	

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

<b>2019/20</b>			<b>2020/21</b>	
<b>£m</b>			<b>£m</b>	
34.3	Depreciation		31.5	
41.6	Impairment and downward valuations		51.7	
0.7	Amortisation		1.1	
(8.6)	Increase/(decrease) in creditors		23.9	
(75.3)	(Increase)/decrease in debtors		(39.1)	
23.1	Movement in pension liability		8.7	
2.1	Carrying amount of non-current assets and non-current assets		12.1	
4.5	Other non-cash items charged to the net surplus or deficit on the provision of services		32.1	
<b>22.4</b>			<b>122</b>	

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

2019/20 £m		2020/21 £m
0.0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0.0
(6.0)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(20.1)
(72.0)	Any other items for which the cash effects are investing or financing cash flows	(35.8)
<b>(78.0)</b>		<b>(55.9)</b>

#### Note 5 – Cash Flow Statement - Investing Activities

2019/20 £m		2020/21 £m
(166.7)	Purchase of property, plant and equipment, investment property and intangible assets	(143.5)
(40.1)	Purchase of short-term and long-term investments	(14.4)
0.0	Other payments for investing activities	0.0
6.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20.1
61.0	Proceeds of sale of short and long term investments	0.0
72.0	Other receipts from investing activities	35.8
<b>(67.8)</b>	<b>Net cash flows from investing activities</b>	<b>(102.0)</b>

#### Note 6 – Cash Flow Statement - Financing Activities

2019/20 £m		2020/21 £m
213.0	Cash receipts of short and long term borrowing	64.0
(2.9)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(2.3)
(14.4)	Repayments of short and long term borrowing	(7.9)
0.0	Other payments for financing activities	0.0
<b>195.7</b>	<b>Total</b>	<b>53.8</b>



## Liabilities

### Note 7 – Short Term Creditors

<b>31-Mar-2020</b>		<b>31-Mar-2021</b>	
<b>£m</b>		<b>£m</b>	
(78.0)	Trade payables	(72.6)	
(47.0)	Other payables	(58.3)	
<b>(125.0)</b>	<b>Total</b>	<b>(130.9)</b>	

### Note 8 – Long-Term Liabilities

<b>31-Mar-2020</b>		<b>31-Mar-2021</b>	
<b>£m</b>		<b>£m</b>	
(660.2)	Pension Fund Liability	(863.0)	
(14.1)	Deferred Income	(12.1)	
<b>(674.3)</b>	<b>Total</b>	<b>(875.1)</b>	

	<b>Outstanding Legal Cases</b>	<b>Compensation Claims</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>Short Term Provisions</u></b>				
<b>Balance at 1 April 2020</b>	<b>0.0</b>	<b>(2.2)</b>	<b>0.0</b>	<b>(2.2)</b>
Net (additions) reductions to provisions made in 2020/21	0.0	0.0	0.0	<b>0.0</b>
<b>Balance at 31 March 2021</b>	<b>0.0</b>	<b>(2.2)</b>	<b>0.0</b>	<b>(2.2)</b>
<b><u>Long Term Provisions</u></b>				
<b>Balance at 1 April 2020</b>	<b>(1.0)</b>	<b>(3.7)</b>	<b>(9.8)</b>	<b>(14.5)</b>
Net (additions) reductions to provisions made in 2020/21	(1.6)	0.0	(21.8)	<b>(23.4)</b>
<b>Balance at 31 March 2021</b>	<b>(2.6)</b>	<b>(3.7)</b>	<b>(31.6)</b>	<b>(37.9)</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, NDR appeals and Income shortfalls on PFI contracts.

The £21.8m increase in long term other provision consist of:

- £13.1m relating to Housing PFI provisions. In 2018/19, the Council took the decision to convert tenancies under this PFI to Discounted Market Rent units. This tenancies conversion was slower than initially anticipated and exacerbated by the COVID-19 outbreak that is having a significant impact on Brent residents and the Council tenants. These factors have created a need to review the original financial model and reassess the level of provision required. The financial model has been updated, which resulted in a requirement to increase the provision that was originally set aside.
- £7.2m estimated financial exposure associated with the HRA water rates refunds. In prior years, £2.7m was set aside in reserves for this purpose that has now been re-classified as a provision. Based on improved knowledge and further legal guidance, the provision has also been increased by £4.5m.
- £1.5m relating to NDR appeals due to an increase in outstanding cases being raised with few cases being resolved during the year, and additional provision to contain the impact of COVID-19 on business premises.

## Earmarked Reserves

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

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

		<b>Balance at 31-03-2020 £m</b>	<b>Transfer to/from reserves £m</b>	<b>Balance at 31-03-2021 £m</b>
<b>Capital and other statutorily ring-fenced reserves</b>				
S106/CIL		<b>(128.5)</b>	<b>0.3</b>	<b>(128.2)</b>
Ring-fenced	HMO Licensing	(3.7)	1.4	(2.3)
	HRA	(4.4)	2.7	(1.7)
	Public Health	(3.0)	(1.3)	(4.3)
	Schools and other DSG	(8.5)	(9.3)	(17.8)
	Migration related	(0.4)	0.0	(0.4)
	Edward Harvist Trust	(0.1)	(0.1)	(0.2)
<b>Total</b>		<b>(20.1)</b>	<b>(6.6)</b>	<b>(26.7)</b>
Capital Finance Related	South Kilburn	(5.3)	(0.1)	(5.4)
	CWB	(0.1)	0.0	(0.1)
	General Fund Capital funding	(41.5)	(7.7)	(49.2)
<b>Total</b>		<b>(46.9)</b>	<b>(7.8)</b>	<b>(54.7)</b>
<b>Total</b>		<b>(195.5)</b>	<b>(14.1)</b>	<b>(209.6)</b>

### Committed Reserve

Investment reserve		<b>(11.4)</b>	<b>0.0</b>	<b>(11.4)</b>
Sinking fund and other smoothing reserves	PFI	(5.3)	0.0	(5.3)
	UC staffing	(2.1)	0.6	(1.5)
	Redundancy	(3.2)	0.0	(3.2)
	Insurance	(4.9)	(0.7)	(5.6)
	Pensions	(7.2)	(0.1)	(7.3)
	CYP	(0.2)	0.0	(0.2)

Other Central	(24.2)	(27.0)	(51.2)
Temporary Accommodation HB	(5.9)	0.3	(5.6)
<b>Total</b>	<b>(53.0)</b>	<b>(26.9)</b>	<b>(79.9)</b>
<b>Total</b>	<b>(64.4)</b>	<b>(26.9)</b>	<b>(91.3)</b>

		Balance at 31-03-2020 £m	Transfer to/from reserves £m	Balance at 31-03-2021 £m
<b>Other earmarked reserves</b>				
Service reserves	CWB	(2.0)	(8.1)	(10.1)
	CYP	(1.1)	(0.2)	(1.3)
	R&E	(6.4)	(2.5)	(8.9)
	CDS	(1.3)	0.3	(1.0)
	ACE	(0.6)	(0.6)	(1.2)
	LHRAI	(0.8)	0.1	(0.7)
	<b>Total</b>	<b>(12.2)</b>	<b>(11.0)</b>	<b>(23.2)</b>
Transformation/service pressures reserves	Service pressures	(2.0)	0.0	(2.0)
	Future funding risks	(9.4)	0.0	(9.4)
	Transformation	(0.2)	0.2	0.0
	<b>Total</b>	<b>(11.6)</b>	<b>0.2</b>	<b>(11.4)</b>
COVID-19 reserves		(9.5)	(13.2)	(22.7)
<b>Total</b>		<b>(33.3)</b>	<b>(24.0)</b>	<b>(57.3)</b>
<b>Grand Total</b>		<b>(293.2)</b>	<b>(65.0)</b>	<b>(358.2)</b>

#### 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 and Community Infrastructure levy, for ring-fenced activities, such as the Dedicated Schools Grant, the Housing Revenue Account and the Public Health grant, and funds identified to smooth the impact of capital financing costs and represents revenue contributions set aside to meet commitments included in the Capital Programme.

- **Committed reserves** - These reserves are held to cover specific known or predicted financial liabilities. They mainly arise as a result of differences in timing between the reserve being established and the expenditure being incurred and are therefore, in effect, committed reserves. Most of these are long term and spread costs over a number of years, such as the PFI sinking fund that equalises the costs of the annual unitary charge over the 25 years of the contract. This also includes the insurance fund, redundancy and pension costs. There is also a reserve to manage volatility in business rates income. These reserves “smooths” expenditure that by its nature will vary considerably year to year, avoiding uncontrollable under and over spends.
- **Other Earmarked Reserves** - This contains reserves managed by departments, for example unspent government grants with ring fenced commitments set aside to meet expenditure pressures. It also includes reserves that are earmarked to manage any unexpected service pressures, unforeseen emergencies or future funding risks. This is primarily in place to manage any unexpected disruptions to funding as a result of changes to the local government finance system such as the Fair Funding Review and reforms to business rates. In addition, this includes reserves to manage the financial impact of COVID-19 that are made up of emergency COVID-19 government grants received in 2019/20 and 2020/21.

Movement in the unusable reserves are detailed in the Additional Reconciliation section on pages 140-143.

## Comprehensive Income and Expenditure Notes

### Note 11 – Other Operating Expenditure

2019/20		2020/21	
£m		£m	
2.9	Levies	3.0	
4.2	Payments to the Government Housing Capital Receipts Pool	1.5	
(3.9)	(Gains)/losses on the disposal of non-current assets	(8.0)	
<b>3.2</b>	<b>Total</b>	<b>(3.5)</b>	

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

2019/20		2020/21	
£m		£m	
23.0	Interest payable and similar charges	23.0	
22.3	Pensions interest cost and expected return on pensions assets	15.1	
(7.2)	Interest receivable and similar income	(7.2)	
<b>38.1</b>	<b>Total</b>	<b>30.9</b>	

Note 13 – Taxation and non-Specific Grant Incomes

<b>2019/20</b>		<b>2020/21</b>
<b>£m</b>		<b>£m</b>
(122.8)	Council tax income	(121.1)
(115.9)	Business Rates	(65.9)
(18.8)	Other government grants & taxation	(121.7)
(72.0)	Capital grants and contributions	(35.8)
<b>(329.5)</b>	<b>Total</b>	<b>(344.5)</b>

Expenditure and Funding Analysis Notes

Note 14 – Expenditure and Funding Analysis

2020-21	Comprehensive Income and Expenditure Statement				Movement in Reserves					Position on HRA and General Fund (£m)
	Total expenditure (£m)	Total income (£m)	Below cost of services on CIES (£m)	Subtotal (£m)	Adjustments for capital purposes (£m)	Net change for Pension Adjustments (£m)	Other Statutory Adjustments (£m)	Transfers to/from reserves (£m)	Subtotal (£m)	
<b>(DSG) Children And Young People</b>	211.9	(211.6)	0.0	0.3	(3.6)	1.7	(7.7)	9.3	(0.3)	(0.0)
<b>(GF) Children And Young People</b>	85.2	(32.2)	0.0	53.0	(0.7)	1.5	0.0	0.2	1.0	54.0
<b>(GF) Community Wellbeing</b>	260.0	(96.4)	12.2	175.8	(24.6)	1.1	0.0	(2.6)	(26.1)	149.7
<b>(HRA) Community Wellbeing</b>	95.1	(56.5)	5.1	43.7	(40.4)	0.3	(0.9)	(2.7)	(43.7)	(0.0)
<b>Assistant Chief Executive</b>	13.8	(1.1)	0.0	12.7	(1.2)	0.9	0.0	(3.3)	(3.6)	9.1
<b>Central Items</b>	283.1	(330.8)	(311.8)	(359.5)	43.5	(15.5)	(31.2)	54.1	50.9	(308.6)
<b>Customer And Digital Services</b>	59.6	(29.5)	0.0	30.1	0.0	0.0	0.0	0.5	0.5	30.6
<b>Chief Executive's Department</b>	19.4	(1.3)	0.0	18.1	(0.9)	0.4	0.0	(0.4)	(0.9)	17.2
<b>Regeneration &amp; Environment</b>	95.7	(36.2)	(22.6)	36.9	0.3	0.9	0.0	9.9	11.1	48.0
<b>Total</b>	<b>1,123.8</b>	<b>(795.6)</b>	<b>(317.1)</b>	<b>11.1</b>	<b>(27.6)</b>	<b>(8.7)</b>	<b>(39.8)</b>	<b>65.0</b>	<b>(11.1)</b>	<b>0.0</b>

2019-20	Comprehensive Income and Expenditure Statement				Movement in Reserves					Position on HRA and General Fund (£m)
	Total expenditure (£m)	Total income (£m)	Below cost of services on CIES (£m)	Subtotal (£m)	Adjustments for capital purposes (£m)	Net change for Pension Adjustments (£m)	Other Statutory Adjustments (£m)	Transfers to/from reserves (£m)	Subtotal (£m)	
<b>(DSG) Children And Young People</b>	233.7	(202.3)	0.0	31.4	(18.6)	0.1	(2.9)	(10.3)	(31.7)	(0.3)
<b>(GF) Children And Young People</b>	80.6	(30.2)	0.3	50.7	(1.0)	0.1	0.0	0.8	(0.1)	50.6
<b>(GF) Community Wellbeing</b>	232.5	(79.8)	2.2	154.9	(22.0)	0.1	0.0	4.2	(17.7)	137.2
<b>(HRA) Community Wellbeing</b>	59.4	(55.6)	7.1	10.9	(13.5)	0.0	0.3	2.4	(10.8)	0.1
<b>Assistant Chief Executive</b>	11.7	(2.2)	0.0	9.5	0.0	0.1	0.0	(1.8)	(1.7)	7.8
<b>Central Items</b>	306.6	(358.5)	(297.8)	(349.7)	57.8	(23.6)	(5.7)	20.7	49.2	(300.4)
<b>Customer And Digital Services</b>	38.4	(17.9)	0.0	20.5	0.0	0.0	0.0	0.2	0.2	20.7
<b>Chief Executive's Department</b>	20.1	(0.9)	0.0	19.2	(1.9)	0.0	0.0	(0.7)	(2.6)	16.6
<b>Regeneration &amp; Environment</b>	90.9	(48.1)	0.0	42.8	0.9	0.1	0.0	23.9	24.9	67.7
<b>Total</b>	<b>1,073.9</b>	<b>(795.5)</b>	<b>(288.2)</b>	<b>(9.8)</b>	<b>1.7</b>	<b>(23.1)</b>	<b>(8.3)</b>	<b>39.4</b>	<b>9.7</b>	<b>0.0</b>



<b>2019-20</b>					<b>2020-21</b>			
<b>Opening Balance (£m)</b>	<b>Transfers to/from Earmarked Reserves (£m)</b>	<b>Movement on HRA and General Fund after transfers to/from Earmarked Reserves (£m)</b>	<b>Closing Balance (£m)</b>		<b>Opening Balance (£m)</b>	<b>Transfers to/from Earmarked Reserves (£m)</b>	<b>Movement on HRA and General Fund after transfers to/from Earmarked Reserves (£m)</b>	<b>Closing Balance (£m)</b>
(1.3)	0.0	0.0	(1.4)	Housing Revenue Account	(1.4)	0.0	0.0	(1.4)
(1.7)	(2.7)	0.0	(4.4)	Housing Revenue Account Earmarked Reserves	(4.4)	2.7	0.0	(1.7)
<b>(3.0)</b>	<b>(2.7)</b>	<b>0.0</b>	<b>(5.8)</b>	<b>HRA Subtotal</b>	<b>(5.8)</b>	<b>2.7</b>	<b>0.0</b>	<b>(3.1)</b>
(15.1)	0.0	0.0	(15.1)	General Fund	(15.1)	0.0	0.0	(15.1)
(252.4)	(36.5)	0.0	(288.9)	General Fund Earmarked Reserves and Schools Balances	(288.9)	(67.7)	0.0	(356.6)
<b>(267.5)</b>	<b>(26.4)</b>	<b>0.0</b>	<b>(304.0)</b>	<b>General Fund Subtotal</b>	<b>(304.0)</b>	<b>(67.7)</b>	<b>0.0</b>	<b>(371.7)</b>
<b>(270.6)</b>	<b>(39.2)</b>	<b>0.0</b>	<b>(309.8)</b>	<b>TOTAL HRA and General Fund</b>	<b>(309.8)</b>	<b>(65.0)</b>	<b>0.0</b>	<b>(374.8)</b>

## Additional Disclosures

### Note 15 – Pooled Budgets

The Council has entered into two partnership agreements under Section 31 of the Health Act 1999, one with NHS Brent CCG for provision of occupational therapy equipment and the other with the Central and North West London NHS Foundation Trust (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.

Additionally, there is a pooled budget arrangement between London Borough of Brent and LNWUNT for the Integrated Rehabilitation & Reablement Service

Partnership income and expenditure for 2020/21 is shown in the table below:

	<b>Mental Health</b>	<b>Occupational Therapy</b>	<b>The Better Care Fund</b>	<b>Integrated Rehabilitation &amp; Reablement Service</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Funding: LB of Brent	(0.2)	(0.4)	(18.3)	(0.7)
NHS Brent CCG	0.0	(0.7)	(23.2)	0.0
LNWUNT	0.0	0.0	0.0	(1.3)
CNWLNFT	(0.2)	0.0	0.0	0.0
<b>Total Funding</b>	<b>(0.4)</b>	<b>(1.1)</b>	<b>(41.5)</b>	<b>(2.0)</b>
Expenditure	0.4	1.4	41.5	1.7
<b>2020/21 Net Overspend/(Underspend)</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>(0.3)</b>
<b>2019/20 Net Overspend/(Underspend)</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>(0.3)</b>

For 2020/21, for Occupational Therapy, the share of overspend attributed to Brent CCG is £0.2m (£0.2m in 2019/20) and £0.1m to Brent Council (£0.1m in 2019/20).

