



## Supplementary: Audit and Standards Advisory Committee

**Thursday 26 July 2018 at 6.00 pm**

Boardrooms 7&8 - Brent Civic Centre, Engineers Way,  
Wembley HA9 0FJ

### Membership:

#### Members

Mr Ewart (Chair)

#### Substitute Members

#### Councillors:

A Choudry (Vice-Chair)  
Kansagra  
Lo  
Mashari  
Nerva

#### Councillors:

S Butt, Kabir, Long and Stephens

#### Councillors:

Colwill and Maurice

#### Independent Members:

Ms Bruce  
Mr Cawley  
Ms Darr  
Ms McArthur

#### Independent Advisor:

Mr Sullivan

**For further information contact:** Nikolay Manov, Governance Officer  
Tel: 020 8937 1348; Email: [nikolay.manov@brent.gov.uk](mailto:nikolay.manov@brent.gov.uk)

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

[www.brent.gov.uk/committees](http://www.brent.gov.uk/committees)

**The press and public are welcome to attend this meeting.**

## **Notes for Members - Declarations of Interest:**

If a Member is aware they have a Disclosable Pecuniary Interest\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest\*\* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

### **\*Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences**- Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

### **\*\*Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
  - To which you are appointed by the council;
  - which exercises functions of a public nature;
  - which is directed is to charitable purposes;
  - whose principal purposes include the influence of public opinion or policy (including a political party or trade union).
- (b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

# Agenda

Item	Page
<b>15 External Audit Progress Report</b> <i>Please note that this item has been withdrawn.</i>	
<b>16 Statement of Accounts &amp; External Auditor's Report</b> The Audit and Standards Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts.  <i>Please note that the following appendices have been attached:</i> <ul style="list-style-type: none"><li>➤ <i>Draft External Audit Report 2017/18 (ISA260)</i></li><li>➤ <i>Draft Letter of Representation</i></li></ul> <b>Ward Affected:</b> All Wards <b>Contact Officer:</b> Conrad Hall Chief Finance Officer Email: <a href="mailto:conrad.hall@brent.gov.uk">conrad.hall@brent.gov.uk</a> Tel: 020 8937 6528	190 - 231
<b>17 Draft Statement of Accounts</b>  <i>Please note that the following documents have been attached:</i> <ul style="list-style-type: none"><li>➤ <i>Brent Council's Draft Statement of Accounts</i></li><li>➤ <i>Draft i4B Holdings Ltd Statement of Accounts</i></li><li>➤ <i>Draft FWH Ltd Statement of Accounts</i></li></ul> <b>Date of the next meeting:</b> <b>Wednesday 17 October 2018</b>	232 - 401



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.

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# External Audit Report 2017/18

London Borough of Brent

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July 2018

# Content

The contacts at KPMG in connection with this report are:

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5 Audit quality framework	

This report is addressed to London Borough of Brent (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Sayers, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

# Important notice

This report is presented in accordance with our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to London Borough of Brent (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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**Basis of preparation:** We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

**Purpose of this report:** This Report is made to the Authority's Audit Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

**Limitations on work performed:** This Report is separate from our audit opinion and does not provide an additional opinion on the Authority's financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

**Status of our audit:** Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting. The following work is ongoing:

**Financial statements audit:**

- Confirmation of adjustments to be made to the operating and finance lease notes and any impact on the balance sheet;
- Review of MiRs and LOBO paper received 18 July;
- Outstanding queries mainly on Collection Fund, Debtors and Creditors;
- Final Partner review of file
- Closedown procedures including receipt of management representation letter

### Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Authority's financial statements for the deadline of 31 July 2018, following the Audit Committee adopting them and receipt of the management representations letter.

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements for the deadline of 31 July 2018.

We have completed our audit of the financial statements. We have read the Narrative Report and the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, explained in section 2 and appendix 2.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- In addition to our routine requests we are asking for management representations over confirmation that there have been no variations made to the PFI contracts.

We reviewed the Narrative Report and AGS and have no matters to raise with you.

We did not receive any queries or objections from local electors this year.

We are now in the completion stage of the audit and anticipate issuing our opinion by 31 July 2018. We also intend to issue our 2017/18 Annual Audit Letter by 31 August 2018. The audit cannot be formally concluded and an audit certificate issued as we are considering an electors objection relating to 2015/16. Until we have completed our consideration of this, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Value for money – see section 3 for further details

Based on the findings of our work, we have concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion for the deadline of 31 July 2018.

**Other matters**

ISA 260 requires us to communicate to you by exception ‘audit matters of governance interest that arise from the audit of the financial statements’ which include:

- Significant difficulties encountered during the audit;
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management;
  - Other matters, if arising from the audit that, in the auditor’s professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions / objections, opening balances, etc.).

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider or the public should know about.

We have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Authority’s 2017/18 financial statements.

We are satisfied that the Authority has addressed the recommendations raised in our ISA260 report in 2016/17. We have made four new recommendations as a result of our 2017/18 work. The key recommendations relate to the Fixed Asset Register and preparing a complete year end trial balance for the Pension Fund. All recommendations are shown in appendix 1.

We also undertake the audit of the Housing Subsidy Benefit Claim, Teachers’ Pension Return and the Pooling of Housing Capital Receipts Grant. These have not yet been started and the deadlines are 30 November. The fees for this work are explained in Appendix 4.

## Section Two

# Financial statements audit

We audit your financial statements by undertaking the following:

Work Performed	Accounts production stage		
	Before	During	After
<b>1. Business understanding:</b> review your operations	✓	✓	–
<b>2. Controls:</b> assess the control framework	✓	–	–
<b>3. Prepared by Client Request (PBC):</b> issue our prepared by client request	✓	–	–
<b>4. Accounting standards:</b> agree the impact of any new accounting standards	✓	✓	–
<b>5. Accounts production:</b> review the accounts production process	✓	✓	✓
<b>6. Testing:</b> test and confirm material or significant balances and disclosures	–	✓	✓
<b>7. Representations and opinions:</b> seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages and report our key findings below:

Business understanding	In our 2017/18 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section. We note that since we issued our planning document guidance has been issued by the NAO in relation to the accounting for LOBO loans, with inverse floater (or similar terms). We have include this as a new area of audit focus, see page 13 .
2. Assessment of the control environment	We assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have made four new recommendations which are shown in appendix 1. We believe that these recommendations will strengthen your control environment. We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.
3. Prepared by client request (PBC)	We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with officers and this was issued as a final document to the finance team. We are pleased to report that this has resulted in improved working papers being provided.

## Section Two

# Financial statements audit

4. Accounting standards	<p>We work with you to understand changes to accounting standards and other technical issues. For 2017/18 these changes were minor but included:</p> <ul style="list-style-type: none"> <li>• Updates to clarify the reporting requirements for accounting policies and going concern reporting;</li> <li>• The introduction of key reporting principles for the Narrative Report; and</li> <li>• Changes in the Pension Fund accounts to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.</li> </ul>
5. Accounts Production	<p>The Council produced their draft accounts by 31 May 2018 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.</p> <p>The Authority incorporated measures into its closedown plan to manage this complex process. The Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to year end to proactively address issues as they emerge. We consider that the overall process for the preparation of your financial statements is adequate. We thank Finance for their cooperation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.</p>
6. Testing	<p>We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. We have identified presentational changes to the accounts along with audit adjustments, mainly relating to Property, Plant and Equipment which we have presented in appendix 2.</p>
7. Representations	<p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Chief Finance Officer on 19 July 2018. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We are asking for specific representations confirming that there have been no variations made to the PFI contracts.</p>

## Section Two

# Financial statements audit

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with Management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, opening balances, public interest reporting, questions/objections, etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements.

To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over the valuation of land and buildings, net pension liability and faster close which were identified as significant risks for the Authority within our audit plan;
- The results of the procedures we performed over the faster close, which was included in our audit plan as an area of audit focus, and accounting for LOBO loans, which became an area of audit focus during the year;
- The results of the procedures we performed over the valuation of hard to price investments which were identified as significant risks to the Pension Fund within our audit plan;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence applied to key balances in the financial statements.

## Section Two

# Financial statements audit

### Authority significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
<p><b>Valuation of land and buildings</b></p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees land and buildings revalued over a five year cycle unless it is thought that the value may have changed materially where they are revalued more frequently, for example the Civic Centre. As a result individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.</p>	<p>Council dwellings £657 million (16/17 £651 million)</p> <p>Other Land and Buildings £711 million (16/17 £639 million)</p>	<p>We reviewed the valuations completed by your valuer and the judgements made by the Authority in response to the information received from their valuers to ensure they had been correctly accounted for in the financial statements. Our valuer reviewed the assumptions used in the valuations to consider whether they were reasonable and in line with industry standards. We also considered the qualifications and independence of your valuer.</p> <p>We reviewed the overall approach to ensuring valuations were not materially misstated, which included consideration of the indexation rates used for Council dwelling and other land and buildings.</p> <p>We reviewed a sample of additions to confirm that they were appropriate to capitalise, and had been capitalised at the correct value, and reviewed a sample of disposals to ensure they had been correctly removed from the financial statements.</p> <p>We identified the following:</p> <ul style="list-style-type: none"> <li>• The Social Discount Factor for Council dwellings had not been taken account of in relation to £30 million of additions. The resulted in an adjustment being required reducing the value of Council dwellings by £22.5 million; and</li> <li>• The Fixed Asset Register included properties worth £2.4 million that had been transferred to I4B Holdings Limited.</li> </ul> <p>In addition, the electronic Fixed Asset Register could not be used to uplift values for indexation and the Authority resorted to using an excel spreadsheet. While this did not impact on the final figures, the Authority needs to identify a solution to this issue to ensure the year end process is efficient and minimise the risk of errors occurring through the use of manual work arounds.</p>

## Section Two

# Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
<p><b>Pension assets and liabilities</b></p> <p>The Authority is an admitted body of the London Borough of Brent Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. Valuation of the Local Government Pension Scheme relies on assumptions, most notably actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. Assumptions should reflect the profile of the Authority's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>	<p>Pension assets £709 million (16/17 £674 million)</p> <p>Pension liabilities £1,551 million (16/17 £1,493 million)</p>	<p>We reviewed the controls that the Authority have in place over the information sent directly to the Scheme Actuary and agreed this to supporting evidence.</p> <p>We evaluate the competency, objectivity and independence of your actuary to determine whether we could place reliance on the valuations provided to the Authority. We considered the assumptions used in the valuation and compared them to the expectations of our expert..</p> <p>In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets and understand how these assets are allocated across participating bodies and re-performed this allocation</p> <p>In addition, we reviewed the overall actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 17.</p> <p>There are no issues we need to bring to your attention.</p>

## Section Two

# Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
<p><b>Faster close</b></p> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>For 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by 19 June 2017 although they were not signed until 29 September 2017. Whilst this was an advancement on the timetable applied in preceding years, further work was still required in order to ensure that the statutory deadlines for 2017/18 were met.</p>	<p>All balances</p>	<p>We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.</p> <p>The Authority produced their draft accounts by 31 May 2018 in accordance with the deadline. The quality of this draft was consistent with that of prior years with a similar number of audit adjustments identified.</p>

## Section Two

# Financial statements audit

### Authority other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Other areas of audit focus	Account balances effected	Summary of findings
<p><b>Group accounts</b></p> <p>The Authority brought the management of its housing stock back in house from its subsidiary Brent Housing Partnership (BHP) Limited in October 2017 but properties continue to be held in the company, which has changed its name to First Wave Housing Limited. In addition, a new housing subsidiary company, I4B Holdings Limited, that was created in 2016/17 is now expected to hold material assets at the year end and require consolidation into the group accounts. Given the accelerated audit deadline that the subsidiaries will also need to comply with, the mid year transfer of staff from BHP to the Authority and a new company preparing accounts for the first time, there a risk that inter-company balances and transactions may not be removed from the consolidation and that costs and income may be either double counted or omitted.</p>	<p>Group accounts</p>	<p>We have agreed figures used to compile the group accounts back to individual company accounts.</p> <p>For First Wave Housing Limited we are expecting to place reliance on the work completed by their auditors PwC. We have written to PwC with our group instructions setting out our materiality, timetable and asking them to confirm their independence. We have agreed the unaudited accounts to the figures included in the group accounts and are currently waiting for the audited accounts which are expected to be signed on 18 July 2018. We will also review First Wave Housing Limited ISA 260 to see if any issues have been raised that impacts on our audit. We will provide an update on the position at the Audit Committee meeting.</p> <p>For I4B Holdings Limited, which holds approximately £46 million of assets at the year end, we have agreed their unaudited accounts to the figures included in the group accounts. As auditors of I4B Holdings Limited we have tested the material balances such as Property, Plant and Equipment and the loan from the Council to give ourselves assurance the group accounts are not materially mis-stated. As part of our work on the group accounts we identified:</p> <ul style="list-style-type: none"> <li>• The soft loan between the Council and I4B Holdings Limited had been accounted for in different ways when it should be accounted for on a consistent basis in both entities; and</li> <li>• The profit on the disposal of properties sold to I4B Holdings Limited during the year had not been removed.</li> </ul> <p>The Authority is adjusting the group accounts for these audit differences.</p>

## Section Two

# Financial statements audit

Other areas of audit focus	Account balances effected	Summary of findings
<p><b>Accounting for LOBO loans</b></p> <p>Since we issued our planning document guidance has been issued by the NAO in relation to the accounting for LOBO loans, with inverse floater (or similar terms). The Authority has considered the impact of this guidance, which anticipates that the embedded derivative within such loans will be separated out and fair valued.</p>	<p>Long term borrowing £414 million (16/17 £410 million)</p>	<p>The Authority has LOBO loans of £80.5 million including one of £10 million which is known as an inverse floater, where the interest rate payable by the Authority decreases as interest rates increase. Following the NAO's guidance the Authority consulted their treasury expert, Arlingclose, and decided that the correct treatment was to separate out the embedded derivative and value the embedded derivative at fair value. This increased the amount the loan is shown on the balance sheet by £7.3 million with the corresponding entry being to the General Fund. The Authority deemed this was not a material change to include it as a prior year adjustment.</p> <p>We have reviewed the initial advice given to the Authority and considered the independent and expertise of the Authority's treasury adviser to determine whether we could place reliance on them. We have received a detailed paper setting out all the considerations made which we are currently reviewing but from the evidence seen to date and considering the NAO guidance, the proposed accounting treatment would be appropriate.</p> <p>We also considered the potential impact on previous years to determine whether a prior year adjustment was required and concluded that given the amounts involved accounting for it in this years accounts was appropriate.</p>

## Section Two

# Financial statements audit

### Pension Fund significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
<p><b>Valuation of hard to price investments</b></p> <p>The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. The pricing of complex investment assets may be susceptible to pricing variances given the assumptions underlying the valuation.</p>	<p>Investments – private equity/infrastructure £98 million (16/17 £130 million)</p>	<p>For year ended 31 March 2018, £98 million out of a total of £830 million of investments, or 12%, were in the harder to price category.</p> <p>As part of our audit of the Pension Fund, we directly confirmed the valuation of these investments to the valuations provided by the Fund Managers.</p> <p>For those unquoted investments that were based on unaudited accounts, we compared the changes between the unaudited and audited account of the previous period – to confirm the recent history of the accuracy of unaudited accounts and assess the appropriateness of the reliance placed on unaudited accounts. We also reviewed movements in the year to confirm there were not any unexpected changes.</p> <p>There are no matters that we need to report to you.</p>

## Section Two

# Financial statements audit

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
<b>Fraud risk from revenue recognition</b> <b>Authority &amp; Pension Fund</b>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.</p>	<p>We did not complete any specific additional tests in addition to our normal testing approach on revenue as we rebutted the risk of fraudulent revenue recognition.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
<b>Fraud risk from management override of controls</b> <b>Authority &amp; Pension Fund</b>	<p>Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>Our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, no instances of fraud were identified.</p> <p>We have performed specific procedures to:</p> <ul style="list-style-type: none"> <li>• review accounting judgements which are impacting the reported outturn position;</li> <li>• review of controls associated with, and undertaken, sample testing of manual journals;</li> <li>• reconciled the year end performance to in year financial report to ensure that divergence in performance can be understood and justified; and</li> <li>• reviewed the year end cut off process to ensure that revenue and expenditure items have been reflected within the correct period.</li> </ul> <p>There are no matters arising from this work that we need to bring to your attention.</p>

## Section Two

# Financial statements audit

### Judgements in your financial statements

We consider the level of prudence in key judgements in your financial statements. We summarise our view below using the following scale:



Assessment of subjective areas				
Asset / liability class	Current year	Prior year	Balance (£m)	KPMG comment
Provisions	3	3	£22 million (16/17: £22 million)	We consider the provisions to be proportionate. Business rates appeals have increased by approximately £1.5 million due to the Authority providing for NHS hospitals which may be able to claim reliefs with minor reductions in other provisions. Overall provisions are in line with our expectations and are balanced.
Short term creditors including accruals	3	3	£120 million (16/17: £107 million)	Our testing on creditors and accruals have found them to be balanced
Debtors	3	3	£109 million (16/17: £90 million)	Debtors consist of gross debtors of £170 million (2016:17 £143 million) with provision for impairment made of £61 million (2016/17: £53 million). The main categories of impairments are for overpaid housing benefits, business rates and Council Tax. We consider the provisions to be appropriate.
Net pensions liability	3	3	£841 million (16/17: £818 million)	The Authority uses Hymans Robertson as an actuarial expert to assist them in calculating the pension asset and liability values. We reviewed the discount rate, inflation, discount rate, salary growth and life expectancy rates used by the Authority and these are in line with the range expected.

## Section Two

# Financial statements audit

Assessment of subjective areas				
Asset / liability class	Current year	Prior year	Balance (£m)	KPMG comment
Property, Plant and Equipment – other land and buildings (valuations / asset lives)	3	3	£712 million (16/17: £638 million)	<p>The Authority uses external valuers to revalue other land and buildings and has followed the valuation and asset lives supplied by the valuers. In addition, indices were used for assets not valued at 31 March 2018 to ensure they are not materially mis stated. We reviewed the instructions provided and deem that the valuation exercise was completed in line with the instructions provided and that the indices used by the Authority were reasonable through working with our KPMG expert.</p> <p>Our view is that the Authority has taken a balanced approach.</p>
Property, Plant and Equipment – Council dwellings (valuations)	2	3	£657 million (16/17: £651 million)	<p>A full revaluation of Council dwellings was undertaken on 1 April 2016 and this was adjusted to take account of movements in house prices in Brent during the financial year to 31 March 2017 using the HM Land Registry UK House Price Index. This year the Authority used their external property experts to determine the appropriate change in value of Council dwellings in Brent who determined it was 0.5%. The Authority decided that effectively this materially meant there was no movement and did not increase the value for the year.</p> <p>We noted earlier in the report some adjustments which we identified through our work. After adjustment our view is that the Authority has taken a slightly cautious approach.</p>

## Section Two

# Financial statements audit

### Group audit

To gain assurance over the Authority's group accounts, we placed reliance on the work completed by the auditors on the financial statements of the Authority's subsidiaries:

- First Wave Housing Limited – auditors PWC; and
- I4B holdings Limited – auditors KPMG.

We have commented on the detail of the group consolidation on page 12.

There were no issues to note in relation to the consolidation process.

### Narrative Report and Annual Governance Statement of the Authority

We have reviewed the Authority's narrative report and Annual Governance Statement and have confirmed that they are consistent with the financial statements and our understanding of the Authority. We made a few suggestions to the Narrative Report to make it more in line with the Code of Audit Practice guidance which was updated by officers. Officers are to revisit the Narrative Report to ensure there is the right balance between being easy for the public to read and what the Code suggests should be included.

### Pension fund audit

The audit of the pension fund and the Pension Fund Annual Report was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

### Pension fund annual report

We reviewed the consistency of the Fund's financial statements in the Fund's Annual Report and the financial statements included in Brent Council's financial statements. We confirm that the Fund's financial statements are consistent with the pension fund financial statements included in the accounts of Brent Council. We read the information in the Fund's Annual Report to identify material inconsistencies with the Fund's financial statements. We can confirm it is not inconsistent with the financial information contained in the audited financial statements. As such we anticipate issuing an unqualified consistency opinion on the pension fund financial statements.

### Queries from local electors

We did not receive any questions or objections from members of the public this year. There remains an objection outstanding from 2015/16.

## Section Two

# Financial statements audit

### Audit certificate

In order for us to issue an audit certificate, we are required to have completed all our responsibilities relating to the financial year. We are not in a position to issue our audit certificate with the audit opinion as:

- HM Treasury has recently issued its guidance for completing the WGA and issued the consolidation packs that authorities need to complete. The deadline for the Authority to prepare the consolidation pack was 15 June 2018 with an audit deadline of 31 August 2018. We aim to complete the work in August 2018.
- There is an outstanding objection in relation to the 2015/16 audit year where we are anticipating issuing our provisional view in August 2018.

If we do not receive any further observations to our provisional view we expect to issue our audit certificate in September/October 2018 following completion of the above.

### Whole of Government Accounts (WGA)

We are awaiting receipt of your WGA consolidation pack.

### Other grants and claims work

We also undertake the audit of the Housing Subsidy Benefit Claim, Teachers' Pension Return and the Pooling of Housing Capital Receipts Grant. These have not yet been started and the deadlines are 30 November 2018. We will issue a separate report in December 2018 summarising the findings from this work.

### Audit fees

Our fee for the Authority's audit was £199,590 excluding VAT (£199,590 excluding VAT in 2016-17) and for the Pension Fund £21,000 excluding VAT (£21,000 excluding VAT in 2016-17). This fee was in line with that highlighted in our audit plan approved by the Audit Committee in January 2018.

In addition we completed the work required on five objections relating to the 2015/16 financial statements and agreed a fee with the Authority, that was agreed by PSAA of £17,574.

Our work on the certification of Housing Benefits (BEN01) which is under the PSAA arrangements is planned to start in August 2018. The planned scale fee for this is £21,633 excluding VAT (£22,115 excluding VAT in 2016-17). Planned fees for other grants and claims which do not fall under the PSAA arrangements is £6,500 excluding VAT (£6,500 excluding VAT in 2016-17).