For 2020/21 the Integrated Rehabilitation & Reablement Service underspend attributed to LNWUNHT is £0.3m (£0.1m in 2019/20) and £0.0m to Brent Council (£0.2m in 2019/20).

### Note 16 – Members' Allowances

Total payments including National Insurance costs in 2020/21 were £1.2m (£1.16m in 2019/20). Details of the Members' Allowances scheme are available on Brent's website.

### Note 17 – External Audit Costs

The Council's external auditor for 2019/20 and 2020/21 is Grant Thornton.

2019/20		2020/21	
£'000		£'000	
184.0	External audit services for in-year	227.2	
34.0	Certification of grant claims and returns for in- year	27.0	
<b>218.0</b>	<b>Total</b>	<b>254.2</b>	

### Note 18 – Contingent Liabilities

The Council has a number of contingent liabilities. The best estimate of the liability for all the issues is in the region of £3.1m (estimated at £6.4m in 2019/20), but due to the nature of the contingent liabilities this is subject to significant change. Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

### Note 19 – Grant Income – 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:

2019/20	Revenue Grants	2020/21
£m		£m
	<b>Housing Benefit:</b>	
(254.5)	Mandatory Rent Allowances: subsidy	(226.3)
(15.4)	Mandatory Rent Rebates outside HRA	(15.8)
(23.2)	Rent Rebates Granted to HRA Tenants: subsidy	(21.4)
(2.2)	Housing Benefit Administration	(1.7)
<b>(295.3)</b>		<b>(265.2)</b>
	<b>Schools:</b>	
(190.0)	Dedicated Schools Grant (DSG)	(193.5)
(5.9)	Pupil Premium Grants	(5.5)
(3.8)	Sixth forms funding from Learning and Skills Council (LSC)	(3.8)
(3.1)	Universal Infant School Meal	(3.0)
(2.7)	Teachers' Pension Employer Contribution Grant	(5.0)
(1.4)	Teachers' Pay grant	(1.6)
<b>(206.9)</b>		<b>(212.4)</b>
	<b>Other:</b>	
(1.2)	Adult and Community Learning	0.0
(9.3)	COVID-19 Grants	(84.0)
(2.1)	Discretionary Housing payments	(2.8)
(5.5)	Private Finance Initiative	(5.5)
(20.8)	Public Health	(21.8)
(1.5)	Troubled Families	(0.4)
(1.0)	Revenue Support Grant	(24.9)

2019/20		2020/21	
£m	Revenue Grants	£m	
(9.4)	Section 31	(37.3)	
(8.8)	New Homes Bonus	(7.4)	
(3.2)	Asylum Leaving Care (Post 18) Grant	(3.2)	
(2.3)	Adults Social Care Support Grant	(8.1)	
(11.6)	Adults Social Care Improved Better Care Fund	(11.6)	
(5.2)	Flexible Homeless Grant	(5.2)	
(0.6)	Business Rates Reconciliation Grant	0.0	
(1.3)	Winter Pressure	(1.3)	
0.0	Homelessness Reduction Grant	(1.2)	
(0.4)	Rough Sleeping Initiative Grant	(0.9)	
(0.2)	Adult Education	(3.0)	
(8.7)	Other Miscellaneous Grants & Contributions	(12.5)	
<b>(93.1)</b>		<b>(231.1)</b>	
<b>(595.3)</b>	<b>Total Revenue Grants</b>	<b>(708.7)</b>	
	<b>Capital Grants &amp; Contributions</b>		
(4.2)	Basic Safety Needs	(0.0)	
(1.9)	School Condition Grant	(2.8)	
(3.1)	Transport for London	(3.2)	
(4.7)	Disabled Facilities	(5.4)	
(0.5)	Other Grants	(1.0)	
(1.8)	Education Funding	(0.6)	
(26.2)	Greater London Authority - Outer London Fund	(0.3)	
(29.6)	Section 106 & Construction Infrastructure Levy	(22.6)	
<b>(72.0)</b>	<b>Total</b>	<b>(35.9)</b>	

The Authority has received a grant that have yet to be recognized as income as they have conditions attached to them that will require the monies to be returned to the giver. The balance at the year-end are as follows:

2019/20 Current Liabilities		2020/21	
£m		£m	
	<b>Grant receipts in advance (Revenue grant):</b>		
(8.3)	Section 31	(0.0)	
(0.0)	Local Restrictions Support Grant	(24.6)	
<b>(8.3)</b>		<b>(24.6)</b>	

#### Note 20 – Capital Grants Unapplied

2019/20		2020/21	
£m	Capital Grants Unapplied	£m	
(35.7)	Basic Needs- Primary schools	(32.2)	

(5.7)	School Condition Grant	(4.4)
(12.8)	Greater London Authority - Outer London Fund	(3.9)
(2.6)	Disabled Facilities	(2.0)
0.0	Transport for London	(0.2)
(3.6)	Adult Personal Social Services	(3.6)
(1.6)	Early Education	(1.6)
(0.7)	Devolved Formula Capital	(0.7)
(5.1)	Other Education grant	(5.4)
(7.6)	Other Grant	(7.0)
<b>(75.4)</b>	<b>Total</b>	<b>(61.0)</b>

#### Note 21 – Deployment of Dedicated Schools Grant

Primarily the Dedicated Schools Grant (DSG) from the Department of Education (DfE) funds the Council's expenditure on schools. The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2011 and deployed in accordance with the requirements of the Accounts and Audit Regulations 2015, as amended (Regulation 7 (4)). In 2019/20 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 School Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG received for 2020/21 are as follows:

<b>Dedicated Schools Grant (DSG)</b>	<b>Central Expenditure £m</b>	<b>Schools Budget £m</b>	<b>Total £m</b>
Final DSG for 2020-21 before academy recoupment	n/a	n/a	320.4
Academy recoupment figure for 2020-21	n/a	n/a	(126.9)
Total DSG after recoupment for 2020-21	n/a	n/a	193.5
Plus Brought Forward from 2019-20	n/a	n/a	(4.9)
Less Carry Forward to 2020-21 agreed in advance	n/a	n/a	0.0
<b>Agreed initial budgeted distribution in 2020-21</b>	<b>41.3</b>	<b>147.3</b>	<b>188.6</b>
In year adjustments			
<b>Final budgeted distribution for 2020-21</b>	<b>41.3</b>	<b>147.3</b>	<b>188.6</b>
Less Actual Central Expenditure	(51.0)		(51.0)
Less Actual ISB deployed to schools		(148.1)	(148.1)
Plus Local Authority contribution for 2020-21	0.0	0.0	0.0
<b>Carry Forward to 2021-22</b>	<b>(9.7)</b>	<b>(0.8)</b>	<b>(10.5)</b>

At the end of 2020/21, the DSG has a deficit of £10.5m, which will be carried forward into 2021/22 in line with the Department for Education (DfE) regulations (The School and Early Years Finance (England) Regulations 2020). The regulations requires that where the DSG is in deficit at the end of the preceding year, an authority must carry forward the deficit into the next funding period.

## Note 22 – 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 2020/21 have Brent Members as Directors, Trustees or employees.

There were no material transactions disclosed in the Declarations of Related Party Transactions for 2020/21 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 £1.12m for administering the fund in 2020/21 (£0.997m was charged in 2019/20).

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**

First Wave Housing (FWH) is a registered provider of housing in Brent and is wholly owned by Brent Council. FWH was set up to manage properties previously owned by Brent Housing Partnership (BHP). Total expenditure transactions with the Council this year were £1.4m, of which £0.7m was charged as part of the current SLA agreement and £0.7m for costs paid by the Council on behalf of FWH and recharged back. The Council also received £1.1m in interest for loans to FWH in 2020/21 (£2.04m in 2019/20). As of 31st March 2021, there were outstanding loans to Brent Council totalling £36.0m (£36.8m in 2019/20), which are secured against the company's 329 properties. The board of directors for FWH housing include the Strategic Director for Children and Young People, Strategic Director for Customer and Digital Services and Councillor Saqib Butt.

### **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 2021, Brent Council had provided loans totalling £126.0m to I4B (£107.4m in 2019/20), which are secured against the company's 471 properties. The board of directors for I4B includes the Strategic Director for Children and Young People and Councillor Saqib Butt.

### **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 includes the Strategic Director for Customer and Digital Services and Director for Finance.

## **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 £0.5m 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).

## **Capital Letters**

Brent, in partnership with 15 other London boroughs, is a member of Capital Letters. This is a non-profit company, which secures accommodation to alleviate homelessness by financially incentivising landlords to rent their properties to eligible tenants suggested by the members.

The Board is accountable to a Borough Representative Body, comprised of a representative from each member council.

Capital Letters is a company limited by guarantee, not having share capital. Consequentially the liability of members is limited and upon a winding up would not exceed £1.

Capital Letters' accounts have not been consolidated into Brent's group accounts because Brent has limited influence on the company (less than 20% voting rights).



Note 23 – Capital Expenditure and Capital Financing

2019/20	2019/20	2019/20
£m	£m	£m
HRA	GF	Total
159.9	528.9	688.8

110.5	55.3	165.8
0.0	7.7	7.7
0.0	1.0	1.0
0.0	57.5	57.5
0.0	(10.6)	(10.6)

(6.9)	(8.7)	(15.6)
(15.4)	(24.0)	(39.4)
(0.4)	(6.3)	(6.6)
(15.7)	0.0	(15.7)
(2.0)	(9.0)	(11.0)
0.0	0.0	0.0

230.1	591.7	821.8
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70.2	62.9	133.1
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**Capital Investment**  
**Opening Capital Financing Requirement**

**Capital Investment:**  
Property, Plant & Equipment  
REFCUS  
Non-Enhancing  
Loans to Third Parties

**Minimum Revenue Provision**

**Sources of Finance:**

Capital Receipts  
Grants  
S106 & CIL  
Direct Revenue Contribution  
Major Repairs Reserve  
Earmarked Reserves  
Appropriation between General Fund and HRA

**Closing Capital Financing Requirement**

**Explanation of movements in year:**

(Decrease) / Increase in the underlying need to borrow

2020/21	2020/21	2020/21
£m	£m	£m
HRA	GF	Total
230.1	591.7	821.8

59.8	82.8	142.6
0.0	7.3	7.3
0.0	0.9	0.9
0.0	20.9	20.9

0.0	(10.3)	(10.3)
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(8.5)	0.0	(8.5)
(0.7)	(27.0)	(27.7)
(0.8)	(10.1)	(10.9)
0.0	(4.3)	(4.3)
(10.4)	0.0	(10.4)
(4.5)	(1.6)	(6.1)
(21.5)	21.5	0.0

243.5	671.8	915.3
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13.4	80.1	93.5
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## Financial Instruments

### *Note 24 – Financial Instruments Categories*

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value of a financial asset is the price that would be received if it were sold.

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders;
- Short-term loans from other local authorities;
- Overdraft with NatWest Bank;
- Lease payables detailed in note 27;
- Private Finance Initiative contracts detailed in note 28; and
- Trade payables for goods and services received.

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications under the Code of Practice:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash in hand;
- bank current and deposit accounts with NatWest bank;
- loans to small companies and housing associations;
- lease receivables detailed in note 27; and
- Trade receivables for goods and services provided.

- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category). The Council does not currently hold any financial assets with this category.

- Trade receivables for goods and services provided that may be sold to a debt collection agency.

- Fair value through profit and loss (all other financial assets) comprising:

- Money market funds

Financial Liabilities - The financial liabilities disclosed on the balance sheet are analysed across the following categories:

Financial Liabilities	Long term		Short Term	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	£m	£m	£m	£m
Loans at amortised cost:				
- Principal sum borrowed	537.6	462.1	121.5	136.7
- Accrued Interest	-	-	4.0	4.2
<b>Total Borrowing*</b>	<b>537.6</b>	<b>462.1</b>	<b>125.5</b>	<b>140.9</b>
Liabilities at Amortised Cost:	-	-	-	-
- Finance Leases	1.2	2.4	-	-
- PFI Arrangements	22.6	23.5	-	-
- Other	3.1	4.0	-	-
<b>Total Other Long Term Liabilities</b>	<b>26.9</b>	<b>29.9</b>	-	-
Liabilities at Amortised Cost	-	-	-	-
Trade Payables	-	-	130.9	125.0
Finance Leases	-	-	1.2	1.1
PFI Arrangements	-	-	0.9	1.2
<b>Included in Creditors</b>	-	-	<b>133.0</b>	<b>127.3</b>
At amortised cost:				
- Bank current account overdraft			<b>16.5</b>	<b>13.8</b>
<b>Total Financial Liabilities</b>	<b>564.5</b>	<b>492.0</b>	<b>275.0</b>	<b>282.0</b>

\* The total short-term borrowing includes £13.5m (2019/20: £7.9m) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

Financial Assets – The financial assets disclosed on the balance sheet are analysed across the following categories:

Financial Assets	Long term		Short Term	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	£m	£m	£m	£m
At amortised cost:				
- Investments in Subsidiaries	76.0	62.1	0.3	-
- Loans	-	-	-	-
- Other Investments	0.3	0.3	-	-
- Accrued Interest	-	-	0.0	0.0
<b>Total Investments*</b>	<b>76.3</b>	<b>62.4</b>	<b>0.3</b>	<b>0.0</b>
At amortised cost:	-	-	-	-
- Cash in Hand	-	-	30.5	28.0
- School Bank Accounts	-	-	25.4	11.4
- Bank Current Accounts Overdraft	-	-	-	-
- Short-term deposit	-	-	20.0	104.7
At fair value through profit & loss:	-	-	-	-
- Money Market Funds	-	-	82.7	5.0
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>158.6</b>	<b>149.1</b>
At amortised cost:	-	-	-	-
- Loans made for service purposes	134.0	128.1	0.4	1.4
- Trade Receivables	-	-	165.7	155.2
- PFI	0.9	0.9	-	-
- Lease Receivables	17.9	3.2	-	-
- Accrued Interest	-	-	0.2	0.2
<b>Included in Debtors</b>	<b>152.8</b>	<b>132.2</b>	<b>166.3</b>	<b>156.8</b>
<b>Total Financial Assets</b>	<b>229.1</b>	<b>194.6</b>	<b>325.2</b>	<b>305.9</b>

#### *Note 25 - Material Soft Loans made by the Council*

Soft loans are those advanced at below market rates in support of the Council's service priorities.

In 2020/21 the Council recognised a soft loan to FWH, formerly known as BHP after a change to the loan terms. FWH is registered provider of social housing (RP) and its primary purpose is to manage, maintain and improve its stock and contribute to Brent's Housing Strategy. The movements on material soft loan balance for FWH are as follows:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
<b>Balance at start of year:</b>		
<b>Opening balance</b>	<b>0.0</b>	<b>0.0</b>
Nominal value of new loans granted in the year	30.9	0.0
Fair value adjustment on initial recognition	0.0	0.0
Loans repaid	(0.6)	0.0
Impairment losses	0.0	0.0
Increase in discounted Amount	0.0	0.0
Other changes	0.0	0.0
<b>Closing balance at end of year</b>	<b>30.3</b>	<b>0.0</b>
Nominal value at 31 March	36.0	0.0

The loan to I4B to acquire properties to support the Council's homelessness agenda is deemed a material soft loan.

The movements on material soft loan balance for I4B are as follows:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
<b>Balance at start of year:</b>		
<b>Opening balance</b>	<b>75.2</b>	<b>56.3</b>
Nominal value of new loans granted in the year	18.7	28.0
Fair value adjustment on initial recognition	(7.1)	(10.2)
Loans repaid	0.0	0.0
Impairment losses	0.0	0.0
Increase in discounted Amount	0.0	0.0
Other changes	1.0	1.1
<b>Closing balance at end of year</b>	<b>87.8</b>	<b>75.2</b>
Nominal value at 31 March	126.0	107.4

The interest rate used to calculate the fair value of the soft loan is 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).

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 at 31st March 2021, Brent Council had provided funding of £158.3m to I4B (£137.3m in 2019/20), comprised of a number of soft loans\* and equity. The loans are secured against the company's 471 properties.

	<b>£m</b>	<b>£m</b>
	<b>2020/21</b>	<b>2019/20</b>
<b>Soft Loan</b>		
Loan	87.8	75.2

Investment	38.2	32.2
	<b>126.00</b>	<b>107.4</b>
<b>Equity</b>		
Cash Equity	32.3	29.9
	<b>32.3</b>	<b>29.9</b>
<b>Total</b>	<b>158.3</b>	<b>137.3</b>

The board of directors for I4B includes the Strategic Director for Children and Young People and the Strategic Director for Customer and Digital Services as well as Councillor Saqib Butt.

\*The loan to I4B is classed as a soft loan as it is set at a below-market rate of interest. As this loan is made to a company that is a subsidiary for group account purposes, the loss represented by the undercharge of interest remains in the group and the Council is deemed to be making an additional investment in the subsidiary. The loss on the initial investment of the loan is posted to the balance sheet as an investment, then over the life of the loan the Comprehensive Income and Expenditure Statement (CI&ES) is credited with the contractual interest receivable for the year, with the difference between that amount and the market rate used to write down the investment.

#### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to sell off and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Table – Gains and Losses of Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2020/21				2019/20			
	Financial Liabilities	Financial Assets		Total £m	Financial Liabilities	Financial Assets		Total £m
	Amortised Cost £m	Amortised Cost £m	Fair Value through Profit & Loss £m		Amortised Cost £m	Amortised Cost £m	Fair Value through Profit & Loss £m	
Interest Expense	23.0	-	-	23.0	23.1	-	-	23.1
<b>Interest payable and similar charges</b>	<b>23.0</b>	-	-	<b>23.0</b>	<b>23.1</b>	-	-	<b>23.1</b>
Interest income	-	(7.0)	-	(7.0)	-	(6.8)	-	(6.8)
Dividend income	-	-	0.0	0.0	-	-	(0.5)	(0.5)
<b>Interest &amp; Investment Income</b>	-	<b>(7.0)</b>	<b>0.0</b>	<b>(7.0)</b>	-	<b>(6.8)</b>	<b>(0.5)</b>	<b>(7.3)</b>
<b>Net Impact on surplus/deficit on provision on services</b>	<b>23.0</b>	<b>(7.0)</b>	<b>0.0</b>	<b>16.0</b>	<b>23.1</b>	<b>(6.8)</b>	<b>(0.5)</b>	<b>15.8</b>
Impact on other comprehensive income	-	-	-	-	-	-	-	-
<b>Net (Gain)/loss for the year</b>	<b>23.0</b>	<b>(7.0)</b>	<b>0.0</b>	<b>16.0</b>	<b>23.1</b>	<b>(6.8)</b>	<b>(0.5)</b>	<b>15.8</b>



## *Note 26 – Fair Values of Assets and Liabilities*

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the Council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

## Financial Liabilities

	Fair Value Level	Balance sheet 31/03/2021	Fair Value 31/03/2021	Balance Sheet 31/03/2020	Fair Value 31/03/2020
		£m	£m	£m	£m
<b>Financial Liabilities held at amortised cost:</b>					
Loans from the PWLB	2	376.6	563.3	300.3	490.9
LOBO loans	2	70.5	132.8	70.5	139.8
Other long-term loans	2	95.0	102.4	95.0	101.6
Lease payables and PFI liabilities	2	26.0	26.0	31.1	31.1
Loans from Local Authorities	2	112.0	112.0	137.2	137.2
Short-term creditors	N/A	131.4	131.4	124.3	124.3
<b>Total</b>		<b>811.5</b>	<b>1,067.9</b>	<b>758.4</b>	<b>1,024.9</b>

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

## Financial Assets

	Fair Value Level	Balance sheet 31/03/2021	Fair Value 31/03/2021	Balance Sheet 31/03/2020	Fair Value 31/03/2020
		£m	£m	£m	£m
<b>Financial Assets held at fair value:</b>					
Money Market Funds	1	82.7	82.7	5.0	5.0
<b>Financial Assets held at amortised cost:</b>					
Lease receivables	2	0.0	0.0	-	-
Long-term investments	N/A	76.3	76.3	62.4	62.4
Long-term debtors	N/A	152.9	152.9	128.1	128.1
Short-term investments	N/A	0.3	0.3	-	-
Short-term debtors	N/A	163.9	163.9	-	-
Cash and cash equivalents	N/A	75.9	75.9	156.8	156.8
				130.2	130.2
<b>Total</b>		<b>552.0</b>	<b>552.0</b>	<b>482.5</b>	<b>482.5</b>

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

## Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

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

### Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury 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 2021 that this was likely to crystallise. The Council's direct exposure to banks and building societies on 31 March 2021 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 treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	Short Term	
	31-Mar-21	31-Mar-20
	£m	£m
AAA	0.0	5.0
AA-	20.0	0.0
A+	62.6	0.0
A	0.1	0.0
Unrated Local Authorities	20.0	0.0
Debt Management Office	0.0	104.7
Residual Iceland Banks	0.0	0.2
<b>Total Investments</b>	<b>102.7</b>	<b>109.9</b>

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.

Loss allowance on treasury investments have been calculated by reference to historic default data published by credit ratings. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a

“D” credit rating or equivalent. The Council does not expect any losses from non-performance by other counterparties.

### Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. During the year, the Council received its final distribution concluding the investment in Heritable Bank. The Council recovered 98% of the original £10m deposit.

#### Credit Risk: Trade Receivables

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.

The following analysis summarises the Authority’s potential maximum exposure to credit risk. 21.46% is the element which has not been provided for, based on historical experience of default.

	<b>Amount at 31 March 2021</b>	<b>Historical experience of default</b>	<b>Estimated maximum exposure to default</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>
	(a)	(b)	
Deposits with banks and financial institutions	0.0	21.46%	<b>0.0</b>
Trade debtors	97.6		<b>20.9</b>
	<b>97.6</b>		<b>20.9</b>

The Council’s credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract. Loss allowances for receivables have been calculated based on historic information. Debts are deemed to be overdue when they are at least 30 days past their due date.

#### Liquidity Risk

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

The maturity analysis of principal sums borrowed is as follows:

	<b>£m</b>
Less than one year	<b>121.6</b>
Between one and two years	<b>16.2</b>
Between two and five years	<b>16.5</b>
Between five and ten years	<b>24.5</b>
Between ten and twenty years	<b>94.3</b>
Between 20 and 30 years	<b>101.9</b>
Between 30 and 40 years	<b>223.6</b>
More than 40 years	<b>60.5</b>
	<b>659.1</b>

The Council has £70.5m (2019/20: £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 to repay these loans hence the final maturity date is used in the maturity analysis rather than the next option date.

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. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall

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 measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and 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 an upper limit of £5m on the 12-month revenue impact of a 1% fall and rise in interest 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	(0.9)
Impact on Comprehensive Income and Expenditure	(0.9)
Decrease in fair value of fixed rate borrowings / liabilities*	<b>137.8</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. The Council has £70.5m (2019: £70.5m) of “Lender’s option, borrower’s option” (LOBO) loans with maturity dates between 2048 and 2077 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. In the current low interest rate environment, the likelihood of the lender increasing the rate is low; however, the likelihood will increase in later years should market interest rates rise.

*Note 27 – Leases*

A lease is an agreement whereby the lessor (person giving the asset) conveys to the lessee (person taking the asset), in return for a payment or series of payments for an agreed period of time, examples include, leasing of vehicles for waste services, property rentals, rental of equipment (i.e. photocopiers, machinery).

**Authority as Lessee**

## Finance Leases

The current lease for Brent Council's waste collection services with an external contractor began in 2018/19, with assets worth £5.7m. Public Realm Service (PRS) oversees the commercial waste collection, household and recycling collection and cleaning services for the Council. Brent Council has recognised this as a Finance lease under IAS 17. The waste service assets are included under Plant, Vehicle and Equipment in the balance sheet.

31-Mar-20		31-Mar-21	
£m		£m	
4.6	Plant, Furniture, Vehicles and Equipment	2.3	

The Council is committed to making minimum payments comprising repayment of the outstanding liability and interest upon the outstanding liabilities. The minimum lease payments are made of the following amounts

31-Mar-20		31-Mar-21	
£m		£m	
	Finance lease liabilities		
1.3	- Current	1.3	
3.9	- Non-current	1.3	
0.0	Finance costs payable in future years	0.0	
<b>5.2</b>	<b>Minimum lease payments</b>	<b>2.6</b>	

These minimum lease payments are payable over the following periods

	Total Minimum Lease Payments		Present Value of Minimum Lease Payments Repayable	
	2019-20	2020-21	2019-20	2020-21
	£m	£m	£m	£m
Not Later than one year	1.3	1.3	1.2	1.2



Later than one year and not later than five years

3.9	1.3	3.6	1.2
<b>5.2</b>	<b>2.6</b>	<b>4.8</b>	<b>2.4</b>

### Operating Leases (Authority as Lessee)

An operating lease is an agreement to use and operate an asset without ownership. 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:

<b>2019-20</b>		<b>2020-21</b>
<b>£m</b>		<b>£m</b>
1.5	Not later than one year	1.5
4.9	Later than one year and not later than five years	5.4
11.6	Later than five years	10.7
<b>18.0</b>	<b>Total</b>	<b>17.6</b>

The following future sublease payments are receivable:

<b>£m</b>		<b>£m</b>
4.4	Future Minimum Sublease Payments Receivable	4.8

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

<b>2019-20</b>		<b>2020-21</b>
<b>£m</b>		<b>£m</b>
0.6	Minimum Lease payments	0.6

(0.2)	(Sublease payments receivable)	(0.2)
<b>0.4</b>	<b>Total</b>	<b>0.4</b>

## Authority as Lessor

### Finance Leases

Brent Council leases Northwick Park Golf course to a commercial operator on a finance lease with a remaining term of 84 years. In addition, there are five residential properties leases with an average minimum contractual duration of 999 years.

During 2020/21, the Council entered into a lease agreement for the phase 2 & 3 development of the Peel site within the South Kilburn redevelopment. This stage of the project will involve the construction of 68 affordable homes.

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:

31-Mar-19		31-Mar-20	
£m		£m	
3.2	Finance lease debtor Non-Current	17.9	
<b>3.2</b>	<b>Gross Investment in Lease</b>	<b>17.9</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	
2019-20	2020-21	2019-20	2020-21
£m	£m	£m	£m

Later than one year and not later than five years	0	14.7	0	14.7
Later than five years	3.2	3.2	3.2	3.2
	<b>3.2</b>	<b>17.9</b>	<b>3.2</b>	<b>17.9</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.

### Operating Leases (Authority as Lessor)

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

Future minimum lease payments expected under these contracts are:

2019-20		2020-21	
£m		£m	
1.5	Not later than one year	1.5	
5.1	Later than one year and not later than five years	5.2	
42.5	Later than five years	42.3	
<b>49.1</b>	<b>Total</b>	<b>49.0</b>	

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

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

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

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

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

- In 2005/06 a 32 year agreement was made to provide and maintain social housing within Stonebridge. Whether or not a block of flats or house paid for by this contract appears on Brent's balance sheet was determined by a tenant's vote at the start of the contract. The PFI operator manages and maintains these properties on behalf of Brent.

A provision of £5.7m is maintained to reflect changes in the PFI schemes agreed in prior years. An additional provision of £13.1m has been added, relating to the conversion of tenancies to Discounted Market Rent units. 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.

2019-20		2020-21	
£m		£m	
26.6	Balance outstanding at start of year	24.7	
(1.8)	Payments during the year	(1.2)	
<b>24.8</b>	<b>Balance outstanding at end of year</b>	<b>23.5</b>	

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

Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
£m	£m	£m	£m

Payable in 2021/22	3.1	0.9	2.5	<b>6.5</b>
Payable with two to five years	15.1	5.0	8.7	<b>28.8</b>
Payable within 6 to 10 years	19.9	7.5	8.7	<b>36.1</b>
Payable within 11 to 15 years	10.2	6.1	8.2	<b>24.5</b>
Payable within 16 to 20 years	1.4	1.0	1.2	<b>3.6</b>
<b>Total</b>	<b>49.7</b>	<b>20.5</b>	<b>29.3</b>	<b>99.5</b>

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

2019-20		2020-21	
£m		£m	
(16.1)	Deferred Income opening balance	(14.1)	
2.0	Amortisation	2.0	
<b>(14.1)</b>	<b>Deferred Income closing balance</b>	<b>(12.1)</b>	

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 granting 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.

## Employee Benefits

### Note 29 – Senior Employees' Remuneration

Senior employees are Brent's Chief Executive and direct reports (other than administration staff) and statutory chief officers. No bonuses and Compensation for loss of office were paid during 2020/21 and 2019/20.

	<b>2020/21</b>		
	<b>Salary (including fees and allowances)</b>	<b>Employers pension contributions</b>	<b>Total remuneration including pension contributions</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive – Carolyn Downs	208,459	-	<b>208,459</b>
Assistant Chief Executive - Shazia Hussain	126,465	44,239	<b>170,704</b>
Strategic Director Children and Young People- Gail Tolley	158,160	55,356	<b>213,516</b>
Strategic Director of Community & Well-being- Philip Porter	158,144	55,356	<b>213,500</b>
Strategic Director Regeneration & Environment- Amar Dave (Left 30th Sep 2020)	118,620	27,678	<b>146,298</b>
Strategic Director Regeneration & Environment- Alan Lunt (Started on 3rd Aug 2020)	104,590	36,606	<b>141,196</b>
Strategic Director Customer and Digital services- Peter Gadsdon	146,060	51,098	<b>197,158</b>
Director of Finance (section 151 officer)- Minesh Patel	105,041	37,285	<b>142,326</b>
Director of Public Health- Melanie Smith	126,272	42,582	<b>168,854</b>
Director of Legal, HR and Audit- Debra Norman	133,118	46,568	<b>179,686</b>
<b>Total</b>	<b>1,384,929</b>	<b>396,768</b>	<b>1,781,697</b>

2019/20

	Salary (including fees and allowances)	Employers pension contributions	Total remuneration including pension contributions
	£	£	£
Chief Executive – Carolyn Downs*	217,080	-	<b>217,080</b>
Assistant Chief Executive (joined 7th January 2020) – Shazia Hussain	31,078	10,599	<b>41,677</b>
Strategic Director Children and Young People – Gail Tolley	153,927	53,874	<b>207,801</b>
Strategic Director of Community & Well-being – Philip Porter	154,341	53,874	<b>208,215</b>
Strategic Director Regeneration & Environment – Amar Dave	156,487	53,380	<b>209,867</b>
Strategic Director Customer and Digital services – Peter Gadsdon	146,826	48,765	<b>195,591</b>
Strategic Director Resources (left 14th April 2019) – Althea Loderick	10,709	2,095	<b>12,804</b>
Chief Finance Officer (section 151 officer, left 23rd June 2019) – Conrad Hall	30,777	-	<b>30,777</b>
Director of Finance (section 151 officer, started 3rd June 2019) – Minesh Patel	95,802	33,762	<b>129,564</b>
Director of Public Health – Melanie Smith	121,505	41,442	<b>162,947</b>
Director of Legal, HR and Audit – Debra Norman	136,738	45,321	<b>182,059</b>

<b>Total</b>	<b>1,255,270</b>	<b>343,112</b>	<b>1,598,382</b>
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\* Within this salary there is £4,550 relating to Returning Officer fees which the Chief Executive has redistributed to other staff who helped with the elections.



### Note 30 – Officers' Remuneration

The number of employees whose remuneration in 2020/21 and 2019/20, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2019/20			Remuneration band £	2020/21		
Schools				Schools		
Staff	Officers	Total		Staff	Officers	Total
83	107	190	50,000 - 54,999	129	99	228
85	73	158	55,000 - 59,999	84	91	175
56	26	82	60,000 - 64,999	52	49	101
26	15	41	65,000 - 69,999	36	21	57
17	7	24	70,000 - 74,999	20	11	31
14	10	24	75,000 - 79,999	18	13	31
12	3	15	80,000 - 84,999	11	6	17
6	5	11	85,000 - 89,999	11	5	16
8	15	23	90,000 - 94,999	6	5	11
3	5	8	95,000 - 99,999	5	14	19
3	3	6	100,000 - 104,999	4	4	8
1	0	1	105,000 - 109,999	1	2	3
1	0	1	110,000 - 114,999	0	0	0
1	3	4	115,000 - 119,999	1	0	1
0	3	3	120,000 - 124,999	1	3	4
1	0	1	125,000 - 129,999	0	3	3
0	1	1	130,000 - 134,999	0	3	3
1	1	2	135,000 - 139,999	0	0	0
0	0	0	140,000 - 144,999	1	0	1
0	1	1	145,000 - 149,999	0	1	1
0	2	2	150,000 - 154,999	0	0	0
0	1	1	155,000 - 159,999	0	2	2
0	0	0	160,000 - 214,999	0	0	0
0	0	0	205,000 – 209,999	0	1	1
0	1	1	215,000 - 229,999	0	0	0
<b>318</b>	<b>282</b>	<b>600</b>	<b>Total</b>	<b>380</b>	<b>333</b>	<b>713</b>

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

### Note 31 – Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

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	
	2019/20 (Restated)	2020/21	2019/20 (Restated)	2020/21	2019/20 (Restated)	2020/21	2019/20 (Restated)	2020/21
£0 - £20,000	5	7	32	32	37	39	403	356
£20,001 - £40,000	3	2	27	25	30	27	728	765
£40,001 - £60,000	1	3	16	12	17	15	849	744
£60,001 - £80,000	0	1	11	7	11	8	728	589
£80,001 - £100,000	0	0	10	6	10	6	873	554
£100,00+	0	2	12	8	12	10	2,362	1,638
<b>Total cost included in bandings</b>	<b>9</b>	<b>15</b>	<b>108</b>	<b>90</b>	<b>117</b>	<b>105</b>	<b>5,943</b>	<b>4,645</b>
<b>ADD: amounts provided for in CIES not included in bandings</b>							0	0
<b>TOTAL cost included in CIES</b>							<b>5,943</b>	<b>4,645</b>
<b>Average cost of exit packages</b>							<b>£51</b>	<b>£44</b>

## Pension Notes

### *Note 32 – Pension Schemes Accounted for as Defined Contribution Schemes*

In 2020/21, the Council paid £11.3m to Teachers' Pensions (£9.8m in 2019/20) in respect of teachers' retirement benefits, representing 23.68% (20.68% 2019/20) 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 33 – Defined Benefit Pension Schemes*

#### Participation in Pension Schemes

The Council participates in The Local Government Pension Scheme – this is a funded defined benefit 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 recognize the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. Actuarial gains and losses on pension assets and liabilities are recorded as Other Comprehensive Income and Expenditure. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

31 March 2020 £m	Comprehensive Income and Expenditure Statement	31 March 2021 £m
	<b>Cost of Services:</b>	
39.8	Current service cost	37.2
1.3	Past service costs (including curtailments)	1.0
0	Effects of business combinations and disposals	0
	<b>Financing and investment Income and Expenditure:</b>	
40.4	Interest cost	31.8
(18.1)	Expected return on Scheme assets	(16.7)
<b>63.4</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>53.3</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	

(29.9)	Changes in demographic assumptions	18.9
(119.6)	Changes in financial assumptions	332.5
(184.7)	Other experience	(14.7)
45.6	Return on assets excluding amounts in net interest	(142.5)
<b>(225.2)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>247.5</b>

<b>31 March</b>	<b>Movement in Reserves Statement</b>	<b>31 March</b>
<b>2020</b>		<b>2021</b>
<b>£m</b>		<b>£m</b>
<b>36.0</b>	Employers' contributions payable to the Scheme	<b>40.5</b>
<b>4.3</b>	Contributions in respect of unfunded benefits	<b>4.2</b>
<b>40.3</b>	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	<b>44.7</b>
(63.4)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(53.3)
<b>(23.1)</b>		<b>(8.6)</b>

## 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:

<b>31 March</b>		<b>31 March</b>
<b>2020</b>		<b>2021</b>
<b>£m</b>		<b>£m</b>
1,383	Present value of the defined benefit obligation	1,751
(723)	Fair value of plan assets	(888)
660	Net liability arising from defined benefit obligation	863

### Note 34 – Reconciliation of Assets and Liabilities in Relation to Post-Employment Benefits

<b>2019/20</b>				<b>2020/21</b>		
<b>Scheme Assets</b>	<b>Pensions Obligations</b>	<b>Net Pensions Liability</b>		<b>Scheme Assets</b>	<b>Pensions Obligations</b>	<b>Net Pensions Liability</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>
757.8	(1,683.5)	(925.7)	<b>Opening Balance at 1 April</b>	723.4	(1,383.5)	(660.1)
			<b>Service Costs</b>			
0	(39.8)	(39.8)	Current Service Cost	0	(37.2)	(37.2)
0	(1.3)	(1.3)	Past Service cost and gains/losses on curtailments	0	(1.0)	(1.0)
18.1	(40.4)	(22.3)	Interest Income and Expense	16.7	(31.8)	(15.1)
			<b>Re-measurements</b>			
(45.6)	0	(45.6)	Return on Plan Assets	142.5	0	142.5
0	184.7	184.7	Other experience	0	14.7	14.7

0	29.9	29.9	Actuarial Gains and Losses arising from changes in demographic assumptions	0	(18.9)	(18.9)
0	119.6	119.6	Actuarial Gains and Losses from changes in Financial Assumptions	0	(332.5)	(332.5)
<b>Contributions</b>						
40.4	0	40.4	The Council	44.6	0	44.6
6.3	(6.3)	0	Employees	7.3	(7.3)	0
<b>Payments</b>						
(53.6)	53.6	0	Retirement Grants and Pensions	(46.9)	46.9	0
0	0	0	Effects of business combinations and disposals	0	0	0
<b>723.4</b>	<b>(1,383.5)</b>	<b>(660.1)</b>	<b>Closing Balance at 31 March</b>	<b>887.6</b>	<b>(1,750.6)</b>	<b>(863.0)</b>

*Note 35 – Sensitivity Analysis*

<b>Change in assumptions at 31 March 2021</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%	160.8
1 year increase in member life expectancy	4%	70.0
0.5% increase in the Salary Increase Rate	0%	8.4
0.5% increase in the Pension Increase Rate	9%	149.6

*Note 36 – Explanation of Change in Net Pension Liability*

The Net Pension Liability has increased by £202.8m in 2020/21 (decreased by £265.5m in 2019/20).

Following the 2019 Triennial Valuation, the Employer's contributions for the period to 31 March 2021 are estimated to be approximately £31.6m. The deficit recovery period is 19 years. Contributions remained at 35.0% of pensionable pay in 2020/21. As at the date of the most recent valuation, the duration of Employer's funded liabilities is 19 years.

	Liability split (£m) as at 31 March 2021	Liability split (%) as at 31 March 2021
Active Members	522.8	30.7%
Deferred Members	568.2	33.4%
Pensioner Members	610.2	35.9%
Total Members	1,701.2	100%

*Note 37 – 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 2019. 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:

2019-20	Actuarial Assumptions:	2020-21
22.1	Longevity at 65 for current pensioners: Men	22.3
24.3	Women	24.7
23.0	Longevity at 65 for future pensioners: Men	23.5
25.5	Women	26.2
2.2%	Rate of increase in salaries	3.2%
1.9%	Rate of increase in pensions	2.9%
2.3%	Rate for discounting Scheme liabilities	2.0%
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%

Derivation of financial assumptions

Discount rate

The Accounting Standards state that the discount rate used to place a value on the obligations should be determined by reference to market yields on high quality corporate bonds at the reporting date. In addition, the currency and term of the high quality corporate bonds used to set the discount rate should be consistent with the currency and term of the obligations.

### Corporate bond yield curve

Government bond yield curves are updated and available on a daily basis from the Bank of England. It is therefore relatively easy to identify a spot yield on government bonds at any duration and at any date. Unfortunately, a similarly accessible corporate bond yield curve is not so readily available. We have adopted an approach to setting the discount rate whereby a “Hymans Robertson” corporate bond yield curve is constructed based on the constituents of the iBoxx AA corporate bond index. The complex construction details of the yield curve are beyond the scope of this report but further details are available on request if necessary.

### Weighted average duration

The discount rate should reflect the ‘term’ of the benefit obligation. We have interpreted ‘term’ to be the weighted average duration of the benefit obligation.

Our standard assumption setting approach relies upon the calculation of the weighted average duration for each employer. There are a number of different ways to calculate an employer’s duration and our default approach is to use the calculated duration figure on an accounting basis from the most recent actuarial valuation. This duration figure is then categorised as either short, medium or long and the employer is assigned the short, medium or long standard assumptions as below:

Weighted average duration at most recent actuarial valuation	Duration category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

### Retail Price Inflation (RPI)

This assumption is typically derived from yields available on fixed interest and index linked government bonds and should be consistent with the derivation of the discount rate. We use a market implied inflation curve over a range of maturities. Cashflow weighted single RPI rates are derived from the market implied inflation curve that recognise the weighted average duration of each corresponding duration category defined above.

The inflation assumption derivations have changed since the previous year’s Accounting Date as a result of RPI reform announcements.

Our RPI assumption allows for an Inflation Risk Premium (IRP) of 0bps pre-2030 and a post-2030 IRP of 30bps, giving an average IRP of 15bps over short durations; and 20bps over medium and long durations.

### Consumer Price Inflation (CPI) – Pension Increases

The pension increases assumption is set in line with our default Consumer Prices Index (CPI) assumption. As a market in CPI linked bonds does not exist, we need to estimate the long-term wedge between RPI and CPI to derive a CPI assumption for accounting purposes. Our estimate is based on analysis of past and emerging future trends in the gap between these indices.



Our CPI assumption allows for a wedge of 100bps pre-2030 and a wedge of 10bps post-2030 relative to RPI. The former reflects differences between RPI and CPI and the latter reflects differences between CPI and CPIH. The resulting average RPI/CPI gap is 0.50% over short durations, 0.45% over medium durations and 0.40% over long durations.

### Salary Increases

Our standard proposed assumption for salary growth is set relative to the derived CPI assumption at the Accounting Date using the same methodology as the Fund’s most recent funding valuation. Further details on the salary growth assumption can be found in the Fund’s formal valuation report.

### Proposed financial assumptions for the Accounting Date

The financial assumptions used to calculate the components of the pension expense (service cost and net interest) for the period to the Accounting Date were those from the beginning of the period (as set out in Section 2 of the Results Schedule) and have not been changed during the period. The standard proposed assumptions for disclosure of the funded status under the Accounting Standard as at the Accounting Date are summarised below.

Accounting Date – 31 March 2021	Weighted average duration at most recent Actuarial Valuation		
	Short	Medium	Long
	%p.a.	%p.a.	%p.a.
Discount Rate	1.95%	2.00%	2.05%
Retail Price Inflation (RPI)	3.35%	3.30%	3.20%
Consumer Price Inflation (CPI) – Pension Increase Rate	2.85%	2.85%	2.80%

### Demographic assumptions

#### Longevity - baseline

The baseline longevity assumption is based on analysis carried out by longevity experts Club Vita and will be consistent with the assumptions used at the Fund’s recent formal Funding valuation.

#### Longevity – future improvements

Our standard proposed assumption is for future longevity improvements to be in line with the latest Continuous Mortality Investigation (CMI) results, namely the CMI 2020 model with a 0% weighting of 2020 data, smoothing parameter  $S_k = 7$ , initial adjustment  $A_0 = 0.5$  and a long-term rate of 1.5% p.a. for both females and males.

### Other demographic assumptions

The other default demographic assumptions which we recommend are adopted (e.g. commutation, withdrawal, ill-health early retirements etc.) are the same as those used for the latest formal funding valuation. These other demographic assumptions were considered to be best estimate when assessed at the funding valuation. Full details of these assumptions are set out in the Fund's formal valuation report.

### Reasonableness of assumptions

There is a range of actuarial assumptions which are acceptable under the requirements of the Accounting Standard. We consider that the assumptions above are within the acceptable range and are thus consistent with the requirements of the Accounting Standard. Where we have been instructed by the Employer to use different assumptions, these are shown in the Results Schedule: it is possible that these fall outside the range which we consider to be acceptable, in which case we will have noted this on the Results Schedule.

### Sensitivity to assumptions

Under accounting guidance, employers are expected to disclose the sensitivity of the accounting valuation to key assumptions. Details of the effect on the obligations of changes to the key assumptions are displayed in the Sensitivity Analysis section of the Results Schedule.

The assumptions under the Accounting Standard are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries/deferred pension revaluation/pension increases in payment), can have a significant effect on the value of the obligations reported.

- A reduction in the net discount rate will increase the assessed value of obligations, as a higher value is placed on benefits paid in the future.
- A rise in the net discount rate will have an opposite effect of similar magnitude.

There is also uncertainty around life expectancy, and the value of current and future pension benefits will depend on how long pensions are assumed to be in payment. The disclosures have been prepared using the longevity assumptions stated in the Results Schedule. Using these longevity assumptions, average life expectancies at Whole Fund level (in years from age 65) are also stated in the Results Schedule.

Details of the effect on the obligations of changes to the above assumptions are displayed in the Results Schedule in the Sensitivity Analysis section.

### Risks and uncertainties in relation to the assumptions

There are risks and uncertainties associated with all assumptions that are adopted. The assumptions are in effect projections of future investment returns and demographic experience many years into the future; there is inevitably a great deal of uncertainty inherent in what constitutes 'best estimate' with such projections.

It is important to note that the Accounting Standard requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As such, the figures illustrated in the Results Schedule are unlikely to reflect either the actual eventual cost of providing the benefits or the likely level of cash contributions required to fund the Employer's obligations to the Fund.

A major risk to the Employer is that it determines assumptions that are more prudent (for example a lower net discount rate or higher longevity) than its peers, leading to a relatively poorer reported financial position. The Employer therefore needs to take into account both the requirement for a 'best estimate' set of assumptions and the commercial need not to overstate the pension obligations.

Conversely, there is also the risk that the Employer determines assumptions which are less prudent than its peers. Analysts and other users of the accounts may take a view that the Employer is understating its pension obligations if it uses weaker assumptions and this may have adverse consequences.

#### 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 2019. Funding levels are monitored on an annual basis.

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.

*Note 38 – Fair value of employers assets (bid value)*

Brent's share of the Pension Fund Assets as estimated within the statutory IAS 19 report is shown below: -

31-Mar-20				31-Mar-21				
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	%
				<b>Private Equity</b>				
0	36.3	36.3	5.0%	All	0	35.3	35.3	4.0%
				<b>Real Estate</b>				
0	0	0	0.0%	UK Property	0	0	0	0.0%
0.1	0	0.1	0.0%	Overseas Property	0	0	0	0.0%
				<b>Investment Funds &amp; Unit Trusts</b>				
388.2	0	388.2	53.7%	Equities	478.7	0	478.7	53.9%
92.9	0	92.9	12.8%	Bonds	120.1	0	120.1	13.5%
0	26.0	26.0	3.6%	Infrastructure	0	35.3	35.3	4.0%
139.4	0	139.4	19.3%	Other	176.7	0	176.7	19.9%
				<b>Cash and cash equivalents</b>				
40.5	0	40.5	5.6%	All	41.5	0	41.5	4.7%
<b>661.1</b>	<b>62.3</b>	<b>723.4</b>	<b>100.0%</b>	<b>Totals</b>	<b>817.0</b>	<b>70.6</b>	<b>887.6</b>	<b>100.0%</b>

## Housing Revenue Account

### Income and Expenditure Statement for the Year Ended 31 March 2021

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.

2019/20		2020/21
£m		£m
	<b>Income</b>	
(45.7)	Dwelling rents	(46.9)
(0.2)	Non-dwelling rents	(0.4)
(2.9)	Tenants charges for services and facilities	(3.0)
(1.7)	Contribution towards expenditure	(1.9)
(2.8)	Leaseholders charges for services and facilities	(2.6)
(2.3)	Other income	(1.7)
<b>(55.6)</b>	<b>Total Income</b>	<b>(56.5)</b>
	<b>Expenditure</b>	
12.1	Repairs and maintenance	15.0
12.0	Supervision and management	10.6
4.1	Special services	5.3
2.1	Rents, rates, taxes and others charges	2.3
7.8	Depreciation of non-current assets	8.1
0.1	Movement in the allowance for bad or doubtful debts	0.4
20.8	Impairments and revaluation losses to non-current assets	46.2
0.0	Exceptional items- water billing provision	7.2
<b>59.0</b>	<b>Total Expenditure</b>	<b>95.1</b>
<b>3.4</b>	<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	<b>38.5</b>
	<b>HRA share of the operating income and expenditure included in the Council's income and expenditure</b>	
4.2	Payment to capital receipts pool	1.5
(3.8)	(Gain) or loss on sale of HRA non-current assets	(3.3)
6.6	Interest payable and similar charges	6.8
0.1	Amortised payment and discount	0.2

(0.1)	Interest and investment income	(0.1)
<b>10.4</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>	<b>43.7</b>

2019/20	Movement on the HRA Statement	2020/21
£m		£m
(1.4)	<b>Housing Revenue Account balance brought forward</b>	(1.4)
10.4	(Surplus) or deficit on the provision of services	43.7
(13.1)	Adjustment between accounting basis and funding basis under regulations	(41.0)
<b>(2.7)</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>2.7</b>
2.7	Transfers to/(from) Earmarked Reserves	(2.7)
0.0	<b>(Increase) or decrease in year on the HRA</b>	<b>(0.0)</b>
<b>(1.4)</b>	<b>Balance as at 31 March carried forward</b>	<b>(1.4)</b>

**HRA adjustments between accounting basis and funding basis under regulations**

2019/20		2020/21
£m		£m
3.7	Gain or loss on sale of HRA non-current assets	3.3
7.3	Capital expenditure funded by HRA	2.8
0.3	Amortised payment and discount	0.2
(20.8)	Downward revaluation of non-current assets	(45.1)
(4.2)	Payments to the capital receipts pool	(1.5)
0.0	Pooled capital receipts -contribution to administration costs	0.0
0.0	Pension interest cost and expected return on pension costs	0.3
8.4	Transfers to major repairs reserve	8.2
(7.8)	Transfers to capital adjustment account	(8.2)
0.0	Revenue expenditure funded from capital under statute (REFCUS)	0.0
<b>(13.1)</b>	<b>Total adjustments between accounting basis and funding basis under Regulations</b>	<b>(40.0)</b>

## Notes to the Housing Revenue Account

### Note 1 – Housing Stock

The Council's stock of dwellings increased during the year from 7,794 to 7,912, a net increase of 118 dwellings. In addition to the units listed below, the Council also owns the freehold on 3,781 properties 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-2020	31-Mar-2021	Dwellings	
	Dwellings Units	Disposals	Additions	Units
Flats	5,731	(19)	123	5835
Houses	2,063	(7)	21	2077
<b>Total Dwellings Units</b>	<b>7,794</b>	<b>(26)</b>	<b>144</b>	<b>7,912</b>

### Note 2 – Rent Arrears

The level of service charge and rent arrears at 31st March 2021 was £4.6m. Movement on the arrears and related provisions are shown below.

31-Mar-2020		31-Mar-2021	
£m		£m	
4.8	Arrears from tenants	5.2	
6.6	Arrears from Right to Buy Leaseholders	7.0	
(7.2)	Provision	(7.6)	
<b>4.2</b>	<b>Total Arrears</b>	<b>4.6</b>	

Note 3 – Non-current Assets

2019/20		2020/21		
Total Non-Current Assets		Council Dwellings	Non-Dwellings	Total Non-Current Assets
£m		£m	£m	£m
<b>617.2</b>	<b>Opening Net Book Value at 1 April</b>	<b>618.5</b>	<b>15.1</b>	<b>633.6</b>
(17.5)	Revaluations	(11.9)	(0.2)	(12.1)
(0.2)	Impairment	(0.6)	0.0	(0.6)
33.8	Capital Expenditure	26.0	0.7	26.7
(1.7)	Disposals	(1.9)	(0.7)	(2.6)
(7.9)	Depreciation for the year	(7.9)	(0.2)	(8.1)
9.9	Other Movements	39.4	(0.6)	38.8
<b>633.6</b>	<b>Closing Net Book Value at 31 March</b>	<b>661.6</b>	<b>14.1</b>	<b>675.7</b>

The £39.4m other movements within Council Dwellings represents prior year's Assets Under Construction completed in this financial year, resulting in a movement from Asset Under Construction to Council Dwellings. Detail of all Assets Under Construction can be found in Note 1 Property, Plant and Equipment.

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 2021 was £2.680 billion (£2.470 billion at 31 March 2020). 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.

The £3.6m downward revaluation shown on the table above is the net movement of revaluation consisting of £40.9m upward revaluations to the Revaluation Reserve and £44.5m downward revaluation charged to the surplus/deficit on the provision of service. The Impairment and Revaluation losses to Non-current assets as stated on the HRA Income and Expenditure statement of £45.1m (2019/20: £20.8m) consist of the £44.5m downward revaluation and £0.6m impairment. The main reason for the £24.3m increase in revaluation loss to non-current asset compared to 2019/20 is due to more Assets Under Construction being completed in this financial year. In accordance to the beacon principle of revaluation for Council Dwellings, as set out in the Accounting policies, once Council Dwellings are completed they are valued at 25% of their Open Market Value (OMV). As per the table above £39.4m of assets were completed in 2020/21 compared to £9.9m in



2019/20, the application of downward revaluation such that these assets are valued at 25% of their OMV resulted in a downward revaluation of £29.6m and £7.4m respectively.