We have not performed any non-audit work outside of that already disclosed to you as part of our audit planning.

## Section Three

# Value for money

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk as summarised below:



We did not identify any significant VFM risks and provide a summary overleaf of the other areas of audit focus arising from our VFM work. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.

## Other areas of audit focus

Below we set out the detailed findings against other areas of audit focus for our VFM work.

VFM: other area of audit focus	Our audit response and findings
<p><b>Delivery of budgets</b></p>	<p>The Authority's outturn for 2017/18, which required £19.8 million of savings to be delivered, showed that it was £0.1 million overspent on a budget of £254 million. Individual Directorates also performed close to budget with Community Wellbeing showing a £0.9 million overspend and regeneration a £1.0 million underspend .</p> <p>The outturn is managed throughout the year with individual Directorates taking ownership of their budgets and managing any cost pressures initially within their Directorates. Cabinet is kept informed of the in year position with reports received in July, November and December 2017.</p> <p>The Authority takes a long term approach to financial planning ensuring that savings required are identified in advance. For 2018/19, savings of approximately £12 million had been identified and agreed in the medium term financial plan in February 2017. This helped a balanced budget be set with the Authority also increasing Council Tax by 4.99%</p> <p>Given the elections in May 2018, when the 2018/19 budget was approved, Cabinet were aware that £30 million of savings was required in 2019/20 and 2020/21 but did not have individual schemes presented to them to approve this year. The new Cabinet received details of the approach for developing the 209/20 budget and new medium term financial plan in July 2018.</p> <p>Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. There are new risks and opportunities, for instance the Authority participating in the London Business Rates Pilot Pool where it has been identified it could be £4.9 million beneficial to the Authority although as it is new, this will need to be monitored closely</p>
<p><b>Contract monitoring</b></p>	<p>The Authority continues to work closely with partners and third parties and having gone through competitive tendering processes in line with the Authority's regulations, it is vital that contract terms and agreed performance indicators are monitored closely to ensure that the Authority obtains maximum value for money from these contracts.</p> <p>We selected two of the larger contracts with SERCO and Veolia and reviewed the ongoing monitoring arrangements. The SERCO contract for parking services started in March 2013 and was extended for a further five years following an options report to Cabinet in December 2017. A monthly performance report is produced by SERCO followed by a meeting to discuss the key performance Indicators. Invoices raised by SERCO are supported by detailed schedules with explanations for movements from forecasts and deductions where performance indicators are not achieved and these are checked by officers. A risk register for the contract is also maintained by the service. The Veolia contract commenced in April 2014 and is for an initial seven years and covers waste collection, street cleansing, waste management, grounds maintenance, cemeteries, recycling and commercial waste. This contract includes four key targets and 65 other performance indicators and Veolia produce a monthly report on its performance against the indicators. There are three types of regular meetings in place: weekly to cover operational matters; monthly to review the performance report and discuss any issues arising; and then a quarterly strategic meeting for developments going forward. Key indicators form part of the quarterly performance indicator report to Cabinet. Overall the Authority has appropriate arrangements in place to manage and monitor the contract.</p>

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# Recommendations raised and followed up

Recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
<b>1</b>	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	<b>2</b>	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
<b>3</b>	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Recommendation	Management Response / Officer / Due Date
<b>Financial statements</b>			
1 Page 211	<b>2</b>	<p>Fixed Asset Register (FAR)</p> <p>The FAR could not be used to index individual assets and needed to be downloaded onto an excel spreadsheet to incorporate indexation adjustments. We identified other aspects of the FAR control environment that could be strengthen;</p> <ul style="list-style-type: none"> <li>• There were assets included in the register that had been sold to I4B Holdings Limited;</li> <li>• There were assets included in Assets Under Construction when they were in use;</li> <li>• Assets included in Other and Buildings that should have been classified as Council dwellings</li> <li>• Assets with values that had estimated useful lives of 0; and</li> <li>• Assets sold being written down to nominal values rather than written out of the register.</li> </ul> <p>We recommend that an individual is tasked with identifying a solution for the year end accounting updates and takes full ownership of the FAR, ensuring it is kept up to date and fields with the FAR used accurately.</p>	

# Recommendations raised and followed up

#	Risk	Recommendation	Management Response / Officer / Due Date
<b>Financial statements</b>			
Page 212	2	<p><b>Journals</b></p> <p>The Authority uses a module of the Oracle system where journals can be self reviewed, which some staff do, and there is no regular review in place that checks that any self reviewed journals are appropriate.</p> <p>We recommend that if the Authority continues to allow staff to self review journals, these are reviewed on a monthly basis by senior management to ensure that they are appropriate.</p>	
	2	<p><b>Accounts preparation of the Pension Fund</b></p> <p>The Authority does not put through the general ledger all the entries relating to increases in market value of investments but uses the Custodian report as the basis for preparing the asset values included in the accounts. Not using a full trial balance to prepare the accounts can lead to an enhanced risk that errors may occur. We identified two errors relating to assets in the accounts:</p> <ul style="list-style-type: none"> <li>• One where the incorrect bank balance figure was given to the custodian; and</li> <li>• One where the custodian did not use the final year end report from a Fund manager.</li> </ul> <p>We recommend that the Authority puts journals through the general ledger for all entries in the Pension Fund accounts and reconciles reports from Fund Managers to the Custodian report.</p>	
	4	<p><b>Year end bank reconciliations</b></p> <p>The Authority has a number of monthly controls relating to the bank account reconciliations which are undertaken by different staff. Whereas these controls were designed to operate at a month end when cut off isn't as important as at year end, we identified items that had been incorrectly recorded in the wrong year where if there was one person with a high level overview of all of the reconciliations, this might have been identified.</p> <p>We recommend that additional controls or review process is introduced at the year end to ensure that cash is accounted for in the correct period.</p>	

## Appendix 1

# Recommendations raised and followed up

We have followed up our recommendation from the prior year's audit.

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
1	1	0

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
<b>Financial statements</b>				
1	2	<p><b>Pension details</b></p> <p>The initial detailed information provided by the Authority to the actuary relating to members of the pension scheme as part of the Pension Fund triennial valuation contained various errors that meant the valuation results were delayed. The errors were resolved but the Authority should put in place arrangements to ensure that accurate pension data is available to supply to actuaries and individual members when required.</p>	<p>The Authority accepts that there were errors in the initial information provided to the Actuary although that these were subsequently resolved. Following the valuation a review took place between April and May 2017 between the Council's in house pension administration service, the external contractor responsible for the data and the actuary to ensure lessons were learned and appropriate actions agreed. This includes measures to ensure data cleansing on a more regular basis to prevent errors.</p>	<p>Implemented</p> <p>The Authority has put in place monthly meetings with the external contractor who manages the pension administration system to discuss quality and any issues arising.</p>

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# Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;
- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff; and
- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2017/18, presented to you in January 2018.

Materiality for the Authority's accounts was set at £12 million which equates to around 1.1% of gross expenditure.

Materiality for the Pension Fund was set at £12million which equates to around 1.5% of gross assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

### Reporting to Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work. Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. *ISA 450* requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £600,000 for the Authority and less than £600,000 for the Pension Fund.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

# Audit differences

## Unadjusted audit differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £600,000 are shown below.

Authority unadjusted audit differences (£'m)						
#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
1						
2						

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Pension fund unadjusted audit differences (£'m)						
#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
1						
2						

## Appendix 3

# Audit differences

### Adjusted audit differences

To assist the Audit Committee in fulfilling its governance responsibilities we present in the tables below a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Authority adjusted audit differences (£'m)						
#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
Page 216			Cr Cash £2.1	Dr Creditors £1.4	Dr School reserves £0.7	Monies included in cash which belonged to academy schools and items shown in the bank reconciliation that were not allocated against creditors.
	Dr Cost of sales £22.1	Cr Charges for impairments £22.1	Cr Council dwellings £22.1		Dr CAA £22.1	Council dwelling additions that did not have the Social discount factor applied to their valuation
	Cr Cost of sales £1.8	Dr Charges for impairments £1.8	Cr Council dwellings £0.6 Dr Investments £0.8 Dr Long term loan £1.6		Cr CAA £1.8	Property belonging to I4B Holdings Limited included in Council dwellings
			Dr Finance lease debtor £TBA		Cr Deferred capital receipts £TBA	Reclassification of leases from operating to finance leases
	Dr Cost of sales £7.5	Cr Charges for impairments £7.5	Dr Council dwellings £2.5 Cr Other Land and Buildings £10		Dr CAA £7.5	Council dwellings identified within Other Land and Buildings additions
	<b>Dr 27.9</b>	<b>Cr 27.9</b>	<b>Cr 29.9</b>	<b>Dr 1.4</b>	<b>Dr 28.5</b>	<b>Total impact of corrected audit differences</b>

## Appendix 3

# Audit differences

Pension fund adjusted audit differences (£'m)					
#	Income and expenditure statement	Assets	Liabilities	Reserves	Comments
1	Cr Change in market value of investments £1.0	Dr Investment assets £1.0			The Custodian and Authority did not use the final Fund manager report from Baille Gifford resulting in a £4m difference. In addition, the Custodian was informed that a bank balance that was showing £1.5m overdraft had a credit balance of £1.5m.
	<b>Cr £1.0</b>	<b>Dr £1.0</b>	-	-	<b>Total impact of corrected audit differences</b>

# Audit differences

## Presentational adjustments – Authority

We identified presentational adjustments required to ensure that the Authority’s financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (‘the Code’). Whilst the majority of these adjustments were not significant, we identified a number of adjustments of a more significant nature and details of these are provided in the following table. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Presentational adjustments – Authority	
#	Basis of audit difference
	A reallocation of £5.7 million within note 1 the fixed note between depreciation and other revaluations.
	Reclassification of £0.7 million of Assets Under Construction to Other Land and Buildings
	Operating leases rentals due were decreased by £TBA million
4	Collection Fund adjustment of £1.2 million due to previous years balances being incorrectly recorded on returns to Central Government

## Presentational adjustments – Pension Fund

We identified presentational adjustments required to ensure that Pension Fund’s financial statements for the year ending 31 March 2018 are fully compliant with the Code. The following table sets out those presentation adjustments relating to the Pension Fund’s financial statements that are considered to be significant. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Presentational adjustments – Pension Fund	
#	Basis of audit difference
1	A number of additional disclosures were added including around fair value so that the accounts were in line with the Code requirements.

# Audit independence

### ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF LONDON BOROUGH OF BRENT AND PENSION FUND

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: general procedures to safeguard independence and objectivity; breaches of applicable ethical standards; independence and objectivity considerations relating to the provision of non-audit services; and independence and objectivity considerations relating to other matters.

#### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

# Audit independence

## Independence and objectivity considerations relating to the provision of non-audit services

### Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix [7], as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
Audit of the Authority	199,590	199,590
Audit fee in respect of objections relating to 2015/16	17,574	-
Audit of the Pension Fund	21,000	21,000
Audit of controlled entities – I4B Holdings Limited	24,000	-
<b>Total audit services</b>	<b>262,164</b>	<b>220,590</b>
Allowable non-audit services	-	10,000
Audit related assurance services	6,500	6,500
Mandatory assurance services	21,663	22,115
<b>Total Non Audit Services</b>	<b>28,163</b>	<b>38,615</b>

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.15:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

## Appendix 4

# Audit independence

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table below:

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
<b>Allowable non-audit services</b>				
None				
<b>Audit-related assurance services</b>				
Grant Certification – Teachers Pensions Return and Pooling of Housing Capital Receipts Return	The nature of these audit-related services is to provide independent assurance on each of these returns. As such we do not consider them to create any independence threats.	Fixed Fee	6,500	6,500
<b>Mandatory assurance services</b>				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	22,115	21,663

We have not been required to obtain approvals from PSAA for non-audit services as we did not exceed the relevant thresholds during the reporting period.

### Contingent fees

We have not agreed any contingent fees with the Authority.

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

### Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of Andrew Sayers and the audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

**KPMG LLP**

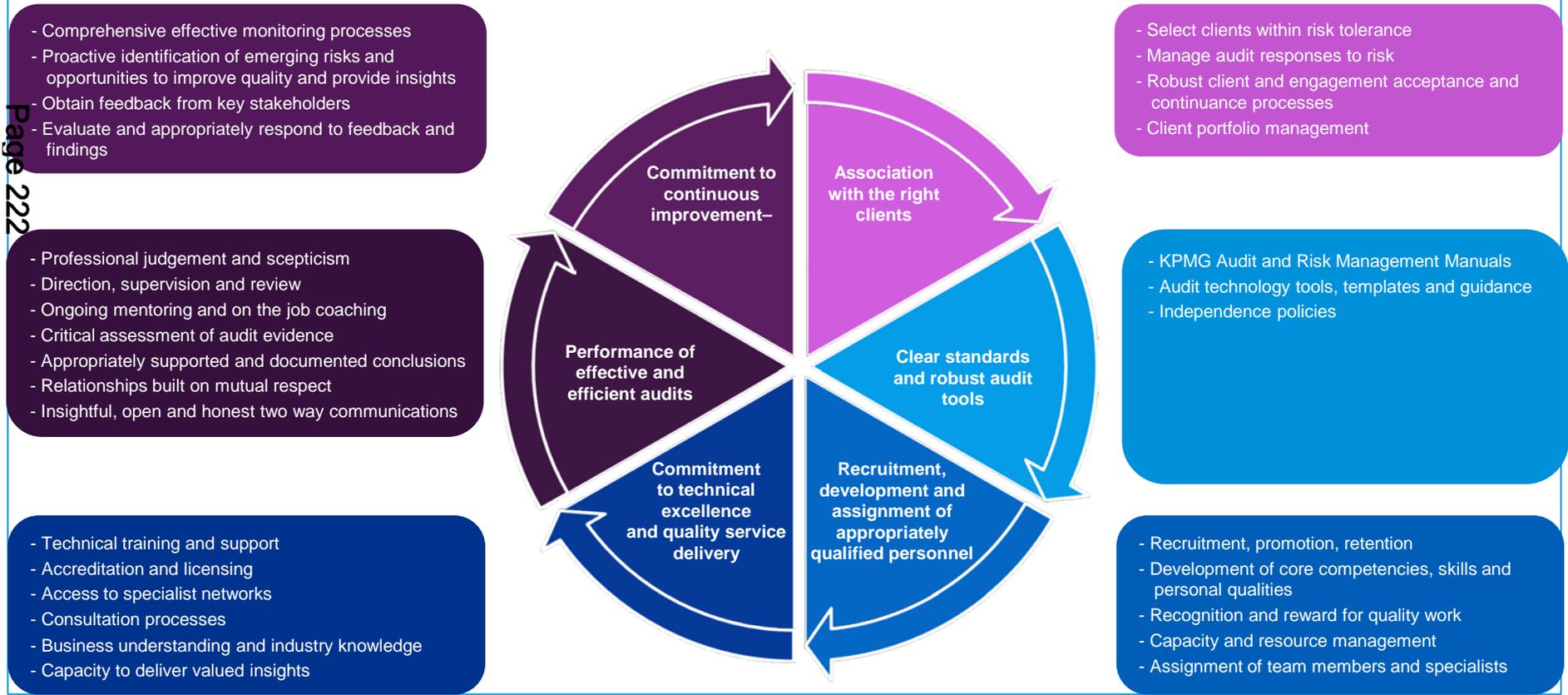


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# Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

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(Brent Letterhead)

*Andrew Sayers*  
*KPMG LLP*  
15 Canada Square  
London  
E14 5GL

27 July 2018

Dear Andy

This representation letter is provided in connection with your audit of the financial statements of London Borough of Brent (“the Authority”), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority’s and the Group’s expenditure and income for the year then ended;
- ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund’s assets and liabilities as at 31 March 2018, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Authority and Group Balance Sheets, the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Expenditure and Funding Analysis, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

#### **Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority’s and the Group’s expenditure and income for the year then ended;

- ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018, other than liabilities to pay pensions and other benefits after the end of the scheme year;
- iii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

#### **Information provided**

5. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters; [Error! Reference source not found.](#)
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves;
    - management;
    - employees who have significant roles in internal control; or

- others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

12. The Authority confirms that:
- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.
13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;

- funded or unfunded; and
- approved or unapproved,

have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

14. The Authority confirms there have been no variations to the Private Finance Initiative (PFI) schemes.

This letter was tabled and agreed at the meeting of the Audit Committee on 26 July 2018.

Yours faithfully,

Conrad Hall  
Chief Financial Officer

Draft

## **Appendix to the Authority Representation Letter of London Borough of Brent** **Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

### **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

### **Related Party and Related Party Transaction**

#### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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# Brent



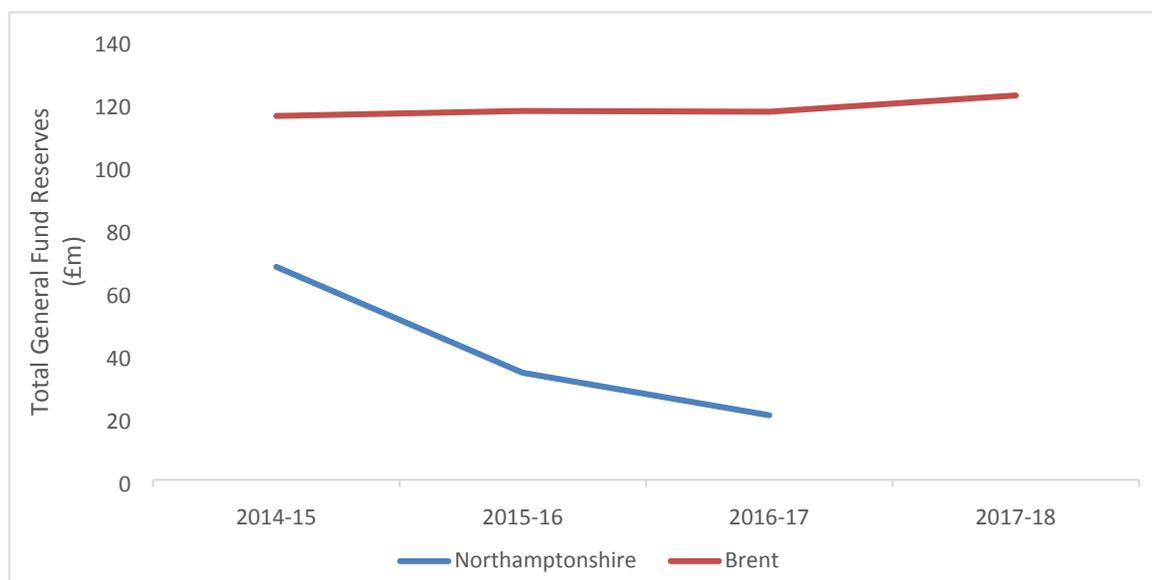
## **STATEMENT OF ACCOUNTS 2017/18**

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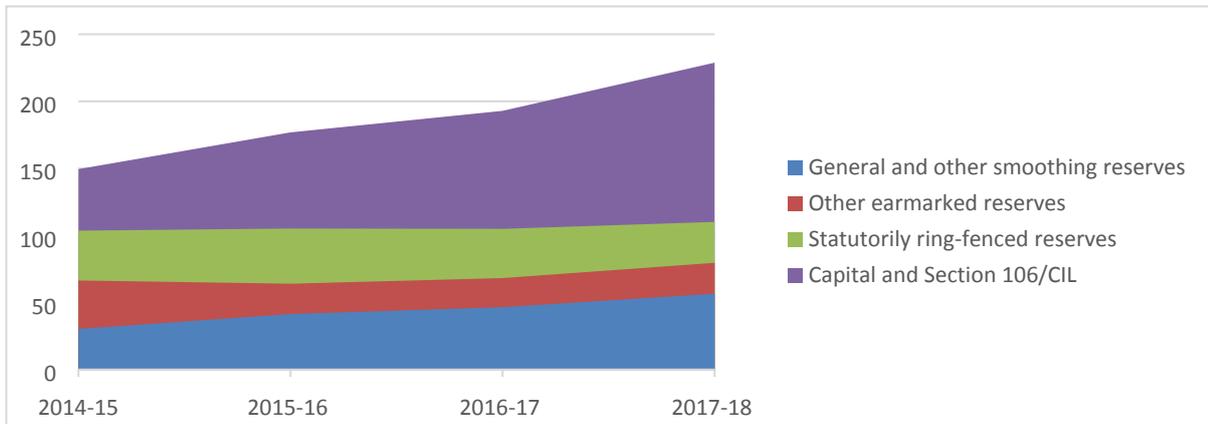
# Narrative Statement

Following the issuing of report under Section 114 of the Local Government Finance. Act (1988) at Northamptonshire County Council, the major current issue in Local Government finance is the sustainability of the local government finances. As shown in the Statement of Accounts, Brent Council is in a stable financial position. The chart below shows total general fund reserves (including general fund revenue earmarked reserves, excluding capital). This clearly shows that Northamptonshire's reserves have been on a downward trend for a number of years whereas Brent's revenue reserves have been largely stable.



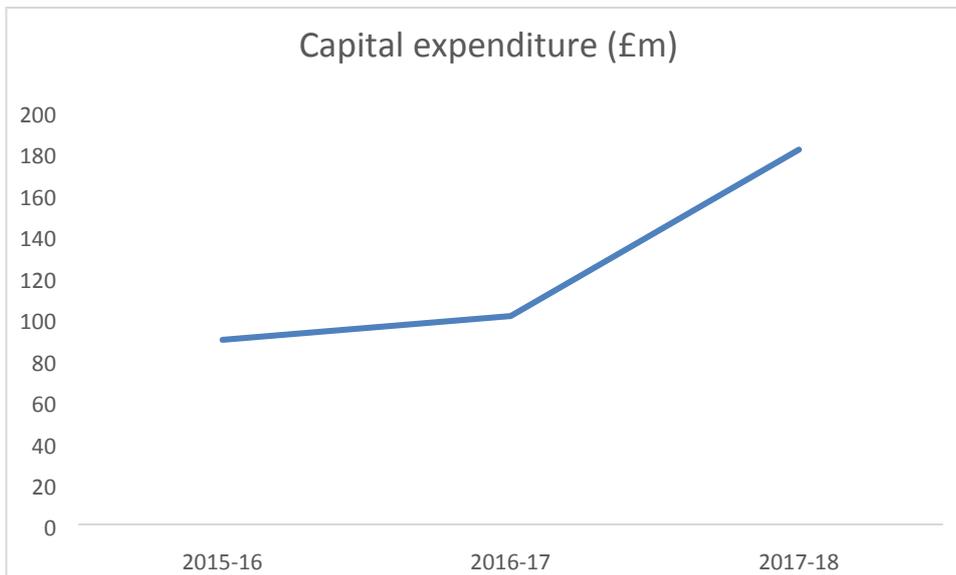
As will be explained below, the stable position for Brent is a result of both deliberate strategy to plan for the future to address the known challenges of local government finance, and of strong financial management so that potential overspends are addressed promptly.