Note 4 – HRA Capital Receipts

2019/20		2020/21	
£m		£m	
(4.7)	Dwellings	(4.1)	
<b>(4.7)</b>	<b>Total Receipts</b>	<b>(4.1)</b>	

Note 5 – Net Interest Charged to the HRA

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

2019/20		2020/21	
£m		£m	
6.6	Interest on HRA mid-year Capital Financing Requirement	6.8	
<b>6.6</b>	<b>Total Interest</b>	<b>6.8</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.

2019/20		2020/21	
£m		£m	
0.0	Balance at beginning of the year	0.0	
(7.8)	Depreciation charge on HRA Assets	(8.2)	
(7.9)	Other transfers to/(from) HRA	(2.8)	
15.7	Reserve applied to fund the HRA capital programme	10.4	
<b>0.0</b>	<b>Balance at end of year</b>	<b>(0.6)</b>	

## Collection Fund

### Collection Fund Account for the Year ended 31 March 2021

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.

2019/20				2020/21		
Council Tax	Business Rates	Total Collection Fund		Council Tax	Business Rates	Total Collection Fund
£m	£m	£m		£m	£m	£m
			<b>Statutory collections</b>			
(152.1)	(123.5)	<b>(275.6)</b>	Income from Tax Payers	(158.5)	(64.8)	<b>(223.3)</b>
	(3.0)	<b>(3.0)</b>	Business Rates Supplement		(1.5)	<b>(1.5)</b>
	(1.3)	<b>(1.3)</b>	Transitional Relief	(2.3)	1.5	<b>(0.8)</b>
<b>(152.1)</b>	<b>(127.8)</b>	<b>(279.9)</b>	<b>Total Income</b>	<b>(160.8)</b>	<b>(64.8)</b>	<b>(225.6)</b>
			<b>Precepts, demands &amp; shares</b>			
122.0	62.4	<b>184.4</b>	LB Brent	128.1	38.3	<b>166.4</b>
31.0	35.1	<b>66.1</b>	GLA	32.4	47.2	<b>79.6</b>
	32.5	<b>32.5</b>	Central Government		42.1	<b>42.1</b>
	3.0	<b>3.0</b>	GLA - Business Rates Supplement		1.5	<b>1.5</b>
			<b>Share of surplus/(deficit)</b>			
0.8	3.3	<b>4.1</b>	LB Brent	0.0	(3.5)	<b>(3.5)</b>
0.2	0.7	<b>0.9</b>	GLA	0.0	(1.9)	<b>(1.9)</b>
	(2.0)	<b>(2.0)</b>	Central Government		(0.3)	<b>(0.3)</b>
			<b>Charges to the fund</b>			
0.5	(3.0)	<b>(2.5)</b>	Provisions for uncollectable amounts	1.8	28.2	<b>30.0</b>
0.0	0.0	<b>0.0</b>	Write offs/(Write backs)	7.4	0.0	<b>7.4</b>
	0.4	<b>0.4</b>	Cost of Collection Allowance		0.4	<b>0.4</b>

<b>154.5</b>	<b>132.4</b>	<b>286.9</b>	<b>Total Expenditure</b>	<b>169.7</b>	<b>152.0</b>	<b>321.7</b>
<b>2.4</b>	<b>4.6</b>	<b>7.0</b>	<b>(Surplus)/Deficit in year</b>	<b>8.9</b>	<b>87.2</b>	<b>96.1</b>

#### Movements on Balances

(3.6)	2.5	<b>(1.1)</b>	(Surplus)/Deficit brought forward	(1.2)	7.1	<b>5.9</b>
2.4	4.6	<b>7.0</b>	(Surplus)/Deficit in year	8.9	87.2	<b>96.1</b>
<b>(1.2)</b>	<b>7.1</b>	<b>5.9</b>	<b>(Surplus)/Deficit carried forward</b>	<b>7.7</b>	<b>94.3</b>	<b>102.0</b>

#### Allocation of Collection Fund Balances

(0.9)	4.2	<b>3.3</b>	LB Brent	6.1	28.6	<b>34.7</b>
(0.3)	2.3	<b>2.0</b>	GLA	1.6	34.7	<b>36.3</b>
	0.6	<b>0.6</b>	Central Government		31.0	<b>31.0</b>
<b>(1.2)</b>	<b>7.1</b>	<b>5.9</b>	<b>Total (Surplus)/Deficit</b>	<b>7.7</b>	<b>94.3</b>	<b>102.0</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. 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) to produce a standard Band D charge. For 2020/21 the standard Band D charge was £1,644.81 (£1,582.85 in 2019/20).

The standard Band D charge is multiplied by the proportion specified for each property to produce an individual amount due for every residential property.

Council Tax bills were based on the following proportions for Bands A to H, including the GLA share:

Proportion of Band D Charge		Number of Band D Equivalent properties
Band A	6/9	3,090
Band B	7/9	8,121
Band C	8/9	26,480
Band D	9/9	28,466
Band E	11/9	21,610
Band F	13/9	7,321
Band G	15/9	4,496
Band H	18/9	391

The total number of Band D equivalent properties is then multiplied by a percentage to allow for collection loss (97.63%) to give a tax base for budget setting purposes 97,605. When multiplied by the Band D charge the total budgeted income is £160.5m, of which £128.1m is attributable to Brent and £32.4m to the GLA.

#### *Note 2 – Non-Domestic Rate*

The total Non-Domestic Rateable Value for 2020/21 was £316.4m (£319.4m in 2019/20). The NDR Small Business Rate Multiplier for 2020/21 was £0.50 (£0.54 in 2019/20).

#### *Note 3 – Collection*

For Council Tax, 92.0% of the debit relating to the 2020/21 financial year had been collected by 31 March 2021. This is down from the 95.9% achieved in 2019/20. For Non Domestic Rates the in-year collection rate decreased from 98.23% to 87.3%.

## 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 Housing, Barham Park Trust, I4B and LGA Digital Services. First Wave Housing provide housing in Brent and is wholly owned by Brent Council. 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 Housing, 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

<b>Restated*</b>		<b>31-Mar</b>
<b>31-Mar</b>		<b>2021</b>
<b>2020</b>		<b>2021</b>
<b>£m</b>		<b>£m</b>
2,137.6	Property, Plant & Equipment	2,275.5
0.5	Heritage Assets	0.5
12.4	Investment Property	12.6
6.4	Intangible Assets	14.1
0.3	Long Term Investments	5.7
21.1	Long Term Debtors	30.0
<b>2,178.3</b>	<b>Long Term Assets</b>	<b>2,338.4</b>
0.0	Short Term Investments	0.9
0.0	Assets Held for Sale	0.0
159.1	Short Term Debtors	160.6
137.9	Cash and Cash Equivalents	146.7
<b>297.0</b>	<b>Current Assets</b>	<b>308.2</b>
(140.9)	Short Term Borrowing	(125.5)
(130.0)	Short Term Creditors	(129.1)
(8.3)	Grants Receipt in Advance- Revenue	(24.6)
(2.2)	Provisions	(2.2)
<b>(281.4)</b>	<b>Current Liabilities</b>	<b>(281.4)</b>
(29.5)	Long Term Creditors	(30.0)
(14.5)	Provisions	(37.9)
(462.1)	Long Term Borrowing	(537.6)
(675.2)	Other Long Term Liabilities	(875.1)
<b>(1,181.3)</b>	<b>Long Term Liabilities</b>	<b>(1,480.6)</b>
<b>1,002.6</b>	<b>Net Assets</b>	<b>886.4</b>
	<b>Reserves</b>	
(392.9)	Usable Reserves	(443.8)
(619.7)	Unusable Reserves	(440.8)
<b>(1,012.6)</b>	<b>Total Reserves</b>	<b>(884.8)</b>

\*The main statement has been restated for a prior period errors on I4B relating to stamp duty, refurbishment cost and accounting for borrowing as set out on page 102.

## Group Consolidated Income & Expenditure Statement

Restated 2019/20\*

2020/21

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
11.8	(2.2)	9.6	Assistant Chief Executive	13.8	(1.1)	12.7
20.1	(0.9)	19.2	Chief Executive Department	19.4	(1.3)	18.1
80.6	(30.2)	50.4	Children & Young People (GF)	85.1	(32.2)	52.9
233.8	(202.3)	31.5	Children & Young People (DSG)	211.9	(211.6)	0.3
235.0	(84.2)	150.8	Community Wellbeing (GF)	261.1	(96.4)	164.7
65.2	(59.2)	6.0	Community Wellbeing (HRA)	108.2	(63.6)	44.6
40.1	(19.3)	20.8	Customer & Digital Services	60.8	(30.7)	30.1
90.9	(48.1)	42.8	Regeneration & Environment	95.8	(36.3)	59.5
306.6	(358.5)	(51.9)	Central Items	271.5	(330.8)	(59.3)
<b>1,084.0</b>	<b>(804.8)</b>	<b>279.2</b>	<b>Cost of Services</b>	<b>1,138.1</b>	<b>(804.0)</b>	<b>334.1</b>
		3.2	Other operating expenditure			(3.5)
		43.3	Financing and investment income & expenditure			35.7
		(329.4)	Taxation and non-specific grant income			(344.5)
		<b>(3.7)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>21.8</b>
		(210.1)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(91.3)
		0.0	Deferred Tax Charge			3.3
		(288.6)	Actuarial (gains)/losses on pension assets and liabilities			194.2
		<b>(498.7)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>106.2</b>
		<b>(502.4)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>128.0</b>

*\*The main statement has been restated for a prior period errors on I4B relating to stamp duty, refurbishment cost and accounting for borrowing as set out on page 102.*



## Group Cashflow Statement

<b>Restated 2019/20*</b>		<b>2020/21</b>
<b>£m</b>		<b>£m</b>
3.7	Net surplus or (deficit) on the provision of services	(21.9)
29.4	Adjustments for non-cash movements	138.5
(76.9)	Adjustments for investing and financing activities	(55.9)
<b>(43.8)</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>	<b>60.7</b>
(10.6)	Net cash inflows/(outflow) from Investing activities	(105.8)
136.8	Net cash inflows/(outflow) from Financing activities	53.8
<b>82.4</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8.7</b>
55.6	Cash and cash equivalents at the beginning of the reporting period	138.0
<b>138.0</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>146.7</b>

*\*The main statement has been restated for a prior period errors on I4B relating to stamp duty, refurbishment cost and accounting for borrowing as set out on page 102.*

## Group Movement In Reserves

	General Fund Balance	School Balances	Earmarked Reserves General Fund	HRA Balance	Earmarked Reserves HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries, Associated and Joint Ventures	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Restated Balance as at 1 April 2020</b>	<b>(15.1)</b>	<b>(8.5)</b>	<b>(280.4)</b>	<b>(1.4)</b>	<b>(4.4)</b>	<b>(11.6)</b>	<b>0.0</b>	<b>(75.4)</b>	<b>(396.8)</b>	<b>(603.3)</b>	<b>(1,000.1)</b>	<b>(12.5)</b>	<b>(1,012.6)</b>
<b>Movement in reserves during 2020/21</b>													
(Surplus) or deficit on the provision of services	(32.6)	0.0	0.0	43.7	0.0	0.0	0.0	0.0	11.1	0.0	11.1	14.1	25.2
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	121.8	121.8	(18.9)	102.9
<b>Total comprehensive income &amp; expenditure</b>	<b>(32.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>43.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11.1</b>	<b>121.8</b>	<b>132.9</b>	<b>(4.8)</b>	<b>128.1</b>
Adjustments between accounting basis & funding basis under regulations	(35.1)	0.0	0.0	(41.0)	0.0	4.6	(0.6)	14.5	(57.6)	57.6	0.0	0.0	0.0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(67.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.7</b>	<b>0.0</b>	<b>4.6</b>	<b>(0.6)</b>	<b>14.5</b>	<b>(56.6)</b>	<b>179.4</b>	<b>132.9</b>	<b>(4.8)</b>	<b>128.1</b>
Transfers (to)/from earmarked reserves	67.7	(9.3)	(58.4)	(2.7)	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>(Increase)/decrease in 2020/21</b>	<b>0.0</b>	<b>(9.3)</b>	<b>(58.4)</b>	<b>0.0</b>	<b>2.7</b>	<b>4.6</b>	<b>(0.6)</b>	<b>14.5</b>	<b>(56.6)</b>	<b>179.4</b>	<b>132.9</b>	<b>(4.8)</b>	<b>128.1</b>
<b>Balance as at 31 March 2021</b>	<b>(15.1)</b>	<b>(17.8)</b>	<b>(338.8)</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>(7.0)</b>	<b>(0.6)</b>	<b>(60.9)</b>	<b>(443.4)</b>	<b>(423.9)</b>	<b>(867.2)</b>	<b>(17.3)</b>	<b>(884.5)</b>

Restated*	General Fund Balance	School Balances	Earmarked Reserves General Fund	HRA Balance	Earmarked Reserves HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries, Associated and Joint Ventures	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance as at 1 April 2019</b>	<b>(15.1)</b>	<b>(18.6)</b>	<b>(233.8)</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>(25.4)</b>	<b>0.0</b>	<b>(72.4)</b>	<b>(368.4)</b>	<b>(124.9)</b>	<b>(493.3)</b>	<b>(16.9)</b>	<b>(510.2)</b>
<b>Movement in reserves during 2019/20</b> (Surplus) or deficit on the provision of services	(20.1)	0.0	0.0	10.4	0.0	0.0	0.0	0.0	9.7	0.0	0.4	6.0	3.7
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(497.2)	(497.2)	(1.6)	(498.8)
<b>Total comprehensive income &amp; expenditure</b>	<b>(20.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>10.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.7</b>	<b>(497.2)</b>	<b>(506.9)</b>	<b>4.4</b>	<b>(502.5)</b>
Adjustments between accounting basis & funding basis under regulations	(16.4)	0.0	0.0	(13.2)	0.0	13.8	0.0	(3.0)	(18.8)	18.8	0.0	0.0	0.0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(36.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.8)</b>	<b>0.0</b>	<b>13.8</b>	<b>0.0</b>	<b>(3.0)</b>	<b>(28.5)</b>	<b>(478.4)</b>	<b>(506.9)</b>	<b>4.4</b>	<b>(502.5)</b>
Transfers (to)/from earmarked reserves	36.5	10.1	(46.6)	2.7	(2.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>(Increase)/decrease in 2019/20</b>	<b>0.0</b>	<b>10.1</b>	<b>(46.6)</b>	<b>(0.1)</b>	<b>(2.7)</b>	<b>13.8</b>	<b>0.0</b>	<b>(3.0)</b>	<b>(28.5)</b>	<b>(478.4)</b>	<b>(506.9)</b>	<b>4.4</b>	<b>(502.5)</b>
<b>Balance as at 31 March 2020</b>	<b>(15.1)</b>	<b>(8.5)</b>	<b>(280.4)</b>	<b>(1.5)</b>	<b>(4.4)</b>	<b>(11.6)</b>	<b>0.0</b>	<b>(75.4)</b>	<b>(396.9)</b>	<b>(603.3)</b>	<b>(1,002.2)</b>	<b>(12.5)</b>	<b>(1,012.7)</b>

\*The main statement has been restated for a prior period errors on I4B relating to stamp duty, refurbishment cost and accounting for borrowing as set out on page 102.

## 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.

### 2020/21 main adjustments

	Consolidated accounts £m	Brent Council £m	I4B £m	FwH £m	Barha m Park £m	LGA £m	Adjustments £m
Property, Plant & Equipment	2,275.5	2,075.6	54.9	37.5	0.9	0.0	106.6
Investment Property	12.6	0.0	108.5	12.6	0.0	0.0	(108.5)
Long Term Investments	5.7	76.3	0.0	0.0	0.0	0.0	(70.6)
Long Term Debtors	30.0	152.9	0.0	0.0	0.0	0.0	(122.9)
Short Term Debtors	160.6	165.7	1.0	2.0	0.5	0.1	(8.7)
Cash and Cash Equivalents	146.7	142.0	2.2	2.5	0.0	0.1	(0.1)
Short Term Creditors	(129.1)	(130.9)	(4.9)	(1.0)	0.0	(0.2)	7.9
Long Term Creditors	(30.0)	(26.9)	(2.2)	(0.9)	0.0	0.0	0.0
Long Term Borrowing	(443.8)	(443.4)	(1.1)	0.2	(1.4)	0.0	1.9
Usable Reserves	(440.8)	(423.9)	(32.4)	(16.9)	0.0	0.0	32.4
Unusable Reserves	44.6	38.6	(2.8)	10.4	0.0	0.0	(1.6)
Community Wellbeing (HRA)	35.7	30.9	3.7	1.1	0.0	0.0	0.0
Financing and investment income & expenditure	21.8	11.0	0.9	11.5	0.0	0.0	(1.6)
Taxation and non-specific grant income	(91.3)	(72.4)	(17.4)	(1.5)	0.0	0.0	0.0
(Surplus) or Deficit on Provision of Services	106.2	121.8	(14.1)	(1.5)	0.0	0.0	0.0
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(21.9)	(11.1)	(0.9)	(11.5)	0.0	0.0	1.6
Other Comprehensive Income and Expenditure	138.5	122.0	3.3	14.8	0.0	0.0	(1.6)
Net surplus or (deficit) on the provision of services	60.7	55.0	2.4	3.3	0.0	0.0	0.0
Adjustments for non-cash movements	(105.8)	(102.0)	(20.6)	0.0	0.0	0.0	16.8
Net cash inflows/(outflows) from Operating Activities	8.7	6.8	0.6	1.3	0.0	0.0	0.0
Net cash inflows/(outflow) from Investing activities	137.9	135.2	1.6	1.1	0.0	0.0	0.0
Net cash inflows/(outflow) from Financing activities	146.6	142.0	2.2	2.4	0.0	0.0	0.0
Net increase/(decrease) in cash and cash equivalents	2,275.5	2,075.6	54.9	37.5	0.9	0.0	106.6

Cash and cash equivalents at the beginning of the reporting period	12.6	0.0	108.5	12.6	0.0	0.0	(108.5)
Cash and cash equivalents at the end of the reporting period	5.7	76.3	0.0	0.0	0.0	0.0	(70.6)

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 (£108.5m) and £106.6m adjustments to Investment Property and Property, Plant and Equipment respectively. The small difference of £1.9m 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 £1.9m reduction in reserves.