Brent's general fund revenue reserves have grown slightly over the past four years, this is principally due to the success of the debt strategy, and the council putting aside these funds as planned to help deliver future years' savings. The council's capital and Section 106/Community Infrastructure Levy (CIL) reserves have increased significantly over the four years, the major part of this is due to income from developers for Section 106 and CIL, the council has plans to invest these monies in developing assets and infrastructure for the borough.



### Capital Outturn

There has been a marked improvement in the amount of the capital programme delivery, with much more has been spent in 2017-18 than previous years. As shown below, expenditure has increased from £89m in 2015-16 to £101m in 2016-17 to £181m in 2017-18. This is the result of concerted action by the council’s management to accelerate delivery of the council’s capital programme. This is important, because the council’s capital programme is a key element of the council’s medium term strategy, with major elements focused on reducing the council’s cost base, for instance, by buying accommodation to provide temporary accommodation instead of housing people in expensive bed and breakfast accommodation. Continued capital expenditure will start to reduce the council’s overall capital reserves over the next couple of years as the council continues to invest in line with its strategy.



The detail of the council’s capital expenditure is shown below:

Portfolio/Programme	Budget £m	Outturn £m	(Over) / underspend £m
Housing Investment	139.2	113.5	25.7
Care	32.9	29.1	3.8
Schools	10.9	15.3	(4.4)
South Kilburn	15.7	12.3	3.4
Public Realm			

Regeneration	8.1	7.8	0.3
Corporate Landlord	3.0	3.2	(0.2)
<b>Total</b>	<b>209.8</b>	<b>181.3</b>	<b>28.5</b>

A substantial amount of the council's capital expenditure is going towards projects that will reduce its net revenue expenditure in the future. One example of capital investment, is that during the year the council provided a loan facility to I4B (Investing for Brent – a wholly owned subsidiary of the council) to fund the purchase of Private Rented Sector properties and reduce costs for temporary accommodation. As at March 2018 nearly 140 properties had been acquired, the majority of which are expected to be made available for temporary accommodation purposes. Once fully let these assets will generate income and contribute to our savings targets whilst at the same time meet increasing demand for local decent quality housing.

### Revenue Outturn

The other major element that means that the council's financial position is currently robust is the council's strategies and financial management to control revenue spending. In recent years the council has avoided significant overspends, which means that it has not had to draw on reserves, and that it has a reasonable amount in its reserves that it is planning to use to invest in reducing its costs or in generating income for the borough.

The council set a net budget of £254.1m. The outturn below shows the variances against budgets for each directorate with the council's general fund, with the issues in each directorate explained in more detail below, the overall pattern is one of good financial management with the council taking action to mitigate overspends, both by taking action within directorates, and across the council.

Directorate	Budget (£m)	Actual (£m)	(Over) / Under spend (£m)
Children And Young People	41.1	41.1	0.0
Community Wellbeing (Excluding HRA)	131.4	132.3	(0.9)
Performance Policy & Partnerships (PPP)	9.8	9.9	(0.1)
Regeneration & Environment	34.6	33.6	1.0
Resources Department	37.2	37.3	(0.1)
<b>Total</b>	<b>254.1</b>	<b>254.2</b>	<b>(0.1)</b>

Overall, the council's outturn was very close to its budget, with Community Wellbeing overspending by £0.9m, and Regeneration & Environment underspending by £1m. Further detail on the variances will be provided in the July cabinet report on the outturn.

In the context of this narrative statement, it is important to note that the council has been able to achieve this by proactively planning how it will use its available finances in the budget each year, and by actively managing its expenditure in year.

The clearest example of Brent's hard edged business planning is the way that it has recognised the twin challenges facing local authorities of both demographic change, which is increasing demand for social care, and the recent local government funding settlements, which in real terms significantly reduce the council's spending power. The council's budget has aimed to balance this by providing for realistic growth in spending in specific areas where necessary to meet the council's goals and obligations, and at the same time providing realistic and detailed proposals to reduce costs with savings.

It is not sufficient to have a plan to deliver savings, the plan must be implemented, and any issues in implementing it must be addressed. Two areas of the council's savings plans have not delivered the expected savings. The council's procurement savings programme was expected to deliver £3.5m of savings in 2017/18, but due to a slow start only savings of £1.5m were identified. Instead of allowing this to become an overspend, the council took action to identify alternative savings to replace this shortfall (such as raising additional income through the Gordon Brown Education Centre), and the council was able to deliver on the revised savings plan, and spend within its budget.

The Civic Enterprise strand of savings has had some notable successes, particularly in improving the council's debt collection and purchasing accommodation to reduce the cost of temporary accommodation, but has not met its savings target. In this case it is expected that the savings are delayed as generating additional income is taking longer than expected and will be delivered in the near future, therefore this gap is being temporarily filled by use of earmarked reserves.

The way the council is being funded is moving from a position where the council was substantially funded by grants received from Central government to one where it is largely responsible for generating its own income. It is therefore important to consider the council's position in respect of its funding, especially for council tax and business rates, which form the Collection fund.

Prior to 2017-18 council tax receipts had grown rapidly as the amount of housing in the borough had grown, and when setting the budget for 2017-18, the best estimate available was that this would continue. However, during the course of 2017-18, it became clear that the rapid rate of growth in council tax receipts was slowing, and that the council tax collection rate was not as good as wanted. Two actions have been taken in response to this, the budget for 2018-19 was updated to reflect the best estimates of council tax and business rates income available, reflecting the reduced growth, and a decision was made to bring council tax collection back in house, so the council has more direct control of this, and can act to improve the collection rate.

After the 2018-19 budget was set, it became clear that there was a further issue with a significant risk that NHS properties would be revalued, and business rates would need to be repaid to them. In line with many other local authorities, the council has made a provision for this risk. Given the strength of the council's overall financial position, this in itself is not a major cause for concern. The performance of the collection fund will continue to be actively monitored, and the budget set for 2019-20 will reflect the best information available on the collection fund.

The council has a number of specific funds outside the general fund for specific purposes, Dedicated Schools Grants for funding schools, Schools balances holding reserves for schools, and the Housing Revenue Account for tenants of the council's social housing:

The Dedicated Schools Grant outturn underspent by £1.8m. This is principally due to fewer financial allocations being made to schools to support pupil growth and expansions, which reflects the lower intake in September 2017 into primary schools of Reception and KS1 age children than in previous years.

School balances have reduced by £2m from £20m to £17.2m in 2017/18, which means this is the second year of a reduction to the overall school balances. Overall the trend of reducing school balances reflects the pressure of an imbalance between inflationary cost pressures and school funding, but it is not a uniform pattern, with approximately half of the 60 maintained schools adding to their reserves with an in year surplus. 6 schools finished the year in deficit, though the nursery school previously in deficit at the end of 2016/17 closed 2017/18 with a small reserve balance.

In 2017/18 the Housing Revenue Account (HRA), which contains the income and expenditure for social housing in the borough was that £1.1m of the HRA reserve was used, when it was budgeted to use £4m of the HRA reserve. The main reasons for the HRA performing better than its budget relate to an overall increase in expected income of £2.3m. This is mainly due to over recovery of Leaseholder major works income. There was also a further £0.6m underspend against expenditure budgets mainly relating to savings made to the communal utility and cleaning contracts. The underspend will contribute towards HRA reserve balances to be utilised in future years. The council has made a significant start to its works to reduce the cost of the HRA and improve customer service for its tenants by bringing the staff and most of the function of its Arms Length Management Organisation, Brent Housing Partnership back in house.

The remainder of Brent Housing Partnership was renamed First Wave Housing and its redefined purpose is to manage its investment in housing in South Kilburn.

## Balance Sheet

	2016/17	2017/18	Movement
	(£m)	(£m)	(£m)
<b>What the council owns or is owed (assets):</b>			
Property, Plant, equipment, vehicles and infrastructure	1,509	1,638	129
Other Assets	9	0	(9)
Amount owed to us by other people/organisations	153	215	62
Cash and cash equivalents and short term investments	171	153	(18)
<b>Total we own and are owed</b>	<b>1,842</b>	<b>2,006</b>	<b>164</b>
<b>What the council owes (liabilities)</b>			
We owe other people/organisations	(140)	(149)	(9)
We have outstanding loans	(419)	(443)	(24)
We have to meet future years' pension costs	(819)	(842)	(23)
We received grants from government towards our assets	(20)	(18)	2
We have other liabilities (e.g. Cash overdrawn and	(22)	(22)	0

provisions)			
<b>Total amount we owe</b>	<b>(1,420)</b>	<b>(1,474)</b>	<b>(54)</b>
<b>Total the council is worth</b>	<b>422</b>	<b>532</b>	<b>110</b>

The two major stories on the balance sheet are that:

- the council has significantly increased the value of Property, Plant, Equipment, vehicles and infrastructure it owns by £129m, the increase is through two main sources: the council's capital expenditure as part of the capital programme, and the revaluation of assets;
  - much of the council's capital investment is to reduce its revenue costs, for example, during the year the council capital programme directly delivered 43 units of NAIL, through new build developments like Clement Close and Peel Road which reached works completion in May 2018 and the refurbishment of 3 large properties acquired within the year. In total the 2017/18 NAIL capital programme has delivered revenue savings of £0.7m for the council.
- at the same time, the council's net worth has increased significantly by £110m, this is principally due to increases in two reserves: the revaluation reserve has increased by £36m as the council's assets have gained in value; and the Capital Adjustment Account has increased by £54m; increases in the Capital Adjustment account are principally due to use of funds to pay for capital expenditure.

The increase in the Capital Adjustment account needs further explanation as capital financing by itself cannot increase the council's reserves. This year, the council has seen very strong capital income in the form of grants, capital receipts, Section 106 and Community Infrastructure Levy payments, which means that at the end of the year, the council's usable reserves for the capital programme are higher than at the start of the year, despite financing the £181m of capital expenditure.

As described above, the council has recently created a subsidiary, Investing 4 Brent, to buy properties to reduce the cost of temporary accommodation for the council. The council has lent £45m to Investing 4 Brent to buy these properties, which largely explains the movement in the amount owed to us by other people/organisations. The remainder of the increase is principally due to work done as part of the debt strategy to improve the recording of debt so that the council can improve its collection, leading to the recognition of additional amounts owed for Housing Benefit.

Two figures combined: cash and cash equivalents and short term investments, and outstanding loans, need to be considered together as they reflect the council's treasury management plan. Taking these three together, the combined position has reduced by £51m. This is in line with the council's plans for capital expenditure, as the council's medium term plan is to reduce its cash balances and short term investments, and to borrow more as the capital programme progresses.

The pension liability has increased by £23m, this is mostly due to an increased liability (£19m) being recognised directly on the council's account for former Brent Housing Partnership staff, who are now employed directly by the council. This was previously part of Brent Housing

Partnership's accounts, and was recognised as part of the group accounts, so is not a new liability if the council is considered along with its subsidiaries.

### Pension Fund

The Pension Fund accounts are disclosed from page 82 onwards. The Pension Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.

During 2017/18, the value of the Pension Fund's investments has increased to £830.3m (2016/17 £802.6m). This is despite the weak performance of the equity markets in comparison to the previous year.

Total contributions received from employers and employees were £49.9m for the year, an increase on the previous year's £48.6m.

Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £38.9m, a decrease on the previous year's £40.2m. As in 2016/17, the Council is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

The Pension Fund's most recent Triennial Valuation was at 31<sup>st</sup> March 2016. This was a detailed appraisal that used economic and demographic assumptions in order to estimate future liabilities. It was agreed in this valuation that the employer contribution rates would increase from 32.5% in

2017/18 to 33.8% in 2018/19 and 35% in 2019/20. This is consistent with the Fund's deficit recovery plan to clear its deficit within 19 years. At the 2013 valuation, the deficit recovery plan was 22 years and therefore, the Fund remains in line with its underlying strategy. The next triennial valuation is scheduled for 31<sup>st</sup> March 2019.

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

During the year, College of North West London exited the Fund and BHP was brought back within the direct control of Brent Council, thus also ceasing to be an employer within the Fund. It is important to note that the net impact of these transactions on the funding position of the Pension Fund is nil. College of North West London will receive its share of both the net assets and the net liabilities of the Fund. BHP effectively remains within the Fund as a part of Brent Council. The impact of the BHP transfer on Brent Council can be seen in Notes 32-37 of the main accounts.



# Core Statements

The Council's accounts are presented in 5 main statements in line with statutory requirements and supported by additional notes.

**The 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, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

**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.

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

**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.

## Balance Sheet

31-Mar 2017 £m		Notes	31-Mar 2018 £m	
1,509.3	Property, Plant & Equipment	1	1,636.2	Non-current Assets
0.5	Heritage Assets		0.5	
1.4	Investment Property		0.0	
1.8	Intangible Assets	1	1.8	
0.1	Long Term Investments	23	13.3	
58.7	Long Term Debtors	23	93.1	
<b>1,571.8</b>	<b>Long Term Assets</b>		<b>1,744.9</b>	
151.6	Short Term Investments	23	105.3	Current Assets
5.6	Assets Held for Sale		0.0	
90.1	Short Term Debtors	2	108.7	
19.0	Cash and Cash Equivalents	3	47.7	
<b>266.3</b>	<b>Current Assets</b>		<b>261.7</b>	
(8.6)	Short Term Borrowing	23	(29.9)	Liabilities
(106.8)	Short Term Creditors	7	(120.2)	
(6.5)	Provisions	9	(2.3)	
<b>(121.9)</b>	<b>Current Liabilities</b>		<b>(152.4)</b>	
(28.7)	Long Term Creditors	23	(28.9)	
(15.4)	Provisions	9	(19.9)	
(410.6)	Long Term Borrowing	23	(413.6)	
(838.7)	Other Long Term Liabilities	8	(860.1)	
<b>(1,293.4)</b>	<b>Long Term Liabilities</b>		<b>(1,322.5)</b>	
<b>422.8</b>	<b>Net Assets</b>		<b>531.7</b>	
	<b>Reserves</b>			Reserves
(333.4)	Usable Reserves		(365.0)	
(89.4)	Unusable Reserves		(166.7)	
<b>(422.8)</b>	<b>Total Reserves</b>		<b>(531.7)</b>	

## The Movement in Reserves Statement

	General Fund Balance £m	School Balances £m	Earmarked General Fund Reserves £m	HRA £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
<b>Movement in reserves during 2017/18</b>	<b>(12.3)</b>	<b>(20.1)</b>	<b>(171.0)</b>	<b>(4.8)</b>	<b>(1.7)</b>	<b>(34.5)</b>	<b>0.0</b>	<b>(89.0)</b>	<b>(333.4)</b>	<b>(89.4)</b>	<b>(422.8)</b>
(Surplus) or deficit on the provision of services	(69.0)	0.0	0.0	20.0	0.0	0.0	0.0	0.0	(49.0)	0.0	(49.0)
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(59.9)	(59.9)
<b>Total comprehensive income &amp; expenditure</b>	<b>(69.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>20.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(49.0)</b>	<b>(59.9)</b>	<b>(108.9)</b>
Adjustments between accounting basis & funding basis under regulations	23.2	0.0	9.8	(18.9)	0.0	(3.2)	0.0	6.5	17.4	(17.4)	0.0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(45.8)</b>	<b>0.0</b>	<b>9.8</b>	<b>1.1</b>	<b>0.0</b>	<b>(3.2)</b>	<b>0.0</b>	<b>6.5</b>	<b>(31.6)</b>	<b>(77.3)</b>	<b>(108.9)</b>
Transfers (to)/from earmarked reserves	45.8	3.5	(49.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>(Increase)/decrease in 2017/18</b>	<b>(0.0)</b>	<b>3.5</b>	<b>(39.5)</b>	<b>1.1</b>	<b>0.0</b>	<b>(3.2)</b>	<b>0.0</b>	<b>6.5</b>	<b>(31.6)</b>	<b>(77.3)</b>	<b>(108.9)</b>
<b>Balance as at 31 March 2018</b>	<b>(12.3)</b>	<b>(16.6)</b>	<b>(210.5)</b>	<b>(3.7)</b>	<b>(1.7)</b>	<b>(37.7)</b>	<b>0.0</b>	<b>(82.5)</b>	<b>(365.0)</b>	<b>(166.7)</b>	<b>(531.7)</b>

	General Fund Balance £m	School Balances £m	Earmarked General Fund Reserves £m	HRA £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
<b>Balance as at 31 March 2016</b>	<b>(12.3)</b>	<b>(25.2)</b>	<b>(149.9)</b>	<b>(6.2)</b>	<b>(1.7)</b>	<b>(41.0)</b>	<b>(11.4)</b>	<b>(78.9)</b>	<b>(326.6)</b>	<b>(212.1)</b>	<b>(538.7)</b>
<b>Movement in reserves during 2016/17</b>											
(Surplus) or deficit on the provision of services	13.2	0.0	0.0	7.4	0.0	0.0	0.0	0.0	<b>20.6</b>	0.0	<b>20.6</b>
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	95.4	<b>95.4</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>13.2</b>	<b>0.0</b>	<b>0.0</b>	<b>7.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>20.6</b>	<b>95.4</b>	<b>116.0</b>
Adjustments between accounting basis & funding basis under regulations	(29.2)	0.0	0.0	(6.0)	0.0	6.5	22.5	(10.1)	<b>(16.3)</b>	27.3	<b>11.0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(16.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>	<b>0.0</b>	<b>6.5</b>	<b>22.5</b>	<b>(10.1)</b>	<b>4.3</b>	<b>122.7</b>	<b>127.0</b>
Transfers (to)/from earmarked reserves	16.0	5.1	(21.1)	0.0	0.0	0.0	(11.1)	0.0	<b>(11.1)</b>	<b>0.0</b>	<b>(11.1)</b>
<b>(Increase)/decrease in 2016/17</b>	<b>0.0</b>	<b>5.1</b>	<b>(21.1)</b>	<b>1.4</b>	<b>0.0</b>	<b>6.5</b>	<b>11.4</b>	<b>(10.1)</b>	<b>(6.8)</b>	<b>122.7</b>	<b>115.9</b>
<b>Balance as at 31 March 2017</b>	<b>(12.3)</b>	<b>(20.1)</b>	<b>(171.0)</b>	<b>(4.8)</b>	<b>(1.7)</b>	<b>(34.5)</b>	<b>0.0</b>	<b>(89.0)</b>	<b>(333.4)</b>	<b>(89.4)</b>	<b>(422.8)</b>

Further detail are included in Note 10 – Transfers to/from Earmarked Reserves and in the Movement in Reserves Detail in the Additional Supporting Information and reconciliation disclosures.

## Comprehensive Income and Expenditure Statement

2016/17	Net Expenditure		2017/18			Notes
			Gross	Gross	Net	
			Expenditure	Income	Expenditure	
£m	£m	£m	£m	£m		
159.4		Community Wellbeing (GF)	217.6	(75.3)	142.3	
14.3		Performance Policy & Partnerships	9.9	(1.0)	8.9	
33.2		Regeneration & Environment	85.0	(40.1)	44.9	
2.1		Resources Department	413.6	(430.3)	(16.7)	
47.9		Children & Young People (GF)	67.9	(24.1)	43.8	
4.3		Children & Young People (DSG)	222.7	(221.5)	1.2	
6.6		Community Wellbeing (HRA)	62.7	(56.1)	6.6	
<b>267.8</b>		<b>Cost of Services</b>	<b>1,079.4</b>	<b>(848.4)</b>	<b>231.0</b>	
2.7		Other operating expenditure			(1.6)	11
40.4		Financing and investment income & expenditure			43.6	12
(290.3)		Taxation and non-specific grant income			(322.0)	13
<b>20.6</b>		<b>(Surplus) or Deficit on Provision of Services</b>			<b>(49.0)</b>	
(77.5)		(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(42.4)	
172.9		Actuarial (gains)/losses on pension assets and liabilities			(17.5)	32
<b>95.4</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(59.9)</b>	
<b>115.9</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(108.9)</b>	

## Expenditure and Funding Analysis

2016/17			2017/18		
Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargable to the General Fund and HRA Balances	Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargable to the General Fund and HRA Balances
£m	£m	£m	£m	£m	£m
159.3	(30.3)	129.0	142.3	0.7	143.0
14.3	(4.0)	10.3	8.9	0.8	9.7
33.2	(4.8)	28.4	44.9	(4.4)	40.5
2.2	1.9	4.1	(16.7)	(0.7)	(17.4)
47.9	(4.8)	43.1	43.8	(3.1)	40.7
4.3	(7.4)	(3.1)	1.2	(0.3)	0.9
6.6	(34.8)	(28.2)	6.6	(34.2)	(27.6)
<b>267.8</b>	<b>(84.2)</b>	<b>183.6</b>	<b>231.0</b>	<b>(41.2)</b>	<b>189.8</b>
(247.2)	65.0	(182.2)	(280.0)	91.3	(188.7)
<b>20.6</b>	<b>(19.2)</b>	<b>1.4</b>	<b>(49.0)</b>	<b>50.1</b>	<b>1.1</b>
		(18.5)			(17.1)
		1.4			1.1
		<b>(17.1)</b>			<b>(16.0)</b>
		Community Wellbeing (GF)			
		Performance Policy & Partnerships			
		Regeneration & Environment			
		Resources Department			
		Children & Young People (GF)			
		Children & Young People (DSG)			
		Community Wellbeing (HRA)			
		<b>Net Cost of Services</b>			
		Other Income and Expenditure			
		<b>(Surplus) or Deficit</b>			
		Opening General Fund and HRA Balance			
		<b>Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year</b>			
		Closing General Fund and HRA Balance at 31 March 2017			

## Expenditure and Funding Analysis continued

Housing Revenue Account and General Fund split:

2016/17			2017/18			
Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances		Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
£m	£m	£m		£m	£m	£m
7.4	(6.0)	1.4	Housing Revenue Account	20.0	(18.9)	1.1
13.2	(13.2)	0.0	General Fund	(69.0)	69.0	0.0
<b>20.6</b>	<b>(19.2)</b>	<b>1.4</b>	<b>(Surplus) or Deficit</b>	<b>(49.0)</b>	<b>50.1</b>	<b>1.1</b>

## Cash Flow Statement

2016/17			2017/18	
	£m		Notes	£m
20.5	Net surplus or (deficit) on the provision of services			(49.0)
(31.0)	Adjustments for non-cash movements			82.4
57.9	Adjustments for investing and financing activities			93.9
<b>47.4</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>			<b>127.3</b>
(54.8)	Net cash inflows/(outflow) from Investing activities	5		(121.0)
(5.8)	Net cash inflows/(outflow) from Financing activities	6		22.4
<b>(13.2)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>28.7</b>
32.2	Cash and cash equivalents at the beginning of the reporting period			19.0
<b>19.0</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	3		<b>47.7</b>

# Notes and Disclosures to the Core Statements

## Physical and Intangible Assets

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

Movements in 2016/17	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus	Asset under Construction	Total	PFI Assets	Intangible Assets
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or Valuation</b>									
<b>At 1 April 2016</b>	<b>645.5</b>	<b>643.2</b>	<b>40.4</b>	<b>234.8</b>	<b>5.1</b>	<b>20.4</b>	<b>1,589.4</b>	<b>90.4</b>	<b>5.3</b>
Additions	54.0	11.0	0.6	10.4	0.1	9.6	85.8	0.0	0.0
Depreciation written out	0.0	(13.9)	0.0	0.0	(0.0)	0.0	(13.9)	(11.4)	0.0
Revaluation increases (decreases) in the Revaluation Reserve	0.0	76.5	0.0	0.0	0.3	0.0	76.8	63.0	0.7
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(24.9)	(30.1)	0.0	0.0	0.0	0.0	(55.1)	(29.3)	0.0
Derecognition - Disposals	(4.2)	(18.2)	(6.3)	0.0	0.0	0.0	(28.7)	(0.6)	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	(0.6)	0.0	(0.6)	0.0	0.0
Other movements in Cost or Valuations	0.0	5.2	0.0	1.0	0.0	(6.8)	(0.5)	0.0	0.5
<b>At 31 March 2017</b>	<b>670.4</b>	<b>673.6</b>	<b>34.7</b>	<b>246.3</b>	<b>5.0</b>	<b>23.2</b>	<b>1,653.1</b>	<b>112.1</b>	<b>6.5</b>
<b>At 1 April 2016</b>	<b>(9.8)</b>	<b>(36.9)</b>	<b>(25.9)</b>	<b>(57.8)</b>	<b>(0.1)</b>	<b>(0.0)</b>	<b>(130.5)</b>	<b>(17.1)</b>	<b>(3.7)</b>
Charge for 2016/17	(9.9)	(13.3)	(4.7)	(6.2)	(0.0)	0.0	(34.0)	(4.2)	(1.0)
Depreciation written out	0.3	13.9	0.0	0.0	0.0	0.0	14.2	11.4	0.0
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	(0.5)	0.0	0.0	0.0	0.0	(0.5)	0.0	0.0
Derecognition - Disposals	0.0	0.9	5.9	0.0	0.0	0.0	6.8	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Other Movements in Depreciation & Impairments	0.0	0.8	0.0	(0.8)	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2017</b>	<b>(19.4)</b>	<b>(35.0)</b>	<b>(24.7)</b>	<b>(64.7)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(143.8)</b>	<b>(9.9)</b>	<b>(4.7)</b>
<b>Balance Sheet Amount at 31 March 2017</b>	<b>651.0</b>	<b>638.6</b>	<b>10.0</b>	<b>181.5</b>	<b>5.0</b>	<b>23.2</b>	<b>1509.3</b>	<b>102.2</b>	<b>1.8</b>
<b>Balance Sheet Amount at 1 April 2016</b>	<b>635.7</b>	<b>606.4</b>	<b>14.5</b>	<b>177.0</b>	<b>5.0</b>	<b>20.4</b>	<b>1458.9</b>	<b>73.3</b>	<b>1.5</b>

Movements in 2017/18	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus	Asset under construction	Total	PFI Assets	Intangible Assets
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
At 1 April 2017	670.4	673.6	34.7	246.3	5.0	23.2	1,653.1	112.1	6.5
Additions	37.1	26.8	6.6	10.1	0.0	48.5	129.1	0.0	0.5
Depreciation written out	0.0	(29.0)	0.0	0.0	0.0	0.0	(29.0)	0.0	0.0
Revaluation increases (decreases) in the Revaluation Reserve	0.0	42.3	0.0	0.0	0.1	0.0	42.4	0.3	0.0
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	0.0	11.2	0.0	0.0	0.0	0.0	11.2	0.0	0.0
Derecognition - Disposals	(17.3)	0.0	0.0	0.0	(1.1)	0.0	(18.4)	0.0	0.0
Derecognition - Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications (to/from Investment Property)	0.0	1.5	0.0	0.0	0.0	0.0	1.5	0.0	0.0
Other movements in Cost or Valuations	0.0	5.6	0.0	1.6	0.0	(7.3)	(0.1)	0.0	0.0
At 31 March 2018	690.2	732.0	41.3	258.0	4.0	64.4	1,789.9	112.4	7.0

#### Depreciation and Impairments

At 1 April 2017	(19.5)	(35.0)	(24.7)	(64.7)	0.0	0.0	(143.9)	(9.9)	(4.7)
Charge for 2017/18	(13.9)	(14.1)	(4.8)	(6.5)	0.0	0.0	(39.3)	(2.0)	(0.5)
Depreciation written out	0.0	29.0	0.0	0.0	0.0	0.0	29.0	0.0	0.0
Derecognition - Disposals	0.5	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0
Derecognition - Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2018	(32.9)	(20.1)	(29.5)	(71.2)	0.0	0.0	(153.7)	(11.9)	(5.2)
Balance Sheet Amount at 31 March 2018	657.3	711.9	11.8	186.8	4.0	64.4	1,636.2	100.5	1.8
Balance Sheet Amount at 1 April 2017	651.0	638.6	10.0	181.5	5.0	23.2	1,509.3	102.2	1.8

## Current Assets

### Note 2 – Debtors

31-Mar-17		31-Mar-18	
£m		£m	
23.4	Central government bodies	15.4	
10.4	Other local authorities	7.1	
6.0	NHS bodies	6.1	
4.5	Public corporations and trading funds	4.3	
45.8	Other entities and individuals	75.8	
<b>90.1</b>	<b>Total</b>	<b>108.7</b>	

### Note 3 – Cash and Cash Equivalents

31-Mar-17		31-Mar-18	
£m		£m	
(17.6)	Bank current accounts	(9.8)	
21.0	School bank accounts	22.3	
15.6	Short-term deposits	35.2	
<b>19.0</b>	<b>Total</b>	<b>47.7</b>	

## Cash Flow Notes

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

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

2016/17		2017/18	
£m		£m	
4.2	Interest received-cash inflow	9.1	
(22.9)	Interest paid-cash (outflow)	(31.9)	

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

2016/17		2017/18	
£m		£m	
(102.2)	Purchase of property, plant and equipment, investment property and intangible assets	(168.6)	
(10.5)	Net increase/(decrease) in short-term and long-term investments	(46.3)	
26.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	29.5	
31.9	Capital grants received	64.4	
<b>(54.8)</b>	<b>Net cash flows from investing activities</b>	<b>(121.0)</b>	

Note 6 – Cash Flow Statement - Financing Activities

2016/17		2017/18
£m		£m
(4.3)	Net increase/(decrease) in short-term and long-term borrowing	24.3
(1.5)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(1.9)
<b>(5.8)</b>	<b>Total</b>	<b>22.4</b>

Liabilities

Note 7 – Creditors

31-Mar-17		31-Mar-18
£m		£m
(18.5)	Central Government bodies	(14.6)
(21.4)	Other Local Authorities	(21.4)
(3.0)	NHS bodies	(6.0)
(0.4)	Public corporations and trading funds	(2.3)
(63.5)	Other entities and individuals	(75.9)
<b>(106.8)</b>	<b>Total</b>	<b>(120.2)</b>

Note 8 – Long-Term Liabilities

31-Mar-17		31-Mar-18
£m		£m
(818.5)	Pension Fund Liability	(841.8)
(20.1)	Deferred Income	(18.3)
<b>(838.7)</b>	<b>Total</b>	<b>(860.1)</b>

Note 9 – Provisions

	Outstanding Legal Cases £m	Compensation Claims £m	Other Provisions £m	Total £m
<b>Short Term Provisions</b>				
<b>Balance at 1 April 2017</b>	<b>0</b>	<b>(2.7)</b>	<b>(3.8)</b>	<b>(6.5)</b>
Net additions (reductions) to provisions made in 2016/17	0	0.4	3.8	4.2
<b>Balance at 31 March 2018</b>	<b>0</b>	<b>(2.3)</b>	<b>0</b>	<b>(2.3)</b>
<b>Long Term Provisions</b>				
<b>Balance at 1 April 2017</b>	<b>(5.0)</b>	<b>(4.4)</b>	<b>(6.0)</b>	<b>(15.4)</b>
Net additions (reductions) to provisions made in 2016/17	0.2	0.7	(5.4)	(4.5)
<b>Balance at 31 March 2018</b>	<b>(4.8)</b>	<b>(3.7)</b>	<b>(11.4)</b>	<b>(19.9)</b>

## Earmarked Reserves

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

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

		Balance at 31-03-2017 £m	Transfer (to)/from reserves £m	Balance at 31-03-2018 £m
<b>Capital and other statutorily ring-fenced reserves</b>				
S106/CIL		(47.6)	(24.9)	(72.5)
Ring-fenced	HMO Licensing	(1.1)	0.7	(0.4)
	Housing Revenue Account	(1.7)	0.0	(1.7)
	Public Health	(1.7)	(0.9)	(2.6)
	Schools and other DSG	(26.2)	1.7	(24.5)
	Community Wellbeing	(0.3)	(0.5)	(0.8)
	Joint NHS	(5.7)	5.3	(0.4)
	Migration related	0.0	(0.1)	(0.1)
	<b>Total</b>	<b>(36.7)</b>	<b>6.2</b>	<b>(30.5)</b>
Capital Finance Related	South Kilburn	(3.2)	(0.7)	(3.9)
	Library at Willesden Green	(0.1)	0.0	(0.1)
	General Fund Capital funding	(37.0)	(5.2)	(42.2)
	<b>Total</b>	<b>(40.3)</b>	<b>(5.9)</b>	<b>(46.2)</b>
<b>Total</b>		<b>(124.6)</b>	<b>(24.6)</b>	<b>(149.2)</b>

### General and other smoothing reserves

Investment reserve		(11.5)	0.0	(11.5)
	PFI	(5.3)	(0.1)	(5.4)
	Universal Credit staffing	(5.1)	1.6	(3.5)
	Parking	(1.7)	0.0	(1.7)
Sinking fund and other smoothing reserves	Redundancy	(3.7)	0.0	(3.7)
	Insurance	(2.6)	(1.3)	(3.9)
	Welfare reform	(3.5)	0.0	(3.5)
	Pensions	(5.1)	(0.7)	(5.8)
	Brent Transport Services	0.0	(2.0)	(2.0)
	Civic Enterprise	(1.5)	(1.5)	(3.0)
	Debt savings	(2.0)	(2.0)	(4.0)
	Other Central	(2.5)	(0.1)	(2.6)
	Temporary Accommodation	(2.0)	(4.0)	(6.0)
	Housing Benefit	(2.0)	(4.0)	(6.0)
	<b>Total</b>	<b>(35.0)</b>	<b>(10.1)</b>	<b>(45.1)</b>
<b>Total</b>		<b>(46.5)</b>	<b>(10.1)</b>	<b>(56.6)</b>

		Balance at 31-03-2017 £m	Transfer (to)/from reserves £m	Balance at 31-03- 2018 £m
<b>Other Earmarked Reserves</b>				
Service reserves	CHILDREN AND YOUNG PEOPLE	(5.9)	(0.2)	(6.1)
	COMMUNITY WELLBEING	(1.0)	0.1	(0.9)
	REGENERATION & ENVIRONMENT	(2.6)	(2.1)	(4.7)
	RESOURCES & PERFORMANCE POLICY & PARTNERSHIPS	(2.2)	(0.3)	(2.5)
	<b>Total</b>	<b>(11.7)</b>	<b>(2.4)</b>	<b>(14.1)</b>
Transformation/service pressures reserves	Service pressures	(2.0)	0.0	(2.0)
	Future funding risks	(5.1)	0.0	(5.1)
	Transformation	(2.9)	1.1	(1.8)
	<b>Total</b>	<b>(10.0)</b>	<b>1.1</b>	<b>(8.9)</b>
<b>Total</b>		<b>(21.7)</b>	<b>(1.3)</b>	<b>(23.0)</b>
<b>Grand Total</b>		<b>(192.9)</b>	<b>(35.9)</b>	<b>(228.8)</b>

## Comprehensive Income and Expenditure Notes

### Note 11 – Other Operating Expenditure

31-Mar-17 £m		31-Mar-18 £m
2.5	Levies	2.7
1.3	Payments to the Government Housing Capital Receipts Pool	1.5
(1.1)	(Gains)/losses on the disposal of non-current assets	(5.8)
<b>2.7</b>	<b>Total</b>	<b>(1.6)</b>

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

31-Mar-17 £m		31-Mar-18 £m
22.6	Interest payable and similar charges	28.5
22.0	Pensions interest cost and expected return on pensions assets	20.6
(4.2)	Interest receivable and similar income	(5.5)
<b>40.4</b>	<b>Total</b>	<b>43.6</b>

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

31-Mar-17		31-Mar-18	
£m		£m	
(101.9)	Council tax income	(102.2)	
(48.8)	NNDR Top Up	(49.5)	
(35.5)	Business Rates	(38.1)	
(56.0)	Revenue Support Grant	(42.7)	
(16.3)	Other government grants & taxation	(25.0)	
(31.9)	Capital grants and contributions	(64.5)	
<b>(290.4)</b>	<b>Total</b>	<b>(322.0)</b>	

### Additional Disclosures

#### Note 14 – Acquired and Discontinued Operations

The council has no transactions to disclose.

#### Note 15 – Pooled Budgets

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

Partnership income and expenditure for 2017/18 is shown in the table below:

	Mental Health	Occupational Therapy	The Better Care Fund	Integrated Rehabilitation & Re-ablement Service
	£m	£m	£m	£m
Funding: LB of Brent	(0.3)	(0.5)	(10.9)	(0.9)
NHS Brent CCG	0	(0.6)	(20.5)	0
LNWUNT	0	0	0	(1.1)
CNWLNFT	(0.3)	0	0	0
<b>Total Funding</b>	<b>(0.6)</b>	<b>(1.1)</b>	<b>(31.4)</b>	<b>(2.0)</b>
Expenditure	0.6	1.6	31.2	1.8
<b>2017/18 Net Overspend/(Underspend)</b>	<b>0</b>	<b>0.5</b>	<b>(0.2)</b>	<b>(0.2)</b>
<b>2016/17 Net Overspend/(Underspend)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0</b>	<b>0</b>

### Note 16 – Members’ Allowances

Total payments including National Insurance costs in 2017/18 were £1.1m (£1.1m in 2016/17). Details of the Members’ Allowances scheme are available on Brent’s website ([www.brent.gov.uk](http://www.brent.gov.uk))

### Note 17 – External Audit Costs

The Council’s external auditors for both 2016/17 and 2017/18 were KPMG.

31-Mar-17 £’000		31-Mar-18 £’000
200	External audit services for in-year	200
6	Additional audit services for the prior year	19
5	Additional audit services for objections to prior year statement of accounts	1
22	Certification of grant claims and returns for in-year	22
1	Certification of grant claims and returns for prior year	
<b>234</b>	<b>Total</b>	<b>242</b>

### Note 18 – Contingent Liabilities

The Council has a number of contingent liabilities. The best estimate of the liability for all the issues could be in the region of £4.5m (estimated at £4.8m in 2016/17), but due to the nature of the contingent liabilities this is subject to significant change. Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

### Note 19 – Grant Income

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

2016/17 £m	Revenue Grants	2017/18 £m
	<b>Housing Benefit:</b>	
(296.9)	Mandatory Rent Allowances: subsidy	(293.9)
(18.8)	Mandatory Rent Rebates outside HRA	(16.8)
(27.7)	Rent Rebates Granted to HRA Tenants: subsidy	(26.6)
(2.8)	Housing Benefit and Council Tax Benefit Administration	(2.5)
<b>(346.2)</b>		<b>(339.8)</b>
	<b>Schools:</b>	
(195.1)	Dedicated Schools Grant (DSG)	(197.7)
(8.4)	Pupil Premium Grants	(7.5)
(4.0)	Sixth forms funding from Learning and Skills Council (LSC)	(4.3)
(3.5)	Universal Infant School Meal	(3.6)

(2.9)	Central Education Services	(0.8)
<b>(213.9)</b>		<b>(213.9)</b>
<b>2016/17</b>		<b>2017/18</b>
<b>£m</b>		<b>£m</b>
	<b>Other:</b>	
(3.1)	Adult and Community Learning from Learning & Skills Council	(3.1)
(2.9)	Discretionary Housing payments	(2.6)
(6.5)	Private Finance Initiative	(6.2)
(22.5)	Public Health	(22.0)
(1.2)	Troubled Families	(1.4)
(56.0)	Revenue Support Grant	(42.7)
(1.9)	Section 31	(3.8)
(11.2)	New Homes Bonus	(10.9)
(2.2)	Asylum Leaving Care (Post 18) Grant	(1.9)
0	Adults Social Care Support Grant	(1.3)
0	Adults Social Care Improved Better Care Fund	(7.0)
0	Flexible Homeless Grant	(8.1)
(4.9)	Other Miscellaneous Grants	(8.0)
<b>(112.4)</b>		<b>(119.0)</b>
<b>(672.5)</b>	<b>Total</b>	<b>(672.7)</b>

<b>2016/17</b>	<b>Capital Grants</b>	<b>2017/18</b>
<b>£m</b>		<b>£m</b>
	<b>Grants:</b>	
(13.4)	Basic Safety Needs	(11.9)
(2.4)	School Condition Grant	(2.2)
(4.4)	Transport for London	(4.3)
0	Disabled Facilities	(4.4)
(1.5)	Other Grants	(2.5)
(1.6)	Education Funding	0
	Greater London Authority - Outer London Fund	(6.1)
	<b>Contributions:</b>	
(8.6)	Section 106 & Construction Infrastructure Levy	(33.3)
<b>(31.9)</b>	<b>Total</b>	<b>(64.7)</b>

### *Note 20 – Deployment of Dedicated Schools Grant*

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG) provided by the Department for Education (DfE) - the Education and Skills Funding Agency (ESFA).

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

In 2017-18, as in previous years, an element of the DSG was recouped by the DfE/ESFA to fund academy schools in the borough.

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

	Central Expenditure £m	Schools Budget £m	Total £m
Final DSG for 2017-18 before academy recoupment			308.1
Academy recoupment figure for 2017-18			(110.4)
Agreed initial DSG budget in 2017-18	52.2	145.5	<b>197.7</b>
In year adjustments	0.2	1.0	1.2
Final budgeted distribution for 2017-18	52.4	146.5	198.9
Less Actual Central Expenditure	(50.6)		(50.6)
Less Actual ISB deployed to schools		(146.5)	(146.5)
Carry Forward to 2018-19 agreed in advance	<b>1.8</b>	-	<b>7.9</b>

#### *Note 21 – Related Party Transactions*

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

Councilors 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 2017/18 have Brent Members as Directors, Trustees or employees.

There were no material transactions disclosed in the Declarations of Related Party Transactions for 2017/18 obtained from Members.