Loans made by the Council to I4B and First Wave Housing have been removed from the group accounts, to remove transactions within the group. This has the effect of reducing long-term debtors by £122.9 and long term investments by £38.4m, this offsets long term borrowing for First Wave Housing and I4B. Long term investments are reduced by a further £32.4m to reflect the Council's quity stake in i4B, this reduces i4B reserves.

<b>2019/20 Restated</b>	<b>Brent</b>	<b>Firstwave</b>	<b>Barham Park</b>	<b>I4B</b>	<b>LGA</b>	<b>Adjustment</b>	<b>Group</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Property, Plant & Equipment	1,963.8	49.8	0.9	0.0	0.0	123.0	2,137.6
Investment Property	0.0	12.4	0.0	126.5	0.0	(126.5)	12.4
Long Term Investments	62.4	0.0	0.0	0.0	0.0	(62.1)	0.3
Long Term Debtors	132.3	0.0	0.0	0.0	0.0	(111.2)	21.1
Short Term Debtors	156.8	1.8	0.5	1.1	0.2	(1.3)	159.1
Cash and Cash Equivalents	135.2	1.1	0.0	1.6	0.8	(0.8)	137.9
Short Term Creditors	(125.0)	(1.5)	0.0	(4.0)	(1.0)	1.6	(129.9)
Long Term Creditors	(30.0)	0.0	0.0	0.0	0.0	0.5	(29.5)
Long Term Borrowing	(462.1)	(36.0)	0.0	(107.3)	0.0	143.3	(462.1)
Other Long Term Liabilities	(674.3)	(0.9)	0.0	0.0	0.0	0.0	(675.2)
Usable Reserves	(396.8)	(11.2)	(0.5)	12.1	0.0	3.5	(392.9)
Unusable Reserves	(603.3)	(15.5)	(0.9)	(30.0)	0.0	30.0	(619.7)
Community Wellbeing (GF)	152.6	(1.8)	(0.0)	0.0	0.0	0.0	150.8
Community Wellbeing (HRA)	3.4	0.0	0.0	(2.2)	0.0	4.8	6.0
Financing and investment income & expenditure	38.1	2.0	0.0	6.3	0.0	(3.2)	43.3
Taxation and non-specific grant income	(329.5)	0.1	0.0	0.0	0.0	0.0	(329.4)
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(208.5)	(1.6)	0.0	0.0	0.0	0.0	(210.1)
Net surplus or (deficit) on the provision of services	9.7	(0.3)	(0.0)	(4.1)	0.0	(1.6)	3.7
Adjustments for non-cash movements	22.5	2.2	0.0	3.1	0.0	1.6	29.4

Adjustments for investing and financing activities	(78.0)	(2.1)	0.0	3.1	0.0	0.0	(77.0)
Net cash inflows/(outflow) from Investing activities	(67.8)	(0.1)	0.0	(57.6)	0.0	114.9	(10.6)
Net cash inflows/(outflow) from Financing activities	195.6	(0.9)	0.0	57.0	0.0	(114.9)	136.8

### 2019/20 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 (£126.5m) and £123.0m adjustments to Investment Property and Property, Plant and Equipment respectively. The small difference of £3.5m 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 £3.5m reduction in reserves.

Loans made by the Council to I4B and First Wave Housing have been removed from the group accounts, to remove transactions within the group. This has the effect of reducing long-term borrowing and long-term debtors by £75.2m for I4B. And reducing long-term borrowing and long-term debtor by £36m for FWH. As the loan from the Council to I4B is a soft loan, long-term investments and long term borrowing is reduced by £32m to reflect the intra-group transactions for the soft loan. Equity for i4B of £30m is removed by reducing unusable reserves and long term investments.

### 2019/20 Restatement

The following items have been restated as more accurate information has been obtained following publication of the 2019/20 accounts.

Property values and short term debtors and creditors have been updated for I4B, with the consequent impacts on reserves and other statements as show below.

The 2019/20 I4B restatement relates to Stamp duty and refurbishments costs of £9.2m which have been written down from the balance sheet as they were overstating the fair value of the assets in the accounts. This has increased historic losses in I4B and reduced the value of fixed assets on the balance sheet and the balance on revenue reserve. This adjustment has been offset in 2020/21 through a net valuation uplift of £17.3m for the key worker block.

Treatment of the soft loan from the council to i4B has changed in i4B's accounts, as it has been reclassified from unusable reserves to long term borrowing although as this is removed because it is a transaction with the group it has no effect on the group accounts.

	I4B £m	Adjustment £m	Group £m
Property, Plant & Equipment	0.0	(7.3)	(7.2)
Investment Property	(9.0)	9.3	0.0
Short Term Debtors	0.2	0.0	0.2
Short Term Creditors	(1.0)	0.0	(1.0)
Usable Reserves	10.1	(2.0)	8.1
Community Wellbeing (HRA)	0.6	2.6	3.2
Financing and investment income & expenditure	3.2	(3.2)	0.0

Net surplus or (deficit) on the provision of services	(3.7)	0.6	(3.1)
Adjustments for non-cash movements	3.5	(0.6)	2.9
Net cash inflows/(outflow) from Investing activities	0.3	0.0	0.3

## 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	47
Secondary phase schools	2
Maintained Nursery Schools	4
Pupil Referral Units	2
Special Schools	1
	56

## Note 1 to the Group Accounts: Consolidated Plant Property and Equipment

Movements in 2020/21	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 2020</b>	<b>626.0</b>	<b>1,156.1</b>	<b>55.6</b>	<b>291.5</b>	<b>8.2</b>	<b>156.9</b>	<b>2,294.3</b>	<b>129.6</b>
Additions	26.0	72.2	0.9	28.0	0.0	28.2	155.3	0.9
Depreciation written out	(7.9)	(19.5)	0.0	0.0	0.0	0.0	(27.4)	(2.2)
Revaluation increases (decreases) in the Revaluation Reserve	33.8	47.8	0.0	0.0	6.1	0.0	87.7	6.1
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(45.7)	(13.7)	0.0	0.0	(4.3)	0.0	(63.7)	0.0
Derecognition - Disposals	(1.9)	(3.6)	0.0	0.0	0.0	(7.4)	(12.9)	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	39.4	(10.2)	0.0	0.1	0.2	(29.5)	0.0	0.0
<b>At 31 March 2021</b>	<b>669.7</b>	<b>1,229.1</b>	<b>56.5</b>	<b>319.6</b>	<b>10.2</b>	<b>148.2</b>	<b>2,433.3</b>	<b>134.4</b>

### Depreciation and Impairments

<b>At 1 April 2020</b>	<b>(7.5)</b>	<b>(28.3)</b>	<b>(36.3)</b>	<b>(84.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(156.8)</b>	<b>(8.9)</b>
Charge for 2020/21	(7.9)	(15.4)	(3.2)	(7.0)	0.0	0.0	(33.5)	(2.6)
Depreciation written out	7.9	19.0	0.0	0.0	0.0	0.0	26.9	2.2
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	(0.6)	6.2	0.0	0.0	0.0	0.0	5.6	0.0
Derecognition - Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2021</b>	<b>(8.1)</b>	<b>(18.5)</b>	<b>(39.5)</b>	<b>(91.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(157.8)</b>	<b>(9.3)</b>

### Balance Sheet Net Book Values (NBV)

<b>Balance Sheet NBV at 31 March 2021</b>	<b>661.6</b>	<b>1,210.6</b>	<b>17.0</b>	<b>228.0</b>	<b>10.2</b>	<b>148.2</b>	<b>2,275.5</b>	<b>125.1</b>
<b>Balance Sheet NBV at 1 April 2020</b>	<b>618.5</b>	<b>1,127.8</b>	<b>19.3</b>	<b>206.9</b>	<b>8.2</b>	<b>156.9</b>	<b>2,137.6</b>	<b>120.7</b>



<b>Movements in 2019/20</b>	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>VPF&amp;E</b>	<b>Infra-structure</b>	<b>Surplus Assets</b>	<b>Asset under Construction</b>	<b>Total</b>	<b>*PFI Assets</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>

#### **Cost or Valuation**

<b>At 1 April 2019</b>	<b>609.3</b>	<b>947.9</b>	<b>54.5</b>	<b>273.4</b>	<b>8.2</b>	<b>44.1</b>	<b>1,937.4</b>	<b>128.5</b>
Additions	33.7	45.1	1.1	18.1	0.1	123.8	<b>221.9</b>	0.9
Depreciation written out	(7.5)	(24.1)	0.0	0.0	0.0	0.0	<b>(31.6)</b>	(5.3)
Revaluation increases (decreases) in the Revaluation Reserve	3.0	207.3	0.0	0.0	(0.1)	0.0	<b>210.2</b>	2.8
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(20.8)	(20.8)	0.0	0.0	0.0	0.0	<b>(41.6)</b>	0.0
Derecognition - Disposals	(1.7)	(0.3)	0.0	0.0	0.0	(0.1)	<b>(2.1)</b>	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other movements in Cost or Valuations	10.0	1.9	0.0	0.0	0.0	(11.9)	<b>0.0</b>	0.0
<b>At 31 March 2020</b>	<b>626.0</b>	<b>1,157.0</b>	<b>55.6</b>	<b>291.5</b>	<b>8.2</b>	<b>155.9</b>	<b>2,294.2</b>	<b>126.9</b>

#### **Depreciation and Impairments**

<b>At 1 April 2019</b>	<b>(7.1)</b>	<b>(30.7)</b>	<b>(32.9)</b>	<b>(77.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>(148.6)</b>	<b>(14.1)</b>
Charge for 2019/20	(7.6)	(18.3)	(3.5)	(6.8)	0.0	0.0	<b>(36.2)</b>	(2.4)
Depreciation written out	7.4	23.9	0.1	0.1	0.0	0.0	<b>31.5</b>	5.3
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	(0.1)	0.0	0.0	0.0	0.0	<b>(0.1)</b>	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(0.1)	(3.2)	0.0	0.0	0.0	0.0	<b>(3.3)</b>	0.0
Derecognition - Disposals	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other Movements in Depreciation & Impairments	(0.1)	0.1	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
<b>At 31 March 2020</b>	<b>(7.5)</b>	<b>(28.3)</b>	<b>(36.3)</b>	<b>(84.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(156.7)</b>	<b>(11.2)</b>

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

<b>Balance Sheet NBV at 31 March 2020</b>	<b>618.5</b>	<b>1,128.8</b>	<b>19.3</b>	<b>206.9</b>	<b>8.2</b>	<b>155.9</b>	<b>2,137.6</b>	<b>115.7</b>
<b>Balance Sheet NBV at 1 April 2019</b>	<b>602.2</b>	<b>917.2</b>	<b>21.6</b>	<b>195.5</b>	<b>8.2</b>	<b>44.1</b>	<b>1,788.8</b>	<b>114.4</b>

## Note 2 to the Group Accounts: Investment Property

Investment Property	2019/20 £m	2020/21 £m
<b>Cost or Valuation</b>		
<b>At 1 April</b>	<b>12.3</b>	12.4
Additions	0.0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0.1	0.2
<b>At 31 March</b>	<b>12.4</b>	<b>12.6</b>

## Note 3 to the Group Accounts: Detailed Cashflow

2019/20 £m		2020/21 £m
33.3	Depreciation	32.1
41.6	Impairment and downward valuations	65.9
6.3	Revaluation of Investment Properties charged to the net surplus or deficit on the provision of services	(2.4)
0.7	Amortisation	1.1
(9.8)	Increase/(decrease) in creditors	24.6
(74.6)	(Increase)/decrease in debtors	(41.0)
23.1	Movement in pension liability	8.7
2.1	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	12.9
6.7	Other non-cash items charged to the net surplus or deficit on the provision of services	36.5
<b>29.4</b>		<b>138.4</b>

2019/20 £m		2020/21 £m
0.0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0.0
(6.0)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21.1)
(70.9)	Any other items for which the cash effects are investing or financing cash flows	(34.7)
<b>(76.9)</b>		<b>(55.8)</b>

2019/20 £m		2020/21 £m
<b>(53.9)</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>	<b>60.7</b>
2019/20 £m		2020/21 £m
(109.5)	Purchase of property, plant and equipment, investment property and intangible assets	(164.1)
(40.1)	Purchase of short-term and long-term investments	(14.4)
0.0	Other payments for investing activities	16.8
6.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20.1
61.0	Proceeds of sale of short and long term investments	0.0
72.0	Other receipts from investing activities	35.8
<b>(10.6)</b>		<b>(104.8)</b>
2019/20 £m		2020/21 £m
155.1	Cash receipts of short and long term borrowing	64.0
(2.9)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(2.3)
(15.4)	Repayments of short and long term borrowing	(7.9)
0.0	Other payments for financing activities	0.0
<b>136.8</b>		<b>53.8</b>
2019/20 £m		2020/21 £m
72.3	<b>Net increase/(decrease) in cash and cash equivalents</b>	8.7
55.6	Cash and cash equivalents at the beginning of the reporting period	137.9
<b>127.9</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>146.8</b>

**Note 4 to the Group Accounts: Audit fees**

Consolidated			2020/21	
2019/20			£'000	
£'000			£'000	
241	External audit services for in-year		296	
34	Fees for other services provided by external auditor for year (grants)		33	
<b>275</b>	<b>Total</b>		<b>329</b>	

## 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:



29 9 21

Councillor Vincent Lo

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BRENT

## Report on the Audit of the Financial Statements

### Opinion on financial statements

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 2021, 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 Group, the Group Movement in Reserves and notes to the financial statements, including a summary of significant accounting policies and Additional Reconciliations. 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 2020/21.

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 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to

the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

#### Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, our auditor's report thereon, 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 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 the 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 in April 2020 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 'delivering good governance in Local Government Framework 2016 Edition' 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 matters 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, the other information published together with the financial statements in the Statement of Accounts 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 in the Statement of Responsibilities [set out on page 117], 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 2020/21, 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 Authority's and the group'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 and the group 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.

#### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972 the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit and Standards Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and assessment of the risk of fraud in revenue and expenditure recognition. We determined that the principal risks were in relation to journals:
  - Using data analytics, we considered all journal entries for fraud and set specific criteria to identify the entries we considered to be high risk. Such criteria included journals with unusual values; journals

posted after the year end; journals with a material impact on the surplus/deficit for the year; and journals created by senior managers.

- Our audit procedures involved:
  - evaluating of the design effectiveness of management controls over journals;
  - analysing the journals listing to determine the criteria for selecting high risk unusual journals;
  - testing unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
  - gaining an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and
  - evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings valuations, council dwelling valuations, depreciation, the valuation of defined benefit net pension fund liabilities, provisions, income and expenditure accruals, PFI liabilities, credit loss and impairment allowances, and fair value estimates.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the local government sector;
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation;
    - guidance issued by CIPFA, LASAAC and SOLACE; and
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in respect of the above matter

### 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 issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in

our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

## 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 London Borough of Brent for the year ended 31 March 2021 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 2021.

We are satisfied that this work does not have a material effect on the financial statements.

### 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

29 September 2021

## 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 2021.

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 2021 and of its income and expenditure for the year then ended.



Minesh Patel

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.

### 1.3 Schools

The CIPFA Code of Practice on Local Authority Accounting confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code of Practice also stipulates that those schools’ assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore schools’ transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## 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 Government grants and contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

The authority has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital. However, a proportion of the charges may be used to fund revenue expenditure.

## **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 Non Domestic Rates (NDR)**

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 NDR 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 NDR transactions, Brent accounts only for the effects of timing differences between the collection of NDR 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 (i.e. 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. Currently this means that they are valued at 25% of their OMV and this is reflected in both the Council's accounts and the Housing Revenue Accounts
- 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.

Amortisation 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.

Where debtor balances for the collection fund are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in CIES. The impairment loss as measured as the difference between the carrying amount and the revised future cash flows.

For the Council's soft loans, the interest rate at which the fair value of the 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).

## 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 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.

Implementation of IFRS 16 Leases for Local Government has been delayed until 1<sup>st</sup> April 2022, as such there are no changes to current year's accounting policy.

From 2021/22 IFRS 16 removes the previous lease classifications of operating and finance leases for lessees, instead it requires that a lessee recognises right of use of asset with a corresponding lease liability representing the lesser obligation to make lease payments for the asset. Any lease that does not fit the right of use classification will be an operating lease.

For Lessors, the finance and operating lease classification have been retained and the provision for lessors are substantially unchanged, although there are some changes in relation to sale and lease back transactions and the accounting for the structure of sub-leases.

The Council has reviewed the impact of this change and concluded it is likely to be immaterial.

### **7.2.1 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.

### **7.3 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.

#### **7.4 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.

## **7.5 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 that 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:

- Property Plant and Equipment Valuations – COVID-19 continues to affect economies and real estates markets globally. While the property markets are mostly functioning again and therefore adequate market evidence exists for the Council’s external Valuer to base their opinions of value on. However, the Council recognises that the Stamp Duty holiday has been in place for the majority of the 2020/21 financial year which may have inflated the housing market. At the time of writing, according to the Land Registry House Price Index there was a gain of 8.9% in 2020/21 for Brent. If this gain was reversed in 2021/22 the HRA Council Dwellings and non-HRA Housing gross values would reduce by £55.4m and £22.6m respectively as per table below:

	Gross Value (£m)	Reverse 8.9% Housing price index gain (£m)	Difference (£m)
HRA Council Dwellings	678.2	622.8	(55.4)
Non-HRA Housing	276.7	254.1	(22.6)
Total	954.9	876.9	(78.0)

Nevertheless the Council's external surveyor's professional opinion is that for the majority of the Council's assets the valuation are not deemed as material valuation uncertainty.