#### *Note 22 – Capital Expenditure and Capital Financing*

2016/17 £m	2016/17 £m	2016/17 £m		2017/18 £m	2017/18 £m	2017/18 £m
GF	HRA	Total		GF	HRA	Total
34.4	57.1	91.5	<b>Capital Investment</b>	79.9	49.3	129.2
0	0	0	Property, Plant and Equipment	38.9	0	38.9
0	0	0	Investment Properties	0.5	0	0.5
10.8	0	10.8	Intangible Assets	12.6	0	12.6
			Revenue Expenditure			
			Funded from Capital under Statute			

45.2	57.1	102.3	Total Expenditure			131.9	49.3	181.2
2016/17	2016/17	2016/17				2017/18	2017/18	2017/18
£m	£m	£m				£m	£m	£m
<b>GF</b>	<b>HRA</b>	<b>Total</b>	<b>Sources of Finance</b>			<b>GF</b>	<b>HRA</b>	<b>Total</b>
(9.5)	(22.7)	(32.2)	Capital Receipts			(19.1)	(5.6)	(24.7)
(23.2)	0	(23.2)	Government Grants and other Contributions			(42.7)	(0.5)	(43.2)
(1.5)	(2.0)	(3.5)	Direct revenue contributions			(3.1)	(12.9)	(16.0)
0	(32.4)	(32.4)	Major Repairs Reserve			0	(8.8)	(8.8)
(11.0)	0	(11.0)	Earmarked Reserves			(22.9)	0	(22.9)
0	0	0	Borrowing			(44.1)	(21.5)	(65.6)
<b>(45.2)</b>	<b>(57.1)</b>	<b>(102.3)</b>	<b>Total Resources</b>			<b>(131.9)</b>	<b>(49.3)</b>	<b>(181.2)</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>Net Balance</b>			<b>0</b>	<b>0</b>	<b>0</b>
			<b>Calculation of Capital Financing Requirement</b>					
		1,509.3	Fixed Assets					1,636.2
		1.8	Intangible Assets					1.8
		5.6	Assets Held for Sale					0
		(279.8)	Revaluation Reserve					(315.9)
		(636.0)	Capital Adjustment Account					(704.2)
		<b>600.9</b>	<b>Capital Financing Requirement</b>					<b>617.9</b>

## Financial Instruments

### Note 23 – Financial Instruments Categories

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

	Long Term			Current		
	31-Mar 2018 £m	31-Mar 2017 £m	31-Mar 2016 £m	31-Mar 2018 £m	31 Mar 2017 £m	31 March 2016 £m
<b>Investments</b>						
Investments In subsidiaries	13.0	0.0	0.0	0.0	0.0	0.0
Loans and receivables	0.0	0.0	0.0	105.3	151.6	141.1
Unquoted equity investment at cost	0.3	0.1	0.1	0.0	0.0	0.0
<b>Total investments</b>	<b>13.3</b>	<b>0.1</b>	<b>0.1</b>	<b>105.3</b>	<b>151.6</b>	<b>141.1</b>
<b>Debtors</b>						
Investments In subsidiaries	32.3	0.0	0.0	0.0	0.0	0.0
Loans and receivables	60.8	58.7	55.0	0.0	0.0	0.0
Financial assets carried at contract amounts	0.0	0.0	0.0	108.7	90.1	34.9
<b>Total Debtors</b>	<b>93.1</b>	<b>58.7</b>	<b>55.0</b>	<b>108.7</b>	<b>90.1</b>	<b>34.9</b>

	Long Term			Current		
	31-Mar 2018 £m	31-Mar 2017 £m	31-Mar 2016 £m	31-Mar 2018 £m	31 March 2017 £m	31 March 2016 £m
<b>Borrowings</b>						
Financial liabilities at amortised cost	(413.6)	(410.6)	(415.0)	(29.9)	(8.6)	(8.6)
<b>Total Borrowings</b>	<b>(413.6)</b>	<b>(410.6)</b>	<b>(415.0)</b>	<b>(29.9)</b>	<b>(8.6)</b>	<b>(8.6)</b>
<b>Other Long Term Creditors</b>						
PFI and finance lease liabilities	(28.9)	(28.7)	(31.5)	0.0	0.0	0.0
<b>Total Other Long Term Creditors</b>	<b>(28.9)</b>	<b>(28.7)</b>	<b>(31.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Creditors</b>						
Financial liabilities carried at contract amounts	0.0	0.0	0.0	(76.6)	(64.9)	(78.3)
<b>Total Creditors</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(76.6)</b>	<b>(64.9)</b>	<b>(78.3)</b>

#### *Note 24 – Fair Values of Assets and Liabilities*

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

The Council's long term borrowing at 31 March 2017 and 31 March 2018 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio, assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date. The carrying amount of short-term borrowing is considered to be at fair value.

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

## **Financial Liabilities**

<b>31-Mar-17</b>			<b>31-Mar-18</b>	
<b>Carrying Amount</b>	<b>Fair Value</b>		<b>Carrying Amount</b>	<b>Fair Value</b>
<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>
(8.6)	(8.6)	Short Term Borrowing (PWLB)	(29.9)	(29.9)
(315.1)	(514.0)	Long Term Borrowing (PWLB)	(310.8)	(494.6)
(80.5)	(162.0)	Long Term Borrowing (LOBO)	(87.8)	(162.5)
(15.0)	(23.4)	Long Term Borrowing (Market Loans)	(15.0)	(22.5)
(28.7)	(28.7)	Long Term Creditors	28.5	28.50

The Fair Value of financial liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. There has been an increase in the fair value of the Council's loans due to an increase in the discount rate, which is based on a projection of the long-term interest rates. This is consistent with the increase in the Pension Liabilities.

## **Financial Assets**

<b>31-Mar-17</b>			<b>31-Mar-18</b>	
<b>Carrying Amount</b>	<b>Fair Value</b>		<b>Carrying Amount</b>	<b>Fair Value</b>
<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>
151.6	151.6	Loans and Receivables	105.5	105.5
58.7	58.7	Long Term Debtors	106.4	106.4

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

## **Impairment of Deposits with Icelandic Banks**

### **Heritable Bank**

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. As at 31 March 2018, the Council had recovered £9.8m of the original £10m deposit and a further repayment may arise subject to the result of court action. The impairment made by the Council is essentially the balance of the deposit outstanding.

### *Note 25 – Leases*

#### **Authority as Lessee**

#### **Finance Leases**

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

31-Mar-17 £m		31-Mar-18 £m
1.7	Plant, Furniture, Vehicles and Equipment	1.4

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

31-Mar-17 £m		31-Mar-18 £m
0.6	Finance lease liabilities Current	0.2
1.2	Non-current	1.2
0.1	Finance costs payable in future years	0
<b>1.9</b>	<b>Minimum lease payments</b>	<b>1.4</b>

These minimum lease payments are payable over the following periods

	Total Minimum Lease Payments		Present Value of Minimum Lease Payments Repayable	
	2016-17	2017-18	2016-17	2017-18
	£m	£m	£m	£m
Not Later than one year	0.6	0.2	0.6	0.2
Later than one year and not later than five years	1.3	1.2	1.2	1.2
	<b>1.9</b>	<b>1.4</b>	<b>1.8</b>	<b>1.4</b>

### Operating Leases

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

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

2016-17 £m		2017-18 £m
0.8	Not later than one year	0.2
1.6	Later than one year and not later than five years	0.4
5.8	Later than five years	0.7
<b>8.2</b>	<b>Total</b>	<b>1.3</b>

The following future sublease payments are receivable:

£m		£m
0.9	Future Minimum Sublease Payments Receivable	0

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

2016-17		2017-18	
£m		£m	
0.7	Minimum Lease payments	0.7	
(0.2)	(Sublease payments receivable)	(0.2)	
<b>0.5</b>	<b>Total</b>	<b>0.5</b>	

### Authority as Lessor

#### Finance Leases

Brent Council leases Northwick golf course to a commercial operator on a finance lease with a remaining term of 90 years.

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

2016-17		2017-18	
£m		£m	
1.2	Finance lease debtor Non-Current	1.2	
<b>1.2</b>	<b>Gross Investment in Lease</b>	<b>1.2</b>	

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

	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	2016-17	2017-18	2016-17	2017-18
	£m	£m	£m	£m
Later than one year and not later than five years	0	0	0	0
Later than five years	1.2	1.2	1.2	1.2
	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>

In addition to the payments made by the commercial operator shown above, the council receives contingent rent based on the turnover of the golf course. In 2016/17, £22k contingent rent was receivable.

## Operating Leases

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

Future minimum lease payments expected under these contracts are:

2016-17		2017-18
£m		£m
1.9	Not later than one year	2.2
6.3	Later than one year and not later than five years	7.8
33.7	Later than five years	55.9
<b>41.9</b>	<b>Total</b>	<b>65.9</b>

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

### *Note 26 – Private Finance Initiative (PFI) and Service Concessions*

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

- In 1998/99 a 20 year project to provide and maintain street lights throughout the Borough, legal title to these street lights transfers to Brent at the end of the contract. The contract pays for the maintenance and operation of the streetlights throughout the contract period
- In 2006/07 a 25 year project to provide, operate and maintain a new sports centre and related facilities in Willesden; legal title to this sports centre transfers to Brent at the end of the contract
- In 2008/09 the Council entered into phase 1 of a 20 year project to provide and maintain social housing, and replacement residential facilities for people with learning disabilities. Phase 2 of this contract was signed in 2010-11. Legal title to the residential facilities for people with learning disabilities transfers to Brent. Brent controls the residual value of 158 units of the housing stock at the end of the contract by a combination of restrictions on the sale and use of the social housing built and guaranteed nomination rights to 158 of the properties built. The complexities of this contract are further detailed below.

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

- In 2005/06 a 32 year agreement was made to provide and maintain social housing within Stonebridge. Whether or not a block of flats or house paid for by this contract appears on Brent's balance sheet was determined by a tenant's vote at the start of the contract. The PFI operator manages and maintains these properties on behalf of Brent.
- A provision of £5.7m is maintained to reflect changes in the PFI schemes agreed in prior years. Please refer to note 9.

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

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

2016-17		2017-18	
£m		£m	
31.8	Balance outstanding at start of year	30.4	
(1.4)	Payments during the year	(1.9)	
<b>30.4</b>	<b>Balance outstanding at end of year</b>	<b>28.5</b>	

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

	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2017/18	3.4	2.6	3.2	9.2
Payable with two to five years	10.1	9.7	11.2	31.0
Payable within 6 to 10 years	9.7	15.0	11.6	36.3
Payable within 11 to 15 years	8.7	14.8	8.7	32.1
Payable within 16 to 20 years	2.1	8.9	6.2	17.2
<b>Total</b>	<b>33.9</b>	<b>51.1</b>	<b>40.8</b>	<b>125.8</b>

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

2016-17		2017-18	
£m		£m	
(22.1)	Deferred Income opening balance	(20.1)	
2.0	Amortisation	2.0	
(20.1)	Deferred Income closing balance	(18.1)	

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

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

can be sold by the PFI Operator to other Registered Social Landlords under the conditions of the contract. This element is therefore considered to be temporary housing stock, and is accounted for using the embedded lease rules for IFRIC 4.

The Assets and Liabilities for element 2 of the PFI have been calculated using the ratio of 158:364, which is the ratio of guaranteed nomination rights to total social housing properties. The payments for element 3 are the residual payments once elements 2 and 3 are accounted for.

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

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

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

#### *Note 27 - Nature and extent of risks arising from Financial Instruments*

The Council considers its main risks to be: -

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

#### **Credit Risk: Investments**

- The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

- Up to £15m can be invested with a single pre-selected UK banking group (or individually rated banks within that group) for up to 100 days.
- Up to £10m can be invested with pre-selected overseas banks, or AAA rated money market funds for up to 190 days. Up to £10m can be invested in institutions that are supported by major international organisations such as the USA Federal Reserve or the European Central Bank for longer periods.
- Up to £20m can be invested with other individual local authorities or UK government bodies for terms that can exceed one year
- The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise. The Council's direct exposure to banks and building societies on 31 March 2017 was limited to £0.2m with Heritable Bank and a marginal net amount with the Royal Bank of Scotland.
- The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	Short Term	
	31-Mar-18 £m	31-Mar-17 £m
AAA	35.2	15.6
AA-	0	0
A	0	0
Unrated local authorities	105	151.5
Debt Management Office	0	0
Residual Icelandic banks	0.2	0.2
<b>Total Investments</b>	<b>140.4</b>	<b>167.3</b>

(Excludes interest and impairment)

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Approved List for Investments, which governs lending to banks and financial institutions, including building societies, government authorities and supranational institutions. The Council combines long-term, short-term and individual ratings to reduce the risk of default. To further reduce risk, the Council only makes new investments with financial institutions through marketable instruments which could be sold at short notice to minimise prospective losses.

The following analysis summarises the Authority's potential maximum exposure to credit risk. 43% is the element which has not been provided for, based on historical experience of default.

	Amount at 31 March 2018 £m	Historical experience of default %	Estimated maximum exposure to default £m
Deposits with banks and financial	2.0	47.47%	1.0

institutions		
Trade debtors	133.1	63.2
	<b>135.1</b>	<b>64.2</b>

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

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

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

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

### Liquidity risk

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

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

	<b>£m</b>
Less than one year	4.34
Between one and two years	10.44
Between two and five years	11.19
Between five and ten years	4.00
Between ten and twenty years	24.56
Between 20 and 30 years	51.87
Between 30 and 40 years	212.62
More than 40 years	11.10
Uncertain date *	80.50
	<b>410.63</b>

\*The Council has £80.5m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely repay these loans. The maturity date is therefore uncertain.

Investments of £140m are due to be repaid to the Council within one year.

### Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. However, more than 90% of the Council's long term borrowing is at fixed rates so the risk would arise when the need to refinance arises or on occasions when short term borrowing is required, which are small in relation to the Council's scale of operation. A rise in interest rates would lead to a fall in the fair value of borrowings but this would have no impact on the Income and Expenditure Account.

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2018, all the principal borrowed was exposed to fixed rates.

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

	<b>£m</b>
Increase in interest receivable on variable rate investments	(1.4)
Impact on Comprehensive Income and Expenditure	(1.4)
Decrease in fair value of fixed rate borrowings/liabilities*	<b>117.3</b>

\*No Impact on Comprehensive Income and Expenditure

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. However, it would lead to a negative interest rate on our investments.

## Employee Benefits

### Note 28 - Senior Employees' Remuneration

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

#### 2016/17

#### 2017/18

Post Holder	Salary (including fees and allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Employers pension contributions £	Total remuneration including pension contributions £
Chief Executive -	202,729	0	202,729	0	202,729
Strategic Director Children and Young People	146,485	0	146,485	43,945	190,430
Strategic Director of Community & Well- being	146,985	0	146,985	43,945	190,930
Strategic Director of Resources	120,190	0	120,190	36,011	156,201
Strategic Director Regeneration & Environment	98,627	0	98,627	29,588	128,215

Salary (including fees and allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Employers pension contributions £	Total remuneration including pension contributions £
202,352	0	202,352	0	202,352
147,950	0	147,950	48,084	196,034
148,286	0	148,286	48,084	196,370
147,980	0	147,980	48,084	196,064
135,646	0	135,646	43,943	179,589

## Senior Employees' Remuneration Continued

Post Holder	Salary (including fees and allowances)	Compensation for loss of office	Total remuneration excluding pension contributions	Employers pension contributions	Total remuneration including pension contributions	Salary (including fees and allowances)	Compensation for loss of office	Total remuneration excluding pension contributions	Employers pension contributions	Total remuneration including pension contributions
	£	£	£	£	£		£	£	£	£
Director of Policy, Partnerships and Performance	125,701	0	125,701	36,969	162,670	125,348	0	125,348	40,450	165,798
Chief Finance Officer (section 151 officer)	123,729	0	123,729	33,888	157,617	125,898	0	125,898	0	125,898
Director of Public Health	113,004	0	113,004	33,805	146,809	118,510	0	118,510	36,988	155,498
Legal and HR Director	54,091	0	54,091	15,521	69,612	98,017	0	98,017	31,438	129,455
<b>Total</b>	<b>1,131,541</b>	<b>0</b>	<b>1,131,541</b>	<b>273,672</b>	<b>1,405,213</b>	<b>1,249,987</b>	<b>0</b>	<b>1,249,987</b>	<b>297,071</b>	<b>1,547,058</b>

### Note 29 – Officers' Remuneration

The number of employees whose remuneration in 2017/18 and 2016/17, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:-

2016/17			Remuneration band £	2017/18		
Schools Staff	Officers	Total		Schools Staff	Officers	Total
104	71	175	50,000 - 54,999	83	65	148
79	33	112	55,000 - 59,999	75	33	108
30	15	45	60,000 - 64,999	47	13	60
27	8	35	65,000 - 69,999	29	13	42
21	7	28	70,000 - 74,999	15	9	24
12	9	21	75,000 - 79,999	22	10	32
12	6	18	80,000 - 84,999	11	5	16
9	4	13	85,000 - 89,999	7	8	15
6	3	9	90,000 - 94,999	5	5	10
1	1	2	95,000 - 99,999	1	1	2
2	1	3	100,000 - 104,999	2	4	6
1	1	2	105,000 - 109,999	3	2	5
0	3	3	110,000 - 114,999	3	3	6
2	0	2	115,000 - 119,999	0	1	1
1	2	3	120,000 - 124,999	1	2	3
0	2	2	125,000 - 129,999	1	2	3
0	0	0	130,000 - 134,999	0	0	0
0	1	1	135,000 - 139,999	0	1	1
1	0	1	140,000 - 144,999	0	0	0
0	2	2	145,000 - 149,999	0	3	3
0	0	0	155,000 – 159,999	0	0	0
0	0	0	175,000 - 179,000	0	0	0
0	0	0	190,000 - 194,999	0	0	0
0	1	1	200,000 - 204,999	0	1	1
<b>308</b>	<b>170</b>	<b>478</b>	<b>Total</b>	<b>305</b>	<b>181</b>	<b>486</b>

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

The overall number of staff earning above £50,000 has increased by 8 between 2016/17 and 2017/18.

*Note 30 – Exit Packages*

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	35	29	37	22	72	51	635	421
£20,001 - £40,000	23	15	9	16	32	31	864	912
£40,001 - £60,000	6	2	7	4	13	6	629	284
£60,001 - £80,000	1	1	3	0	4	1	259	64
£80,001 - £100,000	1	0	1	0	2	0	171	0
<b>Total cost included in bandings</b>	<b>66</b>	<b>47</b>	<b>57</b>	<b>42</b>	<b>123</b>	<b>89</b>	<b>2,558</b>	<b>1,681</b>
<b>ADD:</b> amounts provided for in CIES not included in bandings								145
<b>TOTAL cost included in CIES</b>							<b>2,558</b>	<b>1,826</b>
<b>Average cost of exit packages</b>							<b>21</b>	<b>21</b>

The number of exit packages decreased from 123 in 2016/17, at a cost of £2.6m, to 89 in 2017/18 at a cost of £1.6m, an overall decrease in cost of £1.0m.

The council has managed to help control the overall cost of exit packages by maintaining the average cost in 2017/18 at £21k, the same as in 2016/17.

**Pension Notes**

*Note 31 - Pension Schemes Accounted for as Defined Contribution Schemes*

In 2017/18, the Council paid £8.3m to Teachers' Pensions (£8.2m 2016/17) in respect of teachers' retirement benefits, representing 16.48% (16.48% 2016/17) 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 32 – Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

### Transactions Relating to Post-employment Benefits

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

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

31 March 2017 £m	Comprehensive Income and Expenditure Statement	31 March 2018 £m
	<b>Cost of Services:</b>	
22.9	Current service cost	38.3
(1.5)	Past service costs (including curtailments)	(2.7)
0	Effects of business combinations and disposals*	19.6
	<b>Financing and investment Income and Expenditure:</b>	
41.6	Interest cost	37.7
(19.6)	Expected return on scheme assets	(17.1)
<b>43.4</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>75.8</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
(16.9)	Changes in demographic assumptions	0
231.2	Changes in financial assumptions	(26.9)
57.7	Other experience	4.0
(99.1)	Return on assets excluding amounts in net interest	5.4
<b>216.3</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>58.3</b>

31 March 2017 £m	<b>Movement in Reserves Statement</b>	31 March 2018 £m
29.4	Employers' contributions payable to the scheme	30.7
4.3	Contributions in respect of unfunded benefits	4.4
<b>33.7</b>	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	<b>35.1</b>
(43.4)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(75.8)
<b>(9.7)</b>		<b>(40.7)</b>

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

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

2016/17			2017/18		
Scheme Assets £m	Pensions Obligations £m	Net Pensions Liability £m	Scheme Assets £m	Pensions Obligations £m	Net Pensions Liability £m
567.4	(1,203.4)	(636.0)	674.7	(1,493.2)	(818.5)
<b>Opening Balance at 1 April</b>					
<b>Service Costs</b>					
0	(22.9)	(22.9)	0	(38.3)	(38.3)
0	1.5	1.5	0	2.7	2.7
19.6	(41.6)	(22.0)	17.1	(37.8)	(20.7)
<b>Re-measurements</b>					
99.1	(57.6)	41.4	(5.4)	(4.0)	(9.4)
0	16.9	16.9	0	0	0
0	(231.2)	(231.2)	0	26.9	26.9
<b>Contributions</b>					

33.7	0	33.7	The Council	35.1	0	35.0
6.1	(6.1)	0	Employees	6.3	(6.3)	0
			<b>Payments</b>			
(51.3)	51.3	0	Retirement Grants and Pensions	(48.0)	48.0	0
0	0	0	Effects of business combinations and disposals	29.3	(48.8)	(19.5)
<b>674.7</b>	<b>(1,493.3)</b>	<b>(818.5)</b>	<b>Closing Balance at 31 March</b>	<b>709.1</b>	<b>(1,551.0)</b>	<b>(841.8)</b>

### Note 34 – Sensitivity Analysis

Change in assumptions at 31 March 2018	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£m
0.5% decrease in Real Discount Rate	9%	139.8
1 year increase in member life expectancy	4%	62.0
0.5% increase in the Salary Increase Rate	1%	13.8
0.5% increase in the Pension Increase Rate	8%	124.6

### Note 35 – Explanation of Change in Net Pension Liability

The Net Pension Liability has increased by £23.3m. This was driven mostly by the transfer in of the net liability of Brent Housing Partnership (£19.6m).

The Employer's contributions for the period to 31 March 2019 are estimated to be approximately £31.6m. The deficit recovery period is 19 years. Contributions will grow from 33.8% of pensionable pay in 2018/19 to 35.0% in 2019/20 (contributions were 32.5% in 2017/18).