While the external Valuer considers assets relating to retail and specific trading related assets (e.g. car parks) to be an exception, for which there is an absence of relevant/sufficient market evidence to base their judgement on. However, the gross carrying value of these assets only accounts for £4.1m or 0.2% of the Council's total £2.1bn property, plant and equipment value.

As such, the Council has made the judgement to use the Valuer's estimates as best available estimates of the values of the Council's assets as at 31st March 2021.

- Treatment of PFI arrangements – The Council has made judgements as to whether PFI contracts require to be accounted for on the Balance Sheet. These judgements are based on whether:
  - a) Brent controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and where
  - b) Brent– through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The Council is deemed to control the services provided under the following agreement and has significant residual interest through nomination rights at the end of the PFI term.

- 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 with Brent Co-Efficient Ltd, leaving the Council with a long term liability of £47m. The Contract is due to come an end in 2028/2029

The accounting policies for PFI schemes and similar contracts have been applied to this arrangement

## 6. Cash in Transit

For the opening of 2020/21, the Council discovered that a bank statement line in 2020/21 had been reconciled against 2019/20 transactions, but this had been excluded from the opening balance for cash in transit. This meant that the opening cash balance was overstated by a net amount of £10.1m. The Council has reviewed its bank reconciliation process and has made appropriate changes to ensure such events are unlikely to reoccur.

In order to correct this error, the Council has made an adjustment resulting in a £10.1m reduction in cash and a corresponding £10.1m additional expenditure, which has been met by a drawdown from earmarked reserves.

**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 9 and Note 18 – Contingent Liabilities respectively.

The Authority has allocated an additional impairment for doubtful debt due to the impact of COVID-19 where appropriate. This is in line with the Bank of England's expectation for consumer credit to be impaired by approximately 8% as a result of COVID-19, and similar to the increased provision for bad debt made by the Council under UK GAAP accounting rules following the last financial crash. The expectation is that payment performance for debts outstanding as at 31st March 2021 will be significantly worse than compared to same period 2019/20 by a variety of debtors such as commercial tenants and those due to repay housing benefit overpayments remain unable to clear their debts due to loss of jobs and business closures. In addition to this, the Council has taken the decision to temporarily stop enforcement actions for the collection of debts; and for some classifications of debt, such as commercial rents, payment holidays have been given. This is expected to impact future collection and has also informed the additional impairment of doubtful debt.

- Provisions have been made to account for potential reduction in the business rates income raised within the Collection Fund following appeals lodged by tax payers against the amount billed. The rateable value of appeals outstanding totals £63m over 500 cases. Provision totalling £15m has been calculated using the current success rates within the Borough and the value of reduction granted by the valuation office, including the backdating of decisions, in line with previous estimates. Additional provision of £4m has been made to account for further loss for material change in circumstance due to the impact of COVID-19 based on claims raised following the introduction of the Government's lockdown rules. Specialist external consultants were commissioned advice on the overall level of provision required. These estimates may change in future if the success rate of appeals changes or the recovery from COVID-19 is quicker or slower than currently expected. Brent's share of the provision, totalling £5.7m, is held on the Council's balance sheet.
- Financial Assets– The Council has issued loans to I4B Holdings Ltd and First Wave Housing Ltd which are recognised as soft loans. The Council has made an estimation of the market rate calculation using EU methodology for setting reference and discount rates. Due to the subjective nature of identifying a reference rate, any changes to this methodology will change the investment and loan balance proportions. The market loan reference rate were to vary by 1.8% to result in a significant shift between the investment and long-term debtor balance.
- Expected Credit Loss – Upon initial recognition of the asset, the Council is required to calculate a loss allowance which represents the weighted average of possible credit loss default events likely to occur in the next 12 months. The Council's calculations are based on historic trends and performance to make a judgement on the likelihood of these events. A review of the counterparties has indicated that they remain low risk and the possible credit loss default events likely to occur in the next 12 months is not significant. Any significant increase to the credit risk of a counterparty would require the Council to calculate a lifetime credit loss which recognises the expected credit loss that results from all the possible default events over the expected life of the instrument. A recognition of a lifetime credit loss to any of the financial instruments would result in a significant change to the provision required.
- Fair Value Estimates – Fair values of the Council's loans and investments are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions from our Treasury Management Advisors. The financial markets have been volatile over the last year which may have distorted market prices in the short term and require an change to the fair values of the assets and liabilities. A small shift in the discount rate used to calculate the fair values of the financial instruments would result in a significant change to the disclosures in the accounts.



- Pension Liability – 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. There are risks and uncertainties associated with whatever assumptions are adopted. The assumptions are in effect projections of future investment returns and demographic experience many years into the future therefore there is a great deal of uncertainty.

The changes in key assumptions used in the 2019/20 and 2020/21 financial years, and their estimated impact are as follows:

Change in 2019/20	Estimated impact on the pension liability (£m)		Change in 2020/21	Estimated impact on the pension liability (£m)
(0.6%)	(205.2)	Inflation/pensions increase rate	0.95%	324.9
(0.6%)	(12)	Salary increase rate	0.95%	19
(0.1%)	(37)	Discount rate	(0.3%)	(111)
		Longevity:		
(0.2 years)	(2)	Current pensioners (Male)	0.2 years	2
(0.2 years)	(2)	Current pensioners (Female)	0.4 years	4
(1.1 years)	(11)	Future pensioners (Male)	0.5 years	5
(0.9 years)	(6)	Future pensioners (Female)	0.7 years	7

## 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 2020/21 Code which are likely to have a material effect on the accounts.

#### **4. Significant changes in accounting policy introduced in 2020/21**

There have been no significant changes to the Code introduced in 2020/21.

#### **5. Events after the reporting period**

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## Additional Reconciliations

### Nature of Income and Expenditure

2019/20		2020/21
£m		£m
<b>Gross Expenditure</b>		
76.5	Depreciation & Impairment Losses	84.3
284.7	Employee Expenses	279.6
73.5	Premises Related Expenditure	80.0
148.6	Supplies and Services	180.6
(0.7)	Support Services	1.7
159.6	Third Party Payments	165.8
314.7	Transfer Payments	307.3
27.4	Transport Related Expenditure	24.3
<b>1,084.3</b>	<b>Total Gross Expenditure</b>	<b>1,123.6</b>
<b>Gross Income</b>		
(186.0)	Customer and Client Receipts	(182)
(571.4)	Government Grants	(581.4)
(38.4)	Other Grants, Reimbursements & Contributions	(32.0)
<b>(795.8)</b>	<b>Total Gross Income</b>	<b>(795.4)</b>
<b>288.5</b>	<b>Net Cost of Services</b>	<b>328.2</b>
<b>Other Income &amp; Expenditure</b>		
38.2	Financing and Investment Income & Expenditure	30.9
3.2	Other Operating Expenditure	(3.5)
(329.5)	Taxation & non-specific grant income	(344.5)
<b>(288.1)</b>	<b>Total Other Income &amp; Expenditure</b>	<b>(317.1)</b>
<b>0.4</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>11.1</b>

## Movements in Reserves Detail

This table shows the detailed movements across the Council's total equity fund during the year split between Usable and Unusable Reserves, as summarised in the Movement in Reserves Statement on page 23.

	Usable reserves (£m)						Unusable reserves (£m)									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	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED	COLLECTION FUND ADJUSTMENT ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT		
Charges for depreciation and impairment of non-current assets	(23.4)	(8.7)	0.0	0.0	0.0	0.0	7.1	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Revaluation losses on Property Plant and Equipment	(5.6)	(45.6)	0.0	0.0	0.0	0.0	0.0	51.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Movements in the market value of Investment Properties	(1.1)	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Amortisation of intangible assets	(7.2)	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Revenue expenditure funded from capital under statute	(10.2)	(1.9)	0.0	0.0	0.0	0.0	1.0	11.1	0.0	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	10.3	0.0	0.0	0.0	0.0	0.0	0.0	(10.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Statutory provision for the financing of capital investment	21.9	0.0	0.0	0.0	0.0	0.0	0.0	(21.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Capital expenditure charged against the General Fund and HRA balances	13.2	0.0	0.0	0.0	(13.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

	Usable reserves (£m)						Unusable reserves (£m)								
	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	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED	COLLECTION FUND ADJUSTMENT ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT	Total
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0.0	0.0	0.0	0.0	27.7	0.0	0.0	(27.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	14.9	5.3	0.0	(5.4)	0.0	0.0	0.0	0.0	(14.8)	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	0.0	0.0	0.0	8.5	0.0	0.0	0.0	(8.5)	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	(0.1)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.0	(1.5)	0.0	1.5	0.0	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	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
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	0.0
Reversal of Major Repairs Allowance credited to the HRA	0.0	11.0	0.0	0.0	0.0	(11.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Usable reserves (£m)						Unusable reserves (£m)								
	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	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED	COLLECTION FUND ADJUSTMENT ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT	Total
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	10.4	0.0	(10.4)	0.0	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	0.7	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	0.0	0.0	0.0	0.0	(0.0)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51.8)	(1.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	53.2	0.0	0.0	0.0	0.0
Employer's pensions contributions and direct payments to pensioners payable in the year	42.9	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(44.6)	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	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(2.3)	0.0	0.0	0.0

	Usable reserves (£m)						Unusable reserves (£m)								
	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	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED	COLLECTION FUND ADJUSTMENT ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT	Total
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	(31.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.5	0.0
Surplus or deficit on revaluation of Property, Plant and Equipment assets	(10.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.5	0.0	0.0
Actuarial gains/losses on pension assets and liabilities	0.0	0.0	0.0	0.0	0.0	0.0	(72.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(72.4)
Statutory transfer of Dedicated Schools Grant deficit to Dedicated Schools Grant Adjustment Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	194.2	0.0	0.0	0.0	194.2
Earmarked reserve transfers	67.7	(2.7)	(65.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Surplus) or deficit on the provision of services	(32.6)	43.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.1
Opening balance 2020/21	(15.1)	(1.4)	(293.1)	(11.7)	(75.5)	0.0	(591.4)	(694.7)	(3.2)	16.2	660.2	6.4	3.2	0.0	(1,000.1)
Closing balance 2020/21	(15.1)	(1.4)	(358.1)	(7.0)	(61.0)	(0.6)	(655.7)	(677.9)	(18.0)	15.3	863.0	4.1	13.7	31.5	(867.2)

# Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2021

2019/20		Notes	2020/21
£m			£m
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(60.0)	Contributions	7	(60.9)
(5.2)	Transfers in from other pension funds	8	(5.9)
<b>(65.2)</b>			<b>(66.8)</b>
47.9	Benefits	9	42.3
6.2	Payments to and on account of leavers	10	5.3
<b>54.2</b>			<b>47.6</b>
<b>(11.1)</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>(19.2)</b>
3.8	Management expenses	11	4.2
<b>(7.3)</b>	<b>Net (additions)/withdrawals including management expenses</b>		<b>(15.0)</b>
	<b>Returns on investments</b>		
(1.2)	Investment income	12	(0.7)
0.0	Taxes on income	13	0.0
34.1	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(176.1)



32.9	Net return on investments	(176.8)
25.6	Net (increase)/decrease in the net assets available for benefits during the year	(191.8)
(864.6)	Opening net assets of the scheme	(839.0)
(839.0)	Closing net assets of the scheme	(1,030.7)

## Net Assets Statement

31 March 2020		Notes	31 March 2021
£m			£m
835.3	Investment assets	14	1,032.3
<b>835.3</b>			<b>1,032.3</b>
4.0	Current assets	20	1.5
0.0	Non-current assets	20	0.0
(0.4)	Current liabilities	21	(3.1)
<b>839.0</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>1,030.7</b>

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2021 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 18.



## 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 41 employer organisations with active members within the Brent Pension Fund at 31 March 2021, listed below:

#### **Scheduled bodies**

London Borough of Brent

Alperton Community School

ARK Academy

ARK Elvin Academy

ARK Franklin Academy  
Braintcroft Primary School  
Capital City Academy  
Claremont High School Academy  
Compass Learning Partnership  
Convent of Jesus & Mary Language College  
Crest Academy  
Furness Primary School  
Gladstone Park Primary School  
Kingsbury High School  
Manor School  
Michaela Community School

North West London Jewish Day School  
Oakington Manor Primary School  
Our Lady of Grace RC Infants School  
Our Lady of Grace RC Juniors School  
Preston Manor High School  
Queens Park Community School  
St Andrews and St Francis School  
St Gregory's RC High School  
St Margaret Clitherow School  
Sudbury Primary School  
The Village School  
Wembley High Technology College  
Woodfield School Academy

**Admitted bodies**

Apleona HSG Limited (previously Bilfinger Europa Facility Management Limited)  
Barnardos  
Caterlink  
Conway Aecom  
Edwards and Blake  
Local Employment Access Project (LEAP)  
National Autistic Society (NAS)  
Ricoh UK  
Sudbury Neighbourhood Centre  
Taylor Shaw  
Veolia  
Veolia (Ground Maintenance)

31 March 2020 Brent Pension Fund

31 March 2021

40 Number of employers with active members 41

**Number of employees in scheme**

5,239 Brent Council 4,457

1,834 Other employers 1,928

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**7,073 Total 6,385**

**Number of pensioners**

6,320 Brent Council 6,157

666 Other employers 703

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**6,986 Total 6,860**

**Deferred pensioners**

6,975 Brent Council 7,025

935 Other employers 1,163

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**7,910 Total 8,188**

**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 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2020/21, the most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% 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 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 18 of these accounts.

## *3. Summary of significant accounting policies*

### **Fund Account – revenue recognition**

#### **a) Contribution income**

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

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

#### **b) Transfers to and from other schemes**

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



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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section o 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 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 24.

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 18).

**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 accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 21).

#### *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 2021 was £81m (£84m at 31 March 2020).



## Pension fund liability

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

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

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

The items in the Net Assets Statement at 31 March 2021 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
<b>Actuarial present value of promised retirement benefits (Note 18)</b>	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 £185m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £10m, and a one-year increase in assumed life expectancy would increase the liability by around 3 to 5%.
<b>Private equity/infrastructure</b>	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 £81m. There is a risk that this investment may be under- or overstated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
Effect of Coronavirus pandemic on investment valuations	Due to the uncertainties in the financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation of the Fund's level 3 investments may be affected and the valuations may be mis-stated. The Fund's private equity and infrastructure investments are usually valued in the accounts based on the 31st December valuations, with adjustments to roll forward cashflows to 31st March as appropriate and therefore do not fully take into account recent events relating to the Covid-19 pandemic.	There is a risk that this investment may be under- or overstated in the accounts. The Fund's investment advisors estimate this to be up +/- 27.1% of the reported value. Further detail is provided in note 16.

## 6. Events after the Reporting Date

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

### By category

	2019/20	2020/21
	£m	£m
Employees' contributions	8.5	9.5
Employers' contributions:		
Normal contributions	45.5	47.5
Deficit recovery contributions	1.7	1.7
Augmentation contributions	4.3	2.3
Total employers' contributions	51.5	51.5
<b>Total</b>	<b>60.0</b>	<b>61.0</b>

### By authority

	2019/20	2020/21
	£m	£m
Administering Authority	47.9	47.9
Scheduled bodies	10.3	11.6

Admitted bodies	1.8	1.5
<b>Total</b>	<b>60.0</b>	<b>61.0</b>

8. *Transfers in from other pension funds*

	2019/20	2020/21
	£m	£m
Individual transfers	5.2	5.9
<b>Total</b>	<b>5.2</b>	<b>5.9</b>

9. *Benefits payable*

**By category**

	2019/20	2020/21
	£m	£m
Pensions	38.6	37.5
Commutation and lump sum retirement benefits	8.5	4.1
Lump sum death benefits	0.8	0.7
<b>Total</b>	<b>47.9</b>	<b>42.3</b>

**By authority**

	2019/20	2020/21
	£m	£m
Administering Authority and Scheduled bodies	47.4	42.1
Admitted bodies	0.5	0.2
<b>Total</b>	<b>47.9</b>	<b>42.3</b>

10. *Payments to and on account of leavers*

	2019/20	2020/21
	£m	£m
Individual transfers	5.9	5.0
Refunds to members leaving service	0.3	0.3

Group transfers	0.0	0.0
<b>Total</b>	<b>6.2</b>	<b>5.3</b>

### 11. Management Expenses

	2019/20	2020/21
	£m	£m
Administration costs	1.1	1.8
Investment management expenses	2.4	2.2
Oversight and Governance costs	0.3	0.2
Other expenses	0.0	0.0
<b>Total</b>	<b>3.8</b>	<b>4.2</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 £32.8k (£25k 2019/20).

#### a) Investment management expenses

	2019/20	2020/21
	£m	£m
Management fees	2.3	2.1
Custody fees	0.0	0.1
One-off transaction costs	0.0	0.0
<b>Total</b>	<b>2.3</b>	<b>2.2</b>

Fund Manager	2020/21	Management fees	Custody fees	One-off
	Total			transaction costs
	£m	£m	£m	£m
Aviva	0.0	0.0	0.0	0.0
Alinda	0.3	0.3	0.0	0.0
Capital Dynamics	0.5	0.5	0.0	0.0

LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Ruffer	0.4	0.4	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
<b>Total</b>	<b>2.2</b>	<b>2.1</b>	<b>0.1</b>	<b>0.0</b>

<b>Fund Manager</b>	<b>2019/20 Total</b>	<b>Management fees</b>	<b>Custody fees</b>	<b>One-off transaction costs</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Aviva	0.0	0.0	0.0	0.0
Alinda	0.6	0.6	0.0	0.0
Capital Dynamics	0.6	0.6	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV Emerging Markets	0.1	0.1	0.0	0.0
LCIV Baillie Gifford DGF	0.3	0.3	0.0	0.0
LCIV Ruffer	0.4	0.4	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.0	0.0	0.0	0.0
Cash	0.1	0.0	0.1	0.0
<b>Total</b>	<b>2.3</b>	<b>2.2</b>	<b>0.1</b>	<b>0.0</b>

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability (see Appendix A, paragraph AG13 of IAS 39). An incremental cost is one that would not have been incurred if the authority had not acquired, issued or disposed of the financial instrument.