	Liability split (£m) as at 31 March 2018	Liability split (%) as at 31 March 2018	Weighted Average Duration (Years)
Active Members	442.6	30%	24.0
Deferred Members	419.6	28%	21.2
Pensioner Members	631.1	42%	11.4
Total Members	1,493.3	100%	16.6

### Note 36 – Basis for Estimating Assets and Liabilities

The latest full actuarial valuation of the London Borough of Brent's liabilities took place as at 31 March 2016. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund and assessing discretionary benefit liabilities are set out below:

2016-17	Actuarial Assumptions:	2017-18
22.3	Longevity at 65 for current pensioners: Men	22.3

24.5	Women	24.5
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.4	Women	26.4
2.7%	Rate of increase in salaries	2.7%
2.4%	Rate of increase in pensions	2.4%
2.5%	Rate for discounting scheme liabilities	2.6%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2008 service)	75.0%

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

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

31-Mar-17				Asset Category	31-Mar-18			
Quoted prices in active markets £m	Quoted prices not in active markets £m	Total £m	Percentage of Total Assets %		Quoted prices in active markets £m	Quoted prices not in active markets £m	Total £m	Percentage of Total Assets %
				<b>Private Equity</b>				
0	73.2	73.2	10.8%	All	0	58.8	58.8	8.3%
				<b>Real Estate</b>				
1.9	0	1.9	0.3%	UK Property	0	0	0	0.0%
3.2	0	3.2	0.5%	Overseas Property	2.2	0	2.2	0.3%
				<b>Investment Funds &amp; Unit Trusts</b>				
334.3	0	334.3	49.5%	Equities	362.5	0	362.5	51.2%
78.2	0	78.2	11.6%	Bonds	78.1	0	78.1	11.0%
0	44.5	44.5	6.6%	Infrastructure	0	30.7	30.7	4.3%
105.4	0	105.4	9.5%	Other	107.1	0	107.1	15.1%
				<b>Cash and cash equivalents</b>				
34.0	0	34.0	11.1%	All	69.7	0	69.7	9.8%
<b>557.0</b>	<b>117.7</b>	<b>674.7</b>	<b>100.0%</b>	<b>Totals</b>	<b>619.6</b>	<b>89.5</b>	<b>709.1</b>	<b>100.0%</b>

# Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2018

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.

2016/17 £m		2017/18 £m
	<b>Income</b>	
(47.4)	Dwelling Rents	(45.8)
(0.2)	Non Dwelling Rents	(0.5)
(2.8)	Tenants Charges for Services and Facilities (Note 1)	(2.7)
(2.3)	Contribution Towards Expenditure	(2.9)
(2.1)	Other Income	(3.8)
<b>(54.8)</b>	<b>Total Income</b>	<b>(55.7)</b>
	<b>Expenditure</b>	
9.8	Repairs and Maintenance	10.7
11.4	Supervision and Management	11.7
3.8	Special Services	4.2
0.9	Rent and Rates and Others Charges	2.0
9.9	Depreciation of Fixed Assets	8.8
0.7	Bad or Doubtful Debts	(0.4)
0.0	Pension Liability IAS19	19.6
24.9	Revaluation losses	5.7
<b>61.4</b>	<b>Total Expenditure</b>	<b>62.3</b>
<b>6.6</b>	<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	<b>6.6</b>
	<b>HRA share of the operating income and expenditure included in the Council's income and expenditure</b>	
1.3	Payment to capital receipts pool	1.4
(6.5)	(Gain) or Loss on Sale of HRA fixed Assets	5.7
6.0	Interest payable and similar charges	6.3
0.0	Amortised Payment and Discount	0.1
0.0	HRA Investment Income/Mortgage Interest	(0.1)
<b>7.4</b>	<b>Surplus/or Deficit for the Year on HRA Services</b>	<b>20.0</b>

2016/17 £m	Movement on the HRA Statement	2017/18 £m
(6.2)	<b>Housing Revenue Account brought forward</b>	(4.8)
7.4	Deficit on the provision of services	20.0
(6.0)	Adjustment between accounting basis and funding basis under regulations	(18.9)
<b>1.4</b>	<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>1.1</b>
<b>(4.8)</b>	<b>Balance as at 31 March carried forward</b>	<b>(3.7)</b>

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

2016/17 £m		2017/18 £m
6.6	Gain/(loss) on sale of HRA non-current assets	(5.7)
2.0	Capital expenditure funded by HRA	12.9
0.7	Amortised payment and discount	0.7
(24.9)	Exceptional items - downward revaluation of assets	(5.7)
(1.3)	Payments to the capital receipts pool	(1.4)
(0.2)	Pooled capital receipts -contribution to administration costs	(0.1)
0.0	Exceptional items - Pension Liability IAS19 Adjustment	(19.6)
21.0	Transfer to Major Repairs Reserve	8.8
(9.9)	Charge to Capital Adjustment Account	(8.8)
<b>(6.0)</b>	<b>Total adjustments between accounting basis and funding basis under Regulations</b>	<b>(18.9)</b>

## Notes to the Housing Revenue Account

### Note 1 – Housing Stock

The Council's stock of dwellings reduced during the year from 8,256 to 7,910, a net reduction of 346 dwellings. These reductions resulted from Right-to-Buy sales, regeneration programmes and transfer of dwellings from the HRA to the General Fund to be used for temporary accommodation.

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

31-Mar-17 Dwellings			31-Mar-18 Dwellings	
270	Leasehold		268	
7,986	Freehold		7,642	
<b>8,256</b>		<b>Total</b>	<b>7,910</b>	

### Note 2 – Rent Arrears

The level of rent arrears at 31 March 2018 was £3.4m. Movement on the arrears and related provisions are shown below.

31-Mar-17 £m			31-Mar-18 £m	
3.7	Arrears from tenants		3.3	
5.0	Arrears from Right to Buy Leaseholders		7.1	
(7.3)	Provision		(7.0)	
<b>1.4</b>		<b>Total Arrears</b>	<b>3.4</b>	

### Note 3 – Non-current Assets

2016/17		2017/18		
Total Non-Current Assets £m		Council Dwellings £m	Non-Dwellings £m	Total Non-Current Assets £m
<b>642.4</b>	<b>Opening Net Book Value at 1 April</b>	<b>651.0</b>	<b>9.6</b>	<b>660.6</b>
(22.3)	Revaluations	(5.7)	0.0	(5.7)
50.5	Capital Expenditure	37.1	12.2	49.3
(4.2)	Disposals	(17.3)	0.0	(17.3)
(10.0)	Depreciation for the year	(8.2)	(0.6)	(8.8)
4.3	Other Movements	0.4	0.0	0.4
<b>660.7</b>	<b>Closing Net Book Value at 31 March</b>	<b>657.3</b>	<b>21.2</b>	<b>678.5</b>

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 2018 was £2.628billion. The difference between vacant possession value of the HRA dwellings and balance sheet value within the HRA shows the economic cost to the government of providing Council housing at less than open market value.

#### Note 4 – HRA Capital Receipts

2016/17			2017/18	
£m			£m	
10.3	Dwellings		11.4	
<b>10.3</b>		<b>Total</b>	<b>11.4</b>	

#### Note 5 – Net Interest Charged to the HRA

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

2016/17			2017/18	
£m			£m	
6.0	Interest on HRA mid-year Capital Financing Requirement		6.3	
<b>6.0</b>		<b>Total</b>	<b>6.3</b>	

#### Note 6 – Brent Housing Partnership

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

# Collection Fund

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

As at 31 March 2018 there were still over a thousand valuation appeals outstanding in Brent, and although many of these will be unsuccessful, there will be a reduction in income as a result of successful appeals. An allowance has been made for this in finalising the figures for 2017/18, but the authority has no influence over decisions made by the Valuation Office.

In addition to its 30% share of income raised from Non Domestic Rates, the Council also receives a "Top-up" payment from central government, to bring it back to the income figure it would have received for 2017/18 had the previous system remained unchanged. This income is credited to the General Fund rather than the Collection Fund.

For Council Tax, 95.8% of the debit relating to the 2017/18 financial year had been collected by March 31 2018. This is fractionally up from the 95.74% achieved in 2016/17. For Non Domestic Rates the in-year collection rate decreased slightly from 98.74% to 98.57%.

## Collection Fund Account for the Year ended 31 March 2018

2016/17			2017/18	
Council Tax £m	Business Rates £m		Council Tax £m	Business Rates £m
(126.0)	(123.8)	Income from Tax Payers	(132.1)	(126.3)
	(3.3)	Business Rates Supplement		(3.5)
	(0.1)	Transitional Relief		(3.5)
<b>(126.0)</b>	<b>(127.2)</b>	<b>Total Income</b>	<b>(132.1)</b>	<b>(133.3)</b>
<b>Precepts</b>				
24.6	44.0	GLA	26.1	46.5
98.3	35.7	LBB	106.9	37.7
	39.2	MHCLG		41.4
	3.2	GLA - Business Rates Supplement		3.4
<b>Share of surplus/deficit</b>				
0.7	0.7	GLA	0.6	(1.0)
2.5	1.0	LBB	2.2	(1.6)
	(0.1)	MHCLG		(2.6)
(1.2)	1.0	Provisions for uncollectable amounts	3.1	7.5
0.0	0.9	Write offs/Write backs	0.0	1.6
	0.4	Cost of Collection Allowance		0.4
<b>124.9</b>	<b>126.0</b>	<b>Total Expenditure</b>	<b>138.9</b>	<b>133.3</b>
(11.7)	5.7	(Surplus)/Deficit brought forward	(12.8)	4.5
(1.1)	(1.2)	(Surplus)/Deficit in year	6.8	0.0
(12.8)	4.5	(Surplus)/Deficit carried forward	(6.0)	4.5

## Notes to the Collection Fund

### Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities (for Brent this is the GLA) and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was £1,425 for 2017/18. This basic amount of Council Tax for a Band D property for 2017/18 is multiplied by the proportion specified for the particular band to give an individual amount due.

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

	<b>Proportion of Band D Charge</b>	<b>Number of Band D Equivalent Properties</b>	
Band A	6/9	1,546	
Band B	7/9	6,202	
Band C	8/9	22,745	
Band D	9/9	27,011	
Band E	11/9	22,345	
Band F	13/9	8,062	
Band G	15/9	5,069	
Band H	18/9	453	
		<b>93,437</b>	x 97.63% Collection Rate = 91,223

The final income of £132.1m for 2017/18 includes adjustments to debits during the year.

# 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 Barham Park Trust, I4B and LGA Digital Services. Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. 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 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 Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Account
- Group Balance Sheet
- Group Cash Flow Statement

A significant amount of information in these statements is identical to Brent's accounts on the preceding pages of this document. Information has not been reproduced in the group accounts where it can be readily seen in Brent's accounting statements. This includes accounting policies. The accounting policies for the group accounts are the same as for Brent's single entity accounts and are shown earlier in this document.

## Group Consolidated Income & Expenditure Statement

2016/17 Net Expenditure £m		2017/18		
		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
159.4	Community Wellbeing (GF)	217.6	(75.3)	<b>142.3</b>
14.3	Performance Policy & Partnerships	9.9	(1.0)	<b>8.9</b>
33.2	Regeneration & Environment	85.0	(40.0)	<b>44.9</b>
2.2	Resources Department	415.7	(430.6)	<b>(14.9)</b>
47.9	Children & Young People (GF)	67.9	(24.1)	<b>43.8</b>
4.3	Children & Young People (DSG)	222.7	(221.5)	<b>1.2</b>
3.6	Community Wellbeing (HRA)	62.7	(59.1)	<b>3.6</b>
<b>264.8</b>	<b>Cost of Services</b>	<b>1,081.5</b>	<b>(851.7)</b>	<b>229.9</b>
2.7	Other operating expenditure			-1.6
42.6	Financing and investment income & expenditure			46.5
(290.3)	Taxation and non-specific grant income			(321.9)
<b>19.9</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(47.2)</b>
(79.8)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			-44.4
174.8	Actuarial (gains)/losses on pension assets and liabilities			-33.4
<b>95.0</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(77.8)</b>
<b>114.9</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(125.0)</b>

## Group Cashflow Statement

2016/17 £m		2017/18 £m
19.9	Net surplus or (deficit) on the provision of services	(47.2)
-22.8	Adjustments for non-cash movements	3.4
57.9	Adjustments for investing and financing activities	93.8
<b>55.0</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>	<b>50.0</b>
-54.8	Net cash inflows/(outflow) from Investing activities	(50.1)
-7.1	Net cash inflows/(outflow) from Financing activities	22.4
<b>-6.9</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22.3</b>
35.5	Cash and cash equivalents at the beginning of the reporting period	28.6
<b>28.6</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>50.9</b>

## Group Balance Sheet

31-Mar 2017 £m	Notes	31-Mar 2018 £m
1,558.3	Property, Plant & Equipment	1,742.8
0.5	Heritage Assets	0.5
12.3	Investment Property	0.0
1.8	Intangible Assets	1.8
0.1	Long Term Investments	13.2
20.2	Long Term Debtors	10.1
<b>1,593.2</b>	<b>Long Term Assets</b>	<b>1,768.4</b>
151.6	Short Term Investments	105.3
5.6	Assets Held for Sale	0.0
80.9	Short Term Debtors	109.4
28.6	Cash and Cash Equivalents	50.9
<b>266.7</b>	<b>Current Assets</b>	<b>265.6</b>
(8.6)	Short Term Borrowing	(29.9)
(104.1)	Short Term Creditors	(122.3)
(6.5)	Provisions	(2.9)
<b>(119.2)</b>	<b>Current Liabilities</b>	<b>(155.1)</b>
(28.7)	Long Term Creditors	(28.9)
(15.5)	Provisions	(19.9)
(410.6)	Long Term Borrowing	(413.6)
(857.2)	Other Long Term Liabilities	(862.8)
<b>(1,312.0)</b>	<b>Long Term Liabilities</b>	<b>(1,325.2)</b>
<b>428.7</b>	<b>Net Assets</b>	<b>553.7</b>
	<b>Reserves</b>	
(342.0)	Usable Reserves	(392.0)
(86.7)	Unusable Reserves	(161.7)
<b>(428.7)</b>	<b>Total Reserves</b>	<b>(553.7)</b>

Group Movement In Reserves

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	Group									
	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance as at 31 March 2017</b>	<b>(12.7)</b>	<b>(20.1)</b>	<b>(171.0)</b>	<b>(13.0)</b>	<b>(1.7)</b>	<b>(34.5)</b>	<b>(89.0)</b>	<b>(342.0)</b>	<b>(86.7)</b>	<b>(428.7)</b>
<b>Movement in reserves during 2017/18</b>										
Surplus or (deficit) on the provision of services	(82.3)	0.0	0.0	17.2	0.0	0.0	0.0	<b>(65.1)</b>	0.0	<b>(65.1)</b>
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	(59.9)	<b>(59.9)</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>(82.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>17.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(65.1)</b>	<b>(59.9)</b>	<b>(125.0)</b>
Adjustments between accounting basis & funding basis under regulations	20.9	0.0	9.8	(18.9)	0.0	(3.2)	6.5	<b>15.1</b>	(15.1)	<b>0.0</b>
Net increase/decrease before transfers to earmarked reserves	<b>(61.4)</b>	<b>0.0</b>	<b>9.8</b>	<b>(1.7)</b>	<b>0.0</b>	<b>(3.2)</b>	<b>6.5</b>	<b>(50.0)</b>	<b>(75.0)</b>	<b>(125.0)</b>
Transfers to/from earmarked reserves	45.8	3.5	(49.3)	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0	<b>0.0</b>
<b>Increase/decrease in 2017/18</b>	<b>(15.6)</b>	<b>3.5</b>	<b>(39.5)</b>	<b>(1.7)</b>	<b>0.0</b>	<b>(3.2)</b>	<b>6.5</b>	<b>(50.0)</b>	<b>(75.0)</b>	<b>(125.0)</b>
<b>Balance as at 31 March 2018</b>	<b>(28.3)</b>	<b>(16.6)</b>	<b>(210.5)</b>	<b>(14.7)</b>	<b>(1.7)</b>	<b>(37.7)</b>	<b>(82.5)</b>	<b>(392.0)</b>	<b>(161.7)</b>	<b>(553.7)</b>

## Notes to the Group Accounts

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

<b>2017/18</b>	<b>Brent</b>	<b>First-wave</b>	<b>Barham</b>	<b>I4B</b>	<b>LGA</b>	<b>Adjustment</b>	<b>Group</b>
	<b>£m</b>	<b>£m</b>	<b>Park</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Resources	37.1	0.0	0.0	1.5	0.0	0.0	38.6
Financing and investment income	43.6	1.9	0.0	1.0	0.0	0.0	46.5
Local Authority housing (HRA)	(5.3)	(3.0)	0.0	0.0	0.0	0.0	(8.3)
Taxation	(322.0)	0.1	0.0	0.0	0.0	0.0	(321.9)
Property plant and equipment	1,636.2	60.4	0.9	45.3	0.0	0.0	1,742.8
Investment properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term debtors	93.1	0.0	0.0	0.0	0.0	(83.0)	10.1
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debtors	108.7	1.4	0.5	0.1	0.2	(1.5)	109.4
Cash and cash equivalents in hand	47.7	3.0	0.0	0.1	0.1	0.0	50.9
Short term creditors	(120.2)	(1.6)	0.0	(1.7)	(0.3)	1.5	(122.3)
Long term creditors	(28.9)	(37.7)	0.0	(45.3)	0.0	83.0	(28.9)
Provisions	(19.9)	(0.7)	0.0	0.0	0.0	0.0	(20.6)
Other long term liabilities	(860.2)	(2.6)	0.0	0.0	0.0	0.0	(862.8)
Usable reserves	(382.5)	(9.6)	(1.4)	1.5	0.0	0.0	(392.0)
Unusable reserves	(149.1)	(12.6)	0.0	0.0	0.0	0.0	(161.7)
Cash flow from investing activities	(140.6)	0.0	0.0	0.0	0.0	0.0	(140.6)
			<b>Barham</b>				
<b>2016/17</b>	<b>Brent</b>	<b>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>	
Financing and investment income	42.5	0.0	0.0	0.0	0.0	42.5	
Local Authority housing (HRA)	(3.6)	0.0	0.0	0.0	0.0	(3.6)	
Property plant and equipment	1,558.1	0.0	0.0	0.0	0.0	1,558.1	
Investment properties	12.3	0.0	0.0	0.0	0.0	12.3	
Long term debtors	58.7	0.0	0.0	0.0	(38.5)	20.2	
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	
Short term debtors	95.0	0.4	0.0	0.0	(14.4)	81.0	
Cash and cash equivalents in hand	28.1	0.0	0.0	0.5	0.0	28.6	
Short term creditors	(118.1)	0.0	0.0	(0.5)	14.4	(104.2)	
Long term creditors	(67.2)	0.0	0.0	0.0	38.5	(28.7)	
Usable reserves	(341.6)	(0.5)	0.0	0.0	0.0	(342.1)	
Unusable reserves	(86.7)	0.0	0.0	0.0	0.0	(86.7)	
Cash flow from investing activities	(54.8)	0.0	0.0	0.0	0.0	(54.8)	

# Chair of the Audit Committee

# Statement of Responsibilities for the Statement of Accounts

## The Council's Responsibilities

The Council is required:

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

## The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Council Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Council at the Accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this statement of accounts, the Chief Finance Officer has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the Code of Practice.
- ◆ kept proper accounting records which were up to date; and
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of the Chief Finance Officer

I certify that the accounts set out on pages 10 to 60 give a true and fair view of the financial position of the London Borough of Brent as at 31 March 2018 and its income and expenditure for the year then ended, and that the accounts set out on pages 82 to 108 give a true and fair view of the net assets of the London Borough of Brent Pension Fund as at 31 March 2018 and its income and expenditure for the year then ended.

**Conrad Hall**  
**Chief Finance Officer**

xx/ xx/ xxxx

**Councillor Aslam Choudry**

xx/ xx/ xxxx

# Statement of Accounting Policies

## **1. Code of Practice**

The general policies adopted in preparing these accounts are in accordance with the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance Accountants (CIPFA)), henceforth referred to as the “Code of Practice”. This Code of Practice is based upon International Financial Reporting Standards (IFRS), with some adoptions from International Public Sector Accounting Standards (IPSAS).

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

### **1.1 Materiality**

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

### **1.2 Rounding**

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

## **2. Comprehensive Income and Expenditure Statement**

### **2.1 Accruals of Expenditure and Income**

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

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

### **2.2 Revenue Recognition**

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

### **2.3 VAT**

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

### **2.4 Revenue Grants**

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

## **2.5 Charges to Revenue**

External interest payable and the provision for depreciation are charged to the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement. This results in a charge to the General Fund for depreciation for all fixed assets used in the provision of services. The charge is allocated to each individual service on the basis of the capital employed in its provision. Depreciation charges are reversed out of the General Fund in the Movement in Reserves Statement.

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

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to earmarked reserves are disclosed in the Movement in Reserves Statement and the notes to this statement.

## **2.6 Council Tax and National Non Domestic Rates (NNDR)**

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

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

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

## **2.7 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.

## **2.9 Accounting for the costs of the carbon reduction commitment scheme**

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

## **2.10 Jointly Controlled Operations**

The council has jointly controlled operations in the form of pooled budgets in conjunction with Brent CCG and Central and North West London NHS Foundation Trust. The Council's joint operations with Brent CCG relate to the Better Care Fund and the Brent Integrated Community Equipment Service. The Council's joint operation with the Central North West London Mental Health Trust relate to the management of the joint Mental Health Service in Brent. The authority recognises the income that it gains and expenditure that it incurs on the Comprehensive Income and Expenditure Statement. The Balance sheet recognises any assets and liabilities resulting to the council from the pooled budget.

## **3. Balance sheet – Long Term Assets**

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

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

Property, Plant and Equipment are valued on the basis required by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS) by the Council's In-house Valuer and its appointed valuers Wilkes, Head and Eve LLP. Property, Plant and Equipment are classified into the groupings required by the Code of Practice, with the exception of plant and furniture and equipment where two categories are combined due to the limited amount of plant held by the Council.

Individual categories of assets are valued on the following basis:

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

Revaluations of 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.

At 1 April 2009 those land and building assets held at 1 April 2004 values were revalued completing that 5 year cycle. There has been subsequent revaluation of elements of the asset base at 1 April each year in line with the five year cycle. Council dwellings have been revalued at 1 April 2017 in line with the separate 5 year cycle.

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

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

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

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 and Machinery	Up to 10 years

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/or the value of that component is in excess of 20% of the total gross carrying value of the building.

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

Consideration of the requirement for componentisation will be undertaken when buildings are valued or re-valued, or enhancement expenditure of £0.25m is incurred, triggering a revaluation.

### **3.2 Investment Properties**

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

### **3.3 Heritage Assets**

Heritage Assets are defined as:

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

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

### **3.4 Intangible Assets**

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

Amortisation is the equivalent of depreciation for intangible assets and is calculated using the straight line method based on estimated economic life of between 5 to 7 years.

### **3.5 Impairment**

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

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

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

## **4. Balance sheet – Current Assets**

### **4.1 Inventories and Long Term Contracts**

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

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

### **4.2 Cash and Cash Equivalents**

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

### **4.3 Work in Progress (Construction contracts)**

Under the Code of Practice, construction contracts undertaken by the Council for the Council's customers are accounted for as set out in IAS 11. This is separate from Assets under Construction where the Council is constructing assets for its own use. The Code of Practice requires use of the percentage completion method for calculating accounting entries for such contracts. Under the percentage of completion method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and surplus/deficit which can be attributed to the proportion of work completed. The percentage of completion is assessed based on costs incurred for work performed to date.

Until the point where outcome of the construction contract can be reliably estimated, revenue will only be recognised in line with construction costs to date. Once construction costs can be reliably measured, revenue will be recognised using the percentage completion method described above. Any expected losses will be immediately recognised as an expense.

## **5. Balance sheet - Liabilities**

### **5.1 Provisions, Contingent Liabilities, and Contingent Assets**

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

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

The provision for Council Tax debts is based on an assessment of the likely future collection of Council Tax arrears compared to the total level of arrears. Collection of arrears continues for several years after the original liability arises, and the provision is re-assessed each year based on collection trends and movements in amounts due. Debts are not actually written off until there is no realistic chance of collection, at which point the write-off reduces both the debtors and provision totals.

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

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

### **5.2 Employee benefits**

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

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

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

### **5.3 Reserves**

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

## **6 Balance Sheet - Financial Instruments**

### **6.1 Financial Assets**

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments, but are not quoted in an active market

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

### **6.1.1 Loans and Receivables**

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

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

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

### **6.1.2 Fair value through income and expenditure**

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

### **6.2 Premature Redemption of Debt**

The practice for the Comprehensive Income and Expenditure Statement is to amortise premia and discounts over a period which reflects the life of the loans with which they are refinanced determined as described below. This will not be followed in the following situations:

- Where it is permissible and advantageous to capitalise premia (in which case the question of amortisation will not arise)
- Where the loans redeemed are not refinanced (when premia and discounts will be taken directly to the Revenue Account)
- Where discounts and premia are amortised over a broadly similar period, for convenience they will be shown as a net figure.

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

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

- For strategic financial reasons, the optimum level of borrowing for a Council in the position of Brent is usually to maintain gross borrowing at the Council's overall Capital Financing Requirement, unless the yield curve indicates very low short term rates. Unless borrowing required to fund the capital programme is less than the Minimum Revenue Provision, this will always involve refinancing debt redeemed prematurely with new borrowing. Borrowing to fund Brent's capital programme is likely to exceed Minimum Revenue Provision by a substantial margin for the foreseeable future. However, at present the yield curve indicates that interest rates are likely to remain low, so that borrowing for shorter periods or at variable rates may be prudent.

- Given the current pattern of rates, there is a significant penalty incurred in redeeming much of the Council's debt prematurely. However, the cost of maintaining a higher borrowing portfolio than is immediately required is particularly high at present, and the current risks to balances on deposit indicate that these should be kept to a minimum prudent level (to cover cash flow). In practice, this suggests a policy of seeking opportunities to redeem individual loans where this is economical.

### **6.3 Financial Liabilities**

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

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

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

## **7 Capital Financing**

### **7.1 Capital Expenditure**

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

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

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

### **7.2 Capital Government Grants and Contributions**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised as income as soon as the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received.

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

### **7.3 Leasing**

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

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

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

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

Rentals payable under operating leases are charged to revenue in the year in which they are paid and no provision is made for outstanding lease commitments.

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

#### **7.3.1 Service Concessions and the Private Finance Initiative (PFI)**

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

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

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

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

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

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

#### **7.4 Minimum Revenue Provision**

The Minimum Revenue Provision (MRP) included within the 2017/18 Accounts has been calculated on the basis of the 2016/17 outturn position, amended for the inclusion of PFI projects as per the requirements of the introduction of the International Financial Reporting Standards. In accordance with the current regulations for the calculation of MRP the following policy for non-HRA assets has been applied:

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

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

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

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

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

These policies do not apply to HRA assets.

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

In line with the statutory guidance on Minimum Revenue Provision (MRP), MRP has been charged for PFIs at a rate equal to the writing down of the finance lease liability. In addition, to ensure that all capital costs are captured by MRP, MRP includes a charge equal to any capital lifecycle additions within the scheme, and a charge equal to the release of any deferred income. Where finance lease liabilities increase in year, this is recognised by a credit to MRP equal to the increase in liability. The net effect

of this policy is to maintain revenue balances at the same level under IFRS as under UK GAAP which is considered the prudent course of action within Guidance on Minimum Revenue Provision.

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

### **7.5 Income from the Sale of Fixed Assets**

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;
- Once these costs are deducted, the remaining net receipts are available to fund (and must be applied to) replacement affordable rented homes.

### **7.6 Borrowing Costs**

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

### **8 Group Accounts**

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions of the Council, its subsidiaries I4B Holdings Limited (I4B), First Wave Housing Limited (FWH) (formerly Brent Housing Partnership [BHP]), the Barham Park Trust and LGA Digital Services Limited. FWH was an Arm's Length Management Organisation (ALMO), but in 2017/18 the Council took back the management of its housing stock. FWH remains as a company which owns some housing independently of the Council. The Council remains the holder of the sole share in FWH. Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. LGA Digital Service Limited is 50% owned by the council and 50% owned by the Local Government

Association (LGA), but is controlled by the Council, which provides the company with 100% of the services it sells. The financial statements in the Group Accounts are prepared in accordance with the policies set out above.

## **Additional Supporting Information and reconciliation disclosures**

### **1. Key Judgements and Material Estimates.**

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

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

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

- Retirement Benefit Obligations – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority’s retirement benefit obligation. The key assumptions made are set out in Note 32 - Defined Benefit Pension Schemes.
- Provisions – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability in accordance with accounting policies. In calculating the level of provisions the authority also exercises some judgement; they are measured at the authority’s best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the authority’s provisions and details of its contingent liabilities are set out in Liabilities note 7 and Note 18 – Contingent Liabilities respectively.
- Property, Plant and Equipment – Assets are depreciated over useful lives that are dependent on assumptions such as the level of repairs and maintenance that will be incurred in relation to individual type of asset, the expected length of service potential of the asset and the likelihood of the authority’s usage of the asset. The authority carries out an annual impairment review of its asset base which takes in to account such factors as the current economic climate.

- Future Levels of Government Funding and Levels of Reserves – the future levels of funding for local authorities has a high degree of uncertainty. The authority has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the authority's track record in financial management.
- Classification of Leases – The authority has entered into a number of lease arrangements in respect of property and other assets. The authority has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels and in reviewing contractual arrangements having the substance of a lease (e.g. contract values and length of contract). Details of the authority's leases and lease type arrangements are set out in the notes.
- Treatment of PFI arrangements – The authority has entered into a number of PFI arrangements in respect of infrastructure. The authority has exercised judgement in the identification of service concessions and embedded leases within PFIs using such as arrangements that allow the council to control residual value of PFI assets without legal title. Initial assets and liabilities for the PFIs are calculated using financial model based upon the contractual terms and conditions and the operator's financial model; subsequent changes in the authority's PFI liabilities are estimated using the same model. Subsequent changes in the authority's PFI funded assets are measured in the same way as other non-current assets. Details of the PFI and service concession type arrangements are set out in note 24.
- The estimate of depreciation chargeable on dwellings within the Housing Revenue Account is based on the Government's Major Repairs Allowance. An external review of this has been undertaken to ensure this does not lead to a material misstatement in the accounts
- Bad Debt Provision – The anticipated recovery of outstanding amounts due to the authority is calculated based on the experience of recovery of debt over the previous twelve months, categorised according to the age profile of that debt

## **2. Assumption made about the future and other major sources of estimation uncertainty**

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

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

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

## **3. Accounting Standards that have been issued but have not yet been adopted**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the code.

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

#### 4. Descriptions of Earmarked Reserves

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

# Additional Reconciliations

## Nature of Income and Expenditure - Comprehensive Income and Expenditure Analysis

2016/17 £m		2017/18 £m
	<b>Gross Expenditure</b>	
89.9	Depreciation and Impairment Losses	28.6
255.3	Employee Expenses	298.5
38.4	Premises Related Expenditure	63.8
133.7	Supplies and Services	121.3
29.4	Support Services	43.8
169.6	Third Party Payments	157.6
355.4	Transfer Payments	341.7
20.7	Transport Related Expenditure	24.1
<b>1,092.4</b>		<b>1,079.4</b>
(198.0)	Customer and Client Receipts	(225.2)
(604.3)	Government Grants	(599.0)
(22.2)	Other Grants, Reimbursements and Contributions	(24.2)
<b>(824.5)</b>		<b>(848.4)</b>
40.4	Financing and Investment Income and Expenditure	43.6
2.7	Other Operating Expenditure	(1.6)
(290.4)	Taxation and non-specific grant income	(322.0)
<b>(247.3)</b>		<b>(280.0)</b>
<b>20.6</b>	(Surplus) / Deficit on Provision of Services	<b>(49.0)</b>

## Movements In Reserves Detail

	USABLE RESERVES						UNUSABLE RESERVES								Total
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
2017 Opening balance	(12.3)	(4.7)	(89.0)	(34.5)	(192.9)	0.0	(635.7)	(10.5)	(1.3)	14.4	818.5	(279.8)	5.1	(422.7)	
Charges for depreciation and impairment of non-current assets	(23.6)	(14.5)	0.0	0.0	0.0	0.0	33.7	0.0	0.0	0.0	0.0	4.4	0.0	0.0	
Revaluation losses on Property Plant and Equipment	11.0	0.0	0.0	0.0	0.0	0.0	(11.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Movements in the market value of Investment Properties	0.3	0.0	0.0	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Amortisation of intangible assets	(1.7)	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Revenue expenditure funded from capital under statute	(12.6)	0.0	0.0	0.0	0.0	0.0	12.6	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	(6.7)	(17.0)	0.0	0.0	0.0	0.0	21.8	0.0	0.0	0.0	0.0	1.9	0.0	0.0	
Statutory provision for the financing of capital investment	11.2	0.0	0.0	0.0	0.0	0.0	(11.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Capital expenditure charged against the General Fund and HRA balances	31.6	1.8	0.0	0.0	0.0	0.0	(33.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	31.2	0.0	(31.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

	USABLE RESERVES						UNUSABLE RESERVES							Total £m
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Reversal of Major Repairs Allowance credited to the HRA	0.0	19.9	0.0	0.0	0.0	(19.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	19.9	(19.9)	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	0.6	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	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 (note 47)	(55.5)	(20.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	75.8	0.0	0.0	0.0
Employer's pensions contributions and direct payments to pensioners payable in the year	34.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(35.1)	0.0	0.0	(0.1)
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	2.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	0.0

	USABLE RESERVES						UNUSABLE RESERVES							Total £m
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	0.0	37.7	0.0	0.0	0.0	(37.7)	0.0	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	18.1	11.4	0.0	(29.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	24.8	0.0	0.0	(24.8)	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	(0.1)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0.0	(1.3)	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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

	USABLE RESERVES						UNUSABLE RESERVES							Total
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Amount by which council tax and NNDR income credited to the CIES is different from amount required by statutory requirements	(7.0)	0.0	0.0	0.0	0.0	0.0	0.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus or deficit on revaluation of Property, Plant and Equipment assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(42.4)	0.0	(42.4)
Actuarial gains/losses on pension assets and liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(17.5)	0.0	0.0	(17.5)
Earmarked reserve transfers	35.9	0.0	0.0	0.0	(35.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus or deficit on provision of services	(69.1)	20.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(49.0)
<b>Total</b>	<b>(12.2)</b>	<b>(3.5)</b>	<b>(82.5)</b>	<b>(37.8)</b>	<b>(228.8)</b>	<b>0.0</b>	<b>(704.2)</b>	<b>(3.5)</b>	<b>(1.3)</b>	<b>13.1</b>	<b>841.7</b>	<b>(315.9)</b>	<b>3.2</b>	<b>(531.7)</b>

# Brent Pension Fund Account

Pension Fund Accounts as at 31 March 2018

2016/17 £m		Notes	2017/18 £m
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(48.6)	Contributions	7	(49.9)
(2.4)	Transfers in from other pension funds	8	(3.6)
<b>(51.0)</b>			<b>(53.5)</b>
40.2	Benefits	9	38.9
4.5	Payments to and on account of leavers	10	36.1
<b>44.7</b>			<b>75.0</b>
<b>(6.3)</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>21.5</b>
3.9	Management expenses	11	4.3
<b>(2.4)</b>	<b>Net (additions)/withdrawals including management expenses</b>		<b>25.8</b>
	<b>Returns on investments</b>		
(4.8)	Investment income	12	(1.2)
0.7	Taxes on income	13	0.3
(121.2)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(21.4)
<b>(125.3)</b>	<b>Net return on investments</b>		<b>(22.3)</b>
<b>(127.7)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>3.5</b>
<b>(675.9)</b>	<b>Opening net assets of the scheme</b>		<b>(803.6)</b>
<b>(803.6)</b>	<b>Closing net assets of the scheme</b>		<b>(800.1)</b>

### Net Assets Statement

31 March 2017 £m		Notes	31 March 2018 £m
802.6	Investment assets	14	830.3
<b>802.6</b>			<b>830.3</b>
2.5	Current assets	20	1.4
0.0	Non-current assets	20	0.0
(1.5)	Current liabilities	21	(31.6)
<b>803.6</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>800.1</b>

College of North West London exited the Fund on 1st August 2017. At 31st March 2018, the College's share of the Fund's net assets at that date had not been transferred (see Note 21). £30.9m of payments to and on account of leavers and current liabilities relates to this transfer of assets.

## 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 35 employer organisations with active members within the Brent Pension Fund at 31 March 2018, listed below:

#### **Scheduled bodies**

London Borough of Brent

Alperton High School

ARK Academy

ARK Franklin Academy

ARK Elvin Academy

Capital City Academy

Claremont High School

Convent of Jesus & Mary Language College

Crest Academy

Furness Primary School

Gladstone Park School

Islamia Primary School

Kingsbury High School

Manor School

Michaela Community School

North West London Jewish day School

Oakington Manor School

Preston Manor High School

Queens Park Community School

St Andrews and St Francis School

St Gregory's RC High School  
 Sudbury Primary School  
 Wembley High Technology College  
 Woodfield School

**Admitted bodies**

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

<b>31 March 2017</b>	<b>Brent Pension Fund</b>	<b>31 March 2018</b>
40	Number of employers with active members	35
	<b>Number of employees in scheme</b>	
4,454	Brent Council	4,412
2,130	Other employers	1,835
<b>6,584</b>	<b>Total</b>	<b>6,247</b>
	<b>Number of pensioners</b>	
5,524	Brent Council	5,666
867	Other employers	636
<b>6,391</b>	<b>Total</b>	<b>6,302</b>
	<b>Deferred pensioners</b>	
6,646	Brent Council	6,923
1,260	Other employers	990
<b>7,906</b>	<b>Total</b>	<b>7,913</b>

**c) Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2017/18, the most commonly applied employer contribution rate within the Brent Pension Fund was 32.5% 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 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

## *3. Summary of significant accounting policies*

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

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

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

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

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

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

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

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

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

#### **b) Investment income**

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments

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

#### **Fund Account – expense items**

#### **d) Benefits payable**

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

#### **e) Taxation**

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

#### **f) Administration expenses**

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

## **g) Investment management expenses**

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

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

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

## **Net Assets Statement**

### **h) Financial assets**

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

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

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

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

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided

by those controlling the partnership.

v) **Pooled investment vehicles**

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

**i) Foreign currency transactions**

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

**j) Derivatives**

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

**k) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits.

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

**l) Financial liabilities**

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

**m) Actuarial present value of promised retirement benefits**

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

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

**n) Additional voluntary contributions**

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers

and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

#### *4. Critical judgements in applying accounting policies*

##### **Unquoted private equity/infrastructure investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities and infrastructure investments at 31 March 2018 was £98m (£129m at 31 March 2017).

##### **Pension fund liability**

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

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

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

The items in the Net Assets Statement at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
<b>Actuarial present value of promised retirement benefits</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	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

	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.	£158m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £17m, and a one-year increase in assumed life expectancy would increase the liability by approximately £67m.
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Item	Uncertainties	Effect if actual results differ from assumptions
<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 £98m. There is a risk that this investment may be under- or overstated in the accounts.

## 6. Events after the Balance Sheet date

There have been no events since 31 March 2018, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

### By category

	2016/17	2017/18
	£m	£m
Employees' contributions	8.3	8.1
Employers' contributions:		
Normal contributions	37.2	38.9
Deficit recovery contributions	1.7	1.7
Augmentation contributions	1.4	1.2
Total employers' contributions	40.3	41.7
<b>Total</b>	<b>48.6</b>	<b>49.9</b>

### By authority

	2016/17	2017/18
	£m	£m
Administering Authority	36.3	39.0
Scheduled bodies	9.9	8.9
Admitted bodies	2.4	2.0
<b>Total</b>	<b>48.6</b>	<b>49.9</b>

8. *Transfers in from other pension funds*

	2016/17	2017/18
	£m	£m
Individual transfers	2.4	3.6
<b>Total</b>	<b>2.4</b>	<b>3.6</b>

## 9. Benefits payable

### By category

	2016/17	2017/18
	£m	£m
Pensions	33.0	34.4
Commutation and lump sum retirement benefits	7.0	4.2
Lump sum death benefits	0.2	0.3
<b>Total</b>	<b>40.2</b>	<b>38.9</b>

### By authority

	2016/17	2017/18
	£m	£m
Administering Authority and Scheduled bodies	38.7	37.5
Admitted bodies	1.5	1.4
<b>Total</b>	<b>40.2</b>	<b>38.9</b>

## 10. Payments to and on account of leavers

	2016/17	2017/18
	£m	£m
Individual transfers	4.2	5.0
Refunds to members leaving service	0.3	0.2
Group transfers	0	30.9
<b>Total</b>	<b>4.5</b>	<b>36.1</b>

College of North West London left the Fund on 1st August 2017. Group transfers relates to the college's share of the Fund's net assets at that date. At 31st March 2018, this transfer had not taken place (see Note 21).

## 11. Management Expenses

	2016/17	2017/18
	£m	£m
Administration costs	0.7	0.7
Investment management expenses	3.0	3.5
Oversight and Governance costs	0.1	0.1
<b>Total</b>	<b>3.8</b>	<b>4.3</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 £21k (21k 2016/17)

### a) Investment management expenses

	2016/17	2017/18
	£m	£m
Management Fees	2.8	3.4
Custody Fees	0.1	0.1
Transaction costs	0.1	0.0
<b>Total</b>	<b>3.0</b>	<b>3.5</b>

Management Fees are charged periodically as a percentage of the value of the assets invested in each fund. In 2016/17, the value of the Fund's total investments increased by more than £100m (Note 14). While the value of the investments has decreased during 2017/18, the value remains above the average for the previous year. Therefore, the fees have increased in line with this.

## 12. Investment income

	2016/17	2017/18
	£m	£m
Dividend income private equities/infrastructure	1.2	0.4
Income from Pooled property investments	3.4	0.3
Income from private equities/infrastructure	0.2	0.3
Interest on cash deposits	(0.1)	0.2
<b>Total</b>	<b>4.7</b>	<b>1.2</b>

## 13. Taxes on income

	2016/17	2017/18
	£m	£m
Withholding tax	0.7	0.3
<b>Total</b>	<b>0.7</b>	<b>0.3</b>

## 14. Investments

	Market value 31 March 2017	Market value 31 March 2018
	£m	£m
<b>Investment assets</b>		
Pooled investments	620.3	632.9
Pooled property investments	3.6	2.1
Private equity/infrastructure	130.3	98.3
<b>Total investments</b>	<b>754.2</b>	<b>733.3</b>

### a) Investments 17/18

	Market value 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2018
	£m	£m	£m	£m	£m
<b>Pooled investments</b>	620.3	0.0	(1.1)	13.7	632.9
<b>Pooled property investments</b>	3.6	0.0	(0.9)	(0.6)	2.1
<b>Private equity/infrastructure</b>	130.3	4.2	(44.5)	8.3	98.3
	<b>754.2</b>	<b>4.2</b>	<b>(46.5)</b>	<b>21.4</b>	<b>733.3</b>
<b>Other Investment balances:</b>					
<b>Cash Deposit</b>	<b>47.5</b>				<b>97.0</b>
<b>Investment Income due</b>	<b>0.9</b>				<b>0.0</b>

Net investment assets	802.6				830.3
Investments 16/17					
	Market value 1 April 2016	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2017
	£m	£m	£m	£m	£m
<b>Pooled investments</b>	469.4	50.0	(0.7)	101.6	620.3
<b>Pooled property investments</b>	39.3	0	(33.5)	(2.2)	3.6
<b>Private equity/infrastructure</b>	129.4	9.5	(31.2)	21.8	130.3
	<b>638.1</b>	<b>59.5</b>	<b>(65.4)</b>	<b>121.2</b>	<b>754.2</b>
<b>Other Investment balances:</b>					
<b>Cash Deposit</b>	<b>36.2</b>				<b>47.5</b>
<b>Investment Income due</b>	<b>0</b>				<b>0.9</b>
<b>Net investment assets</b>	<b>674.3</b>				<b>802.6</b>

**b) Analysis of investments by category**

	31 March 2017 £m	31 March 2018 £m
<b>Pooled funds – additional analysis</b>		
<b>UK</b>		
Fixed income unit trust	91.3	94.2
Unit trusts	136.1	140.1
Diversified growth funds	125.3	124.3
<b>Overseas</b>		
Unit trusts	267.6	274.3
<b>Total Pooled funds</b>	<b>620.3</b>	<b>632.9</b>
<b>Pooled property investments</b>	<b>3.6</b>	<b>2.1</b>
<b>Private equity/infrastructure</b>	<b>130.3</b>	<b>98.3</b>
<b>Total investments</b>	<b>754.2</b>	<b>733.3</b>

### c) Investments analysed by fund manager

#### Market value

31 March 2017			31 March 2018	
£m	%		£m	%
374.4	49.6	Legal & General	382.7	52.2
0.2	0.0	London CIV	0.2	0.0
120.4	16.0	Henderson	125.7	17.1
91.7	12.2	Capital Dynamics	72.9	9.9
0.6	0.1	Yorkshire Fund Managers	0.5	0.1
75.9	10.1	LCIV - Baillie Gifford	75.5	10.3
49.4	6.5	LCIV - Ruffer	48.8	6.7
3.6	0.5	Aviva	2.1	0.3
38.0	5.0	Alinda	24.9	3.4
<b>754.2</b>	<b>100.0</b>		<b>733.3</b>	<b>100.0</b>

All the above companies are registered in the United Kingdom.