## 12. Investment income

	2019/20	2020/21
	£m	£m
Dividend income private equities/infrastructure	0.5	0.4
Income from Pooled property investments	0.1	0.0
Income from private equities/infrastructure	0.3	0.2
Interest on cash deposits	0.3	0.1
<b>Total</b>	<b>1.2</b>	<b>0.7</b>

## 13. Investments

	Market value 31 March 2020	Market value 31 March 2021
	£m	£m
<b>Investment assets</b>		
Pooled investments	697.0	897.4
Pooled property investments	0.1	0.0
Private equity/infrastructure	84.3	81.1
<b>Total investments</b>	<b>781.4</b>	<b>978.5</b>

### 13a) Investments 20/21

	Market value 1 April 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2021
	£m	£m	£m	£m	£m
Pooled investments	697.0	68.0	(57.3)	189.7	897.4
Pooled property investments	0.1	0.0	0.0	(0.2)	0.0
Private equity/infrastructure	84.3	19.2	(9.0)	(13.4)	81.1
	<b>781.4</b>	<b>87.2</b>	<b>(66.3)</b>	<b>176.1</b>	<b>978.5</b>
Other investment balances: Cash Deposit	53.9				53.8
Investment income due	0.0				0.0
<b>Net investment assets</b>	<b>835.3</b>				<b>1,032.3</b>

### Investments 19/20

	Market value 1 April 2019	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2020
	£m	£m	£m	£m	£m
Pooled investments	737.7	0.0	(1.2)	(39.5)	697.0
Pooled property investments	0.2	0.0	(3.3)	3.2	0.1
Private equity/infrastructure	95.0	3.2	(16.1)	2.2	84.3
	<b>832.9</b>	<b>3.2</b>	<b>(20.6)</b>	<b>(34.1)</b>	<b>781.4</b>
Other investment balances: Cash Deposit	23.5				53.9
Investment income due	0.0				0.0
<b>Net investment assets</b>	<b>856.4</b>				<b>835.3</b>





**13b) Analysis of investments by category**

	31 March 2020	31 March 2021
	£m	£m
<b>Pooled funds - additional analysis</b>		
<b>UK</b>		
Fixed income unit trust	30.6	42.8
Unit trusts	212.1	191.9
Diversified growth funds	160.9	221.5
<b>Overseas</b>		
Unit trusts	293.4	441.2
<b>Total Pooled funds</b>	<b>697.0</b>	<b>897.4</b>
<b>Pooled property investments</b>	<b>0.1</b>	<b>0.0</b>
<b>Private equity/infrastructure</b>	<b>84.3</b>	<b>81.1</b>
<b>Total investments</b>	<b>781.4</b>	<b>978.5</b>

**13c) Investments analysed by fund manager**

Market value					
31 March 2020			31 March 2021		
£m	%		£m	%	
387.5	49.6%	Legal & General	501.1	51.2%	
0.2	0.0%	London CIV	0.2	0.0%	
25.2	3.2%	JP Morgan	48.8	5.0%	
59.2	7.6%	Capital Dynamics	46.2	4.7%	

110.8	14.2%	LCIV - Baillie Gifford	130.7	13.4%
50.1	6.4%	LCIV - Ruffer	90.8	9.3%
30.6	3.9%	LCIV- MAC (CQS)	42.8	4.4%
0.5	0.1%	LCIV - Infrastructure	11.8	1.2%
0.1	0.0%	Aviva	0.0	0.0%
24.6	3.1%	Alinda	23.1	2.4%
92.6	11.9%	Blackrock	83.0	8.5%
<b>781.4</b>	<b>100.0</b>		<b>978.5</b>	<b>100.0</b>

The following investments represent over 5% of the net assets of the fund. All of these companies are registered in the United Kingdom.

<b>Security</b>	<b>Market value 31 March 2020</b>	<b>% of total fund</b>	<b>Market value 31 March 2021</b>	<b>% of total fund</b>
L&G - Global Equities	293.4	35.1%	441.2	42.7%
L&G - UK Equities	94.1	11.3%	59.9	5.8%
Blackrock - Over 15 year Gilts	92.6	11.1%	83	8.0%
LCIV - Baillie Gifford DGF	110.8	13.3%	130.7	12.7%
LCIV - Ruffer DGF	50.1	6.0%	90.8	8.8%
Cash	53.9	6.5%	53.8	5.2%

#### d) Stock lending

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

#### *14a. 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

### 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 2021.

	Assessed valuation range (+/-)	Value at 31 March 2021	Value on increase	Value of decrease
		£m	£m	£m
Private equity/ Infrastructure	27.1%	81.1	103.0	59.2

#### 14b. 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 mark 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.

	<b>Quoted market price</b>	<b>Using observable inputs</b>	<b>With significant unobservable inputs</b>	
<b>Values at 31 March 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	0.0	897.4	81.1	978.5
Loans and receivables	53.8	0.0	0.0	53.8

<b>Total Financial assets</b>	<b>53.8</b>	<b>897.4</b>	<b>81.1</b>	<b>1,032.3</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(3.1)	0.0	0.0	(3.1)
<b>Total Financial liabilities</b>	<b>(3.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.1)</b>
<b>Net Financial assets</b>	<b>50.7</b>	<b>897.4</b>	<b>81.1</b>	<b>1,029.2</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	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	697.1	84.3	781.4
Loans and receivables	53.9	0.0	0.0	53.9
<b>Total Financial assets</b>	<b>53.9</b>	<b>697.1</b>	<b>84.3</b>	<b>835.3</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(0.4)	0.0	0.0	(0.4)
<b>Total Financial liabilities</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.4)</b>
<b>Net Financial assets</b>	<b>53.5</b>	<b>697.1</b>	<b>84.3</b>	<b>834.9</b>

#### 14c. Transfers between Levels 1 and 2

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

#### 14d. Reconciliation of Fair Value Measurements within Level 3

	£m
<b>Value at 31 March 2020</b>	84.3
Transfers into Level 3	0
Transfers out of Level 3	0
Purchases	19.2



Sales	(9.0)
Issues	0
Settlements	0
Unrealised gains/losses	0
Realised gains/losses	(13.4)
<b>Value at 31 March 2021</b>	<b>81.1</b>

## 15. 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.

Fair value through profit and loss	31 March 2020			31 March 2021		
	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>			
697.0			Pooled investments	897.4		
0.1			Pooled property investments	0.0		
84.3			Private equity/infrastructure	81.1		
	53.9		Cash		53.8	
	4.0		Debtors		1.5	
<b>781.4</b>	<b>57.9</b>	<b>0.0</b>	<b>Total Financial assets</b>	<b>978.5</b>	<b>55.3</b>	<b>0.0</b>
			<b>Financial liabilities</b>			
		(0.4)	Creditors			(3.1)
<b>0</b>	<b>0</b>	<b>(0.4)</b>	<b>Total Financial liabilities</b>	<b>0</b>	<b>0</b>	<b>(3.1)</b>
<b>781.4</b>	<b>57.9</b>	<b>(0.4)</b>	<b>Net Financial assets</b>	<b>978.5</b>	<b>55.3</b>	<b>(3.1)</b>

a) Net gains and losses on financial instruments

31 March 2020

31 March 2021

<b>£m</b>		<b>£m</b>
	<b>Financial assets</b>	
<b>(34.1)</b>	Fair value through profit and loss	176.1
<hr/>		
<b>(34.1)</b>	<b>Total</b>	<b>176.1</b>
<hr/>		

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 2020		31 March 2021		
Carrying Value	Fair Value		Carrying Value	Fair Value
£'000	£'000		£'000	£'000
<b>Financial assets</b>				
		Fair value through		
781.4	781.4	profit and loss	978.5	978.5
57.9	57.9	Loans and receivables	55.3	55.3
<b>839.3</b>	<b>839.3</b>	<b>Total financial assets</b>	<b>1,033.8</b>	<b>1,033.8</b>
<b>Financial liabilities</b>				
		Financial liabilities at		
(0.4)	(0.4)	amortised cost	(3.1)	(3.1)
<b>(0.4)</b>	<b>(0.4)</b>	<b>Total financial liabilities</b>	<b>(3.1)</b>	<b>(3.1)</b>

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

#### 16. 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 2020/21 reporting period. (Based on data as at 31 March 2021 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. Some of these sensitivities have risen significantly compared to last year. This reflects the prevailing volatility in the markets since the global outbreak of coronavirus. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

### **Other price risk – sensitivity analysis**

<b>Asset Type</b>	<b>31/03/2021 Value (£m)</b>	<b>Potential market movements (+/-)</b>
Bonds	125.8	7.3%
Equities	550.1	17.9%
Other Pooled investments	221.5	11.4%
Pooled Property investments	0	15.0%
Private Equity/Infrastructure	81.1	27.1%

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>31/03/2021 Value</b>	<b>Potential value on increase</b>	<b>Potential value on decrease</b>
Bonds	125.8	135.0	116.6
Equities	550.1	648.6	451.6
Other Pooled investments	221.5	246.8	196.2
Pooled Property investments	0.0	0.0	0.0
Private Equity/Infrastructure	81.1	103.0	59.2
<b>Total</b>	<b>978.5</b>	<b>1,133.4</b>	<b>823.6</b>

#### Interest rate risk exposure asset type

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 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£m</b>	<b>£m</b>
Cash balances	53.9	53.8
UK Fixed income unit trust	30.6	42.8



<b>Total</b>	<b>84.5</b>	<b>96.6</b>
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<b>Asset type</b>	<b>Carrying amount as at 31 March 2021</b>	<b>+100BPS</b>	<b>-100BPS</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash balances	53.8	0.5	(0.5)
UK Fixed income unit trust	42.8	0.4	(0.4)
<b>Total</b>	<b>96.6</b>	<b>1.0</b>	<b>(0.9)</b>

Asset type	Carrying amount as at 31 March 2020	+100BPS	-100BPS
	£m	£m	£m
Cash balances	53.9	0.5	(0.5)
UK Fixed income unit trust	30.6	0.3	(0.3)
<b>Total</b>	<b>84.5</b>	<b>0.8</b>	<b>(0.8)</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 2021 and as at the previous period end:

Currency risk exposure – asset type	Asset value at 31 March 2020	Asset value at 31 March 2021
	£m	£m
Overseas unit trusts	293.4	441.2
Overseas pooled property investments	0.1	0.0
Overseas private equity/infrastructure	84.3	81.1
<b>Total overseas assets</b>	<b>377.8</b>	<b>522.3</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:

Assets exposed to currency rate risk	Asset value as at	+1%	-1%
	31 March 2021		
	£m	£m	£m
Overseas unit trusts	441.2	4.4	(4.4)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure	81.1	0.8	(0.8)
<b>Total</b>	<b>522.3</b>	<b>5.2</b>	<b>(5.2)</b>

Assets exposed to currency rate risk	Asset value as at	+1%	-1%
	31 March 2020		
	£m	£m	£m
Overseas unit trusts	293.4	2.9	(2.9)
Overseas pooled property investments	0.1	0.0	(0.0)
Overseas private equity/infrastructure	84.3	0.8	(0.8)
<b>Total</b>	<b>377.8</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 2021 was £53.8m (31 March 2020: £54.0m). This was held with the following institutions:

Rating	Balances as at 31 March 2020	Balances as at 31 March 2021
--------	---------------------------------	---------------------------------

		£m	£m
<b>Bank deposit accounts</b>			
NatWest	BBB+	0.8	0.9
Northern Trust		0.1	0.1
Money Market deposits	A+	53.1	52.8
<b>Other short-term lending</b>			
Local authorities		0.0	0.0
<b>Total</b>		<b>54.0</b>	<b>53.8</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 2021 the value of illiquid assets was £81.1m, which represented 7.9% (31 March 2020: £84.4m, which represented 10.1%) 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 2021 are due within one year.

#### Liquidity Risk

	<b>31-Mar-20</b>	<b>%</b>	<b>31-Mar-21</b>	<b>%</b>
Pooled investments	697.0	83.4%	897.4	86.9%
Cash deposits	53.9	6.5%	53.8	5.2%
Investment income due	0.0	0.0%	0.0	0.0%
<b>Total liquid investments</b>	<b>750.9</b>	<b>89.9%</b>	<b>951.2</b>	<b>92.1%</b>
Pooled property investments	0.1	0.0%	0.0	0.0%
Private Equity/Infrastructure	84.3	10.1%	81.1	7.9%
<b>Total illiquid investments</b>	<b>84.4</b>	<b>10.1%</b>	<b>81.1</b>	<b>7.9%</b>
<b>Total investments</b>	<b>835.3</b>	<b>100.0%</b>	<b>1,032.3</b>	<b>100%</b>

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.

*17. Funding arrangements*

In line with the LGPS Regulations 2013, 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 2019. The next valuation will take place as at 31 March 2022.

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 2019 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 2019 actuarial valuation the Fund was assessed as 78% funded, which is a significant improvement to the 55% valuation at the 2016 valuation. This corresponded to a deficit of £248m (2016 valuation: £562m) 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 2019.

Contribution increases or decreases may be phased in over the three-year period beginning 31 March 2020 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2019/20	35.0%
2020/21	35.0%
2021/22	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 2019 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 2019 actuarial valuation were as follows:

Discount rate	4.4% p.a.
Pay increases	2.6% p.a.
Pension increases	2.3% 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	22.1 years	24.3 years

## Commutation assumption

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

### *18. 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 17). 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 2021 was £1,917m (31 March 2020: £1,489m). 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 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

## Financial assumptions

Inflation/pensions increase rate	2.85%
Salary increase rate	3.15%
Discount rate	2.00%

## Longevity assumption

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

	Males	Females
Current pensioners	22.3 years	24.7 years
Future pensioners*	23.5 years	26.2 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

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	171
0.5% p.a. increase in the Salary Increase Rate	1%	10
0.5% p.a. decrease in the discount rate	10%	185

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

## 19. Assets

### a) Current assets

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£m</b>	<b>£m</b>
Debtors:		
- Contributions due – employees	0.7	0.2
- Contributions due – employers	2.9	0.7
- Sundry debtors	0.5	0.6
<b>Total</b>	<b>4.0</b>	<b>1.5</b>

## Analysis of debtors

	31 March 2020	31 March 2021
	£m	£m
Central government bodies	0.5	0.6
Other local authorities	3.5	0.9
Other entities and individuals	0.1	0.0
<b>Total</b>	<b>4.1</b>	<b>1.5</b>

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

## 20. Current liabilities

	31 March 2020	31 March 2021
	£m	£m
Group transfers	0.0	0.0
Sundry creditors	0.4	3.1
<b>Total</b>	<b>0.4</b>	<b>3.1</b>

## Analysis of creditors

	31 March 2020	31 March 2021
	£m	£m
Central government bodies	0.0	0.0
Other entities and individuals	0.4	3.1
<b>Total</b>	<b>0.4</b>	<b>3.1</b>

## 21. Additional voluntary contributions

	<b>Market value 31 March 2020</b>	<b>Market value 31 March 2021</b>
	<b>£m</b>	<b>£m</b>
Clerical Medical	1.3	1.3
Equitable Life	0.2	0.2
Prudential	0.3	0.6
	<hr/> <b>1.8</b> <hr/>	<hr/> <b>2.1</b> <hr/>

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.

## *22. 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 £1.12m (2019/20: £0.997m) 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 £37.3m to the Fund in 2020/21 (2019/20: £33.7m).

## 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:

	<b>31st March 2020</b>	<b>31st March 2021</b>
	<b>£m</b>	<b>£m</b>
Short Term Benefits	0.039	0.038
Post-Employment Benefits	0.011	0.012
Termination Benefits	0.000	0.000
<b>Total Remunerations</b>	<b>0.050</b>	<b>0.050</b>



### 23. Contingent liabilities

Outstanding capital commitments (investments) at 31 March 2021 totalled £58.4m (31 March 2020: £76.0m).

	<b>31st March 2020</b>	<b>31st March 2021</b>
	<b>£m</b>	<b>£m</b>
Capital Dynamics	13.9	12.6
Alinda Fund II	3.1	2.5
Alinda Fund III	9.5	5.7
London CIV Infrastructure Fund	49.5	37.6
<b>Total</b>	<b>76.0</b>	<b>58.4</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.

### 24. Contingent Assets

#### Contingent assets

Two 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.

	<b>31st March 2020</b>	<b>31st March 2021</b>
	<b>£m</b>	<b>£m</b>
Apleona HSG Limited (previously Bilfinger Europa Facility Management Limited)	0.1	0.1

Conway Aecom	0.1	0.1
<b>Total</b>	<b>0.2</b>	<b>0.2</b>

## *25. Impairment Losses*

The Fund had no impairment losses at 31 March 2021.

## 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.

## 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 (i.e. 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.

## 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.

## 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.

## NON DOMESTIC RATE (NDR)

A flat rate in the pound set by the Central Government and levied on all non-residential premises according to their rateable value collected by the Council.

## OPERATING LEASES

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

## OPERATIONAL ASSETS/NON OPERATIONAL ASSETS

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

## PRECEPTS

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

## PRIOR YEAR ADJUSTMENTS

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

#### PRUDENCE

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

#### REVALUATION RESERVE

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

#### REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation.



## ABBREVIATIONS

ALMO	Arm's Length Management Organisation
ASC	Adult Social Care
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
NDR	Non Domestic Rates (also called Business Rates)
PFI	Private Finance Initiative
PWLB	Public Works Loans Board