### d) Stock lending

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

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

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

#### **Level 1**

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

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

#### **Level 2**

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

#### **Level 3**

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

Such instruments would include unquoted equity investments and fund of hedge funds, which

are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

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

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

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

	<b>Quoted market price</b>	<b>Using observable inputs</b>	<b>With significant unobservable inputs</b>	
<b>Values at 31 March 2018</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		635.0	98.3	733.3
Loans and receivables	97.0			97.0
<b>Total financial assets</b>	<b>97.0</b>	<b>635.0</b>	<b>98.3</b>	<b>830.3</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(31.6)			(31.6)
<b>Total financial liabilities</b>	<b>(31.6)</b>	<b>0</b>	<b>0</b>	<b>(31.6)</b>
<b>Net financial assets</b>	<b>65.4</b>	<b>635.0</b>	<b>98.3</b>	<b>798.7</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2017	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss		623.9	130.3	754.2
Loans and receivables	48.4			48.4
<b>Total financial assets</b>	<b>48.4</b>	<b>623.9</b>	<b>130.3</b>	<b>802.6</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(1.5)			(1.5)
<b>Total financial liabilities</b>	<b>(1.5)</b>	<b>0</b>	<b>0</b>	<b>(1.5)</b>
<b>Net financial assets</b>	<b>46.9</b>	<b>623.9</b>	<b>130.3</b>	<b>801.1</b>

## 16. Classification of financial instruments

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

31 March 2017			31 March 2018		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
<b>Financial assets</b>					
620.3			Pooled investments	632.9	
3.6			Pooled property investments	2.1	
130.3			Private equity/ infrastructure	98.3	
	47.5		Cash		97.0
	0.9		Debtors		0.0
<b>754.2</b>	<b>48.4</b>	<b>0.0</b>		<b>733.3</b>	<b>97.0</b>
<b>Financial Liabilities</b>					
		(1.5)	Creditors		(31.6)
<b>754.2</b>	<b>48.4</b>	<b>(1.5)</b>	<b>Totals</b>	<b>733.3</b>	<b>97.0</b>
					<b>(31.6)</b>

### a) Net gains and losses on financial instruments

31 March 2017		31 March 2018	
£m		£m	
<b>Financial assets</b>			
121.2	Fair value through profit and loss	21.4	
<b>121.2</b>	<b>Total</b>	<b>21.4</b>	

### b) Fair value of financial instruments and liabilities

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

31 March 2017		31 March 2018	
Carrying value	Fair value	Carrying value	Fair value
£m	£m	£m	£m
<b>Financial assets</b>			
754.2	754.2	733.3	733.3
48.4	48.4	97.0	97.0
<b>802.6</b>	<b>802.6</b>	<b>830.3</b>	<b>830.3</b>
<b>Financial liabilities</b>			
(1.5)	(1.5)	(31.6)	(31.6)
<b>(1.5)</b>	<b>(1.5)</b>	<b>(31.6)</b>	<b>(31.6)</b>

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

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

### Risk and risk management

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

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

and in market conditions.

## **a) Market risk**

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

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

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

### **Other price risk**

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

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

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

### **Interest rate risk**

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£m</b>	<b>£m</b>
Cash balances	47.4	97.0
UK Fixed income unit trust	91.3	94.2
<b>Total</b>	<b>138.7</b>	<b>191.2</b>

<b>Asset type</b>	<b>Carrying amount as at 31 March 2018</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+100 BPS</b>	<b>-100 BPS</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash balances	97.0	9.7	(9.7)
UK Fixed income unit trust	94.2	9.4	(9.4)
<b>Total change in assets available</b>	<b>191.2</b>	<b>19.1</b>	<b>(19.1)</b>

<b>Asset type</b>	<b>Carrying amount as at 31 March 2017</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+100 BPS</b>	<b>-100 BPS</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash balances	47.4	4.7	(4.7)
UK Fixed income unit trust	91.3	9.1	(9.1)
<b>Total change in assets available</b>	<b>138.7</b>	<b>13.9</b>	<b>(13.9)</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 2018 and as at the previous period end:

Currency risk exposure – asset type	Asset value at 31	Asset value at 31
	March 2017	March 2018
	£m	£m
Overseas unit trusts	267.6	274.3
Overseas pooled property investments	3.6	2.1
Overseas private equity/infrastructure	130.3	98.3
<b>Total overseas assets</b>	<b>401.5</b>	<b>374.7</b>

A 1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

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

	Asset value as at 31 March 2017	Change to net assets available to pay benefits	
		+1%	-1%
	£m	£m	£m
Overseas unit trusts	267.6	2.7	(2.7)
Overseas pooled property investments	3.6	0.0	(0.0)
Overseas private equity/infrastructure	130.3	1.3	(1.3)
<b>Total change in assets available</b>	<b>401.5</b>	<b>4.0</b>	<b>(4.0)</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 2018 was £97.0m (31 March 2017: £47.5m). This was held with the following institutions:

	Rating	Balances as at 31 March 2017 £m	Balances as at 31 March 2018 £m
<b>Bank deposit accounts</b>			
NatWest	BBB+	4.4	1.5
Northern Trust		5.4	6.6
Money Market deposits	A+	37.7	48.9
<b>Other short-term lending</b>			
Local authorities		0	40.0
<b>Total</b>		<b>47.5</b>	<b>97.0</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 2018 the value of illiquid assets was £100.4m, which represented 12% (31 March 2017: £133.9m, which represented 18%) 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 2018 are due within one year.

### d) Refinancing risk

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

## 18. Funding arrangements

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

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 19 years from 1 April 2016 (22 years from 1 April 2013) and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2016 actuarial valuation, the Fund was assessed as 55% funded (56% at the March 2013 valuation). This corresponded to a deficit of £562m (2013 valuation: £442m) at that time.

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

<b>Year</b>	<b>Employers' contribution rate</b>
2017/18	32.5%
2018/19	33.8%
2019/20	35.0%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the Fund's website.

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

The main actuarial assumptions used for the March 2016 actuarial valuation were as follows:

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

## Mortality assumptions

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

<b>Mortality assumption at age 65</b>	<b>Male</b>	<b>Female</b>
Current pensioners	22.3 years	24.5 years

## Commutation assumption

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

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

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

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

The actuarial present value of promised retirement benefits at 31 March 2018 was £1,680m (31 March 2017: £1,635m). The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

## Financial assumptions

Inflation/pensions increase rate	2.4%
Salary increase rate	2.7%
Discount rate	2.6%

## Longevity assumption

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

	<b>Males</b>	<b>Females</b>
Current pensioners	22.3 years	24.5 years
Future pensioners*	24.1 years	26.4 years

\* Future pensioners are assumed to be currently aged 45

## Commutation assumption

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

## Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	133
0.5% p.a. increase in the Salary Increase Rate	1%	17
0.5% p.a. decrease in the discount rate	9%	158
1 year increase in life expectancy	4%	67

## 20. Assets

### a) Current assets

	31 March 2017 £m	31 March 2018 £m
Debtors:		
- Contributions due – employees	0.4	0.2
- Contributions due – employers	1.8	1.0
- Sundry debtors	0.3	0.2
- Additional voluntary contributions	0.0	0.0
<b>Total</b>	<b>2.5</b>	<b>1.4</b>

### Analysis of debtors

	31 March 2017 £m	31 March 2018 £m
Central government bodies	0.0	0.0
Other local authorities	2.5	1.4
Other entities and individuals	0.0	0.0
<b>Total</b>	<b>2.5</b>	<b>1.4</b>

### b) Non-current assets

	31 March 2017 £m	31 March 2018 £m
Non-current assets	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

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

## 21. Current liabilities

	31 March 2017	31 March 2018
	£m	£m
Payments to and on account of leavers - Group transfers	0.0	30.9
Sundry creditors	1.5	0.7
<b>Total</b>	<b>1.5</b>	<b>31.6</b>

## Analysis of creditors

	31 March 2017	31 March 2018
	£m	£m
College of North West London	0.0	30.9
Central government bodies	0.1	0.0
Other entities and individuals	1.4	0.7
<b>Total</b>	<b>1.5</b>	<b>31.6</b>

## 22. Additional voluntary contributions

	Market value 31 March 2017	Market value 31 March 2018
	£m	£m
Clerical Medical	1.2	1.2
Equitable Life	0.2	0.2
Prudential	0.1	0.1
<b>Total</b>	<b>1.5</b>	<b>1.5</b>

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

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

## 23. Related party transactions

### Brent Council

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

The Council incurred costs of £0.680m (2016/17: £0.673m) 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 £30.7m to the Fund in 2017/18 (2016/17: £29.4m). All monies owing to and due from the Fund were paid in year.

### Governance

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

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

meeting.

## Key management personnel

Paragraph 3.9.4.4 of the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* (the Code) exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2015) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Brent Pension Fund.

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

## 24. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2018.

## 25. Contingent Assets

Outstanding capital commitments (investments) at 31 March 2018 totalled £29.5m (31 March 2017: £40.9m).

	31 March 2017	31 March 2018
	£m	£m
Capital Dynamics	20.0	13.0
Alinda Fund I	3.6	2.9
Alinda Fund II	17.3	13.6
<b>Total</b>	<b>40.9</b>	<b>29.5</b>

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

## Other Contingent assets

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

	31 March 2017	31 March 2018
	£'000	£'000
Apleona HSG Ltd (previously Bilfinger and E)	136	136
Capita Business Services Limited	123	123
Conway Aecom	111	111
Xerox (UK) Limited	29	29
Sanctuary	8	0
ThamesReach	5	0

**Total**

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**412**

**399**

Sanctuary and ThamesReach ceased to be employers within the Fund during the year.

### *26. Impairment Losses*

The Fund had no contingent liabilities at 31 March 2018.

# Glossary

## **ACCRUALS**

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

## **CAPITAL EXPENDITURE**

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

## **CAPITAL RECEIPTS**

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

## **COMMUNITY ASSETS**

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

## **CONSISTENCY**

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

## **CORPORATE AND DEMOCRATIC CORE**

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

## **COLLECTION FUND ADJUSTMENT ACCOUNT**

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

## **CREDITORS**

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

## **DEBTORS**

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

## **GLOSSARY (Continued)**

### **FINANCE LEASE**

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

### **FIXED ASSETS**

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

### **GOING CONCERN**

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

### **GOVERNMENT GRANTS - SPECIFIC**

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

### **INFRASTRUCTURE ASSETS**

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

### **LONG TERM INVESTMENTS**

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

### **LEVIES**

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

### **LONG-TERM CONTRACTS**

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

## **GLOSSARY (Continued)**

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

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

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

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

### **OPERATING LEASES**

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

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

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

### **PRECEPTS**

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

### **PRIOR YEAR ADJUSTMENTS**

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

### **PRUDENCE**

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

### **REVALUATION RESERVE**

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

### **REVENUE SUPPORT GRANT**

A general grant paid to local councils from national taxation.

## ABBREVIATIONS

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



**i4B Holdings Limited**

**Annual report and financial statements for the period 16 December 2016 to  
31 March 2018**

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## Company Information

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**Directors:** George Crane  
Peter Gadsdon  
Phil Porter (resigned 12<sup>th</sup> February 2018)  
Martin Smith (Chair)  
Gail Tolley (appointed 12<sup>th</sup> February 2018)

**Company number:** 10529802

**Registered office:** Civic Centre  
9 Engineers Way  
Wembley  
London  
HA9 0FJ

**Auditors:** KPMG LLP  
15 Canada Square  
London  
E14 5GL

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## Strategic Report

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### Business Overview

i4B Holdings Ltd is a wholly owned subsidiary of the London Borough of Brent and is a company limited by shares. The company's primary activity is the acquisition of residential dwellings primarily in the London Borough of Brent for rent at affordable rates (i.e. no higher than Local Housing Allowance rates).

The company commenced trading on 16<sup>th</sup> December 2016 and the original business plan assumed 200 residential properties would be purchased by 31<sup>st</sup> March 2018 and 300 in total by 31<sup>st</sup> March 2019. The rate of property acquisition however has been slower than originally anticipated primarily due to the slow-down in the London housing market and the consequential restriction in supply of the right type of properties. As of 31<sup>st</sup> March 2018, the company had acquired 127 residential dwellings of which 57 had tenants.

Rent revenues for the period were lower than anticipated in part as a result of the reduced number of properties acquired and also in part to longer than expected delays in progressing properties from negotiation through to being ready to take tenants. Delays in payment of housing benefit to tenants has also had a negative impact on revenues in the period.

The company is still committed to the original target of owning 300 properties by 31<sup>st</sup> March 2019 and has taken steps to increase the flow of potential properties and reduce the period between negotiation and tenants taking possession. The board is confident that the plans the company has in place will enable it to achieve this target and that although the company has operated at a loss in the current period it will return a profit from year 3 in excess of the original planning assumption.

	31 <sup>st</sup> March 2018 £000s	31 <sup>st</sup> March 2019 £000s	31 <sup>st</sup> March 2020 £000s	31 <sup>st</sup> March 2021
Original business plan forecast net profit/(loss) before tax	(863)	91	517	536
Current actual/forecast net profit/(loss) before tax	(1,545)	(523)	843	719

### Risks

A principal risk facing the company is the uncertainty in the housing market currently exacerbated by the UK's imminent withdrawal from the EU. Whilst a stagnant housing market works in favour the company in terms of depressing purchase prices it can present a difficulty in terms of limiting the supply of properties. There has been some evidence of a slow-down in the London residential property market in recent months and that has had an impact on the rate at which the company has acquired properties. The company has however sought independent advice from a specialist property consultancy (GVA) and is confident that there continues to be sufficient availability of properties in the market to meet the company's demands.

Another risk facing the company is that rent default rates exceed expected levels and negatively impact revenues. The board receives regular updates on rent collection performance and reviews the top 10 rent arrears cases at each board meeting to ensure that the company has the correct measures in place to prevent significant arrears accumulating and is taking appropriate steps to support and deal with tenants in arrears.

## **Opportunities**

A major opportunity for the company is the recent announcement by the UK government of an increase to Local Housing allowance (LHA) rates of around 3% from 1<sup>st</sup> April 2018. The majority of the company's tenants are in properties rented at or very close to the prevailing LHA rate for that area. The planning assumption for the year from 1<sup>st</sup> April 2018 was for a 0% increase in LHA rates so the unexpected increase by around 3% will generate additional revenue as new tenancies will be let at the higher rate. The assumption relating to future years LHA changes remains unchanged at 1% per annum increases each year but the compound effect of the April 2018 increase will, ceteris paribus, significantly improve the performance of the company over a number of years as the majority of the company's costs are fixed for the next 3 years.

The shareholder has also agreed in principle to a growth plan for the company beyond the initial 300 properties that could include a different blend of properties (although still limited to residential properties for rent) including some at intermediate rents at up to 80% of market rate. The company is currently developing plans for this next stage of growth.

## **Governance**

The board currently comprise four members. During the year one member of the board resigned and was replaced. Recruitment is underway for an additional independent Board member. The Board meets on a monthly basis and takes collective responsibility for the long-term success of the company.

## **System of internal control**

The Board of i4B is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations.

The Board is responsible for ensuring that sound systems of internal control exist within i4B, which focus on the significant risks that threaten our ability to meet our objectives, and provide reasonable assurance for the safeguarding of assets. The key means of identifying, evaluating and managing the systems of internal control are:

- Corporate governance arrangements as set out above;
- Policies and procedures for all key areas of the business, which are reviewed periodically to ensure their continued appropriateness;
- An Internal Audit function provides management assurance on controls and key risks. i4B uses the services of a professional firm of auditors (through the Council) and other specialists as necessary. All audit reports are reviewed by the Board, which also receives updates on the implementation of agreed external and internal audit recommendations;
- i4B's Board regularly monitor performance against budgets and other indicators.

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the annual report, for the period ended 31st March 2018 and up to the date of the approval of the annual report.

## **By order of the board**

The strategic report was approved by the Board and signed on its behalf by:

Martin Smith

Chair of the board of directors

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## Directors Report

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### Reporting period

During the period the company changed its year-end date to 31<sup>st</sup> March and extended this reporting period to cover 16<sup>th</sup> December 2016 to 31<sup>st</sup> March 2018.

### Financial instruments

As at 31st March 2018, i4B had loan facilities with the London Borough of Brent totalling £45.3m secured against the residential properties owned by i4B. All loan facilities are extended with fixed interest rates for the full term of the loan, which mitigates any interest rate risk.

### Directors

The directors during any part of the financial year 2017/18 are listed (in alphabetical order) on page 3. Phil Porter was appointed and subsequently resigned as a Director during the year and was replaced by Gail Tolley. There have been no changes in directors since the end of the financial year although a recruitment process is underway to recruit an additional independent (non-LBB) board member.

### Employees

i4B does not directly employ staff instead the company 'buys-in' services from the London Borough of Brent under a Service Level Agreement (SLA).

### Going concern

The company (a company limited by shares) is a wholly owned subsidiary of LBB. The directors have reviewed the company's forecasts for the foreseeable future along with the availability of financing to fund both the company's development activities and its working capital requirements. Based on this analysis, at the date of approval of the financial statements, the directors have a reasonable expectation that the company will be profitable within 3 years and has adequate access to financing in the interim to meet working capital requirements and continue in operational existence for the foreseeable future.

### Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The directors' report was approved by the Board and signed on its behalf by:

Martin Smith

Chair of the board of directors

## **Independent auditors report**

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### **Report on the financial statements**

#### **Our opinion**

In our opinion, i4B Holdings' financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31st March 2018 and of its profit and cash flows for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinions on other matters prescribed by the Companies Act 2016**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

For and on behalf of KPMG LLP  
London

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**Statement of comprehensive income for the period 16<sup>th</sup> December 2016 to 31<sup>st</sup> March 2018**

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	<b>Note</b>	<b>2018</b>
		<b>£000</b>
Turnover	4	152
Operating costs	5	(695)
<b>Operating loss</b>		<b>(543)</b>
Gain on disposal of tangible fixed assets		-
Interest payable and similar charges	12	(1,002)
<b>Loss on ordinary activities before taxation</b>		<b>(1,545)</b>
Tax on surplus on ordinary activities		0
<b>Loss on ordinary activities after taxation</b>		<b>(1,545)</b>
<b>Loss for the financial year</b>		<b>(1,545)</b>

## Statement of financial position at 31<sup>st</sup> March 2018

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	<i>Notes</i>	<b>2018</b> <b>£000</b>
<b>Fixed assets</b>		
Housing properties at cost – affordable rental properties	7	45,305
<b>Total fixed assets</b>		<b>45,305</b>
<b>Current assets</b>		
Debtors	8, 16	87
Cash at bank and in hand	9	62
<b>Total current assets</b>		<b>149</b>
<b>Creditors: amounts falling due within one year</b>	10	1,694
<b>Net current assets</b>		<b>(1,545)</b>
<b>Total assets less current liabilities</b>		<b>43,760</b>
Creditors: amounts falling due after more than one year	10	45,305
<b>Net assets</b>		<b>(1,545)</b>
<b>Capital and reserves</b>		
Revaluation reserve		0
Retained earnings		(1,545)
Ordinary shares	15	0
<b>Total shareholder's surplus</b>		<b>(1,545)</b>

**Statement of changes in equity for the period 16<sup>th</sup> December 2016 to 31<sup>st</sup> March 2018**

		Retained earnings	Share capital	Total shareholders' equity
	<i>Notes</i>	£000	£000	£000
<b>Balance at 16<sup>th</sup> December 2016</b>	15	0	0	0
Loss for the financial year		(1,545)	-	(1,545)
<b>Balance at 31 March 2018</b>		<u>(1,545)</u>	<u>0</u>	<u>(1,545)</u>

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## Statement of cash flows for the period 16<sup>th</sup> December 2016 to 31<sup>st</sup> March 2018

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	<i>Notes</i>	<b>2018</b>
		<b>£000</b>
<b>Cash flows from operating activities</b>		
Surplus for the period		(1,545)
<b>Adjustments for:</b>		
Net Interest expense	12	1,002
<b>Operating loss</b>	<b>4</b>	<b>(543)</b>
Decrease/ (increase) in debtors	9	(87)
Increase/ (decrease) in creditors	10	1,694
<b>Cash from operations</b>		<b>1,064</b>
Tax paid		0
<b>Net cash generated from/(used in) operating activities</b>		<b>1,064</b>
<b>Cash flows from financing activities</b>		
Interest paid	12	(1,002)
<b>Net cash used in financing activities</b>		<b>(1,002)</b>
<b>Net cash from operating activities</b>		<b>62</b>
<b>Net increase in cash and cash equivalents</b>		<b>62</b>
Cash and cash equivalents at beginning of year		0
<b>Cash and cash equivalents at end of year</b>	<b>9</b>	<b>62</b>

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## Notes to the accounts

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### 1. General Information

i4B Holdings Ltd manages and maintains private sector residential rental properties on behalf of its parent local authority, the London Borough of Brent (the 'Council' or 'LBB'). The Company is a private company limited by shares and is incorporated in England (registered number 10529802). The address of its registered office is Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ.

### 2. Statement of compliance

The financial statements of i4B have been prepared in compliance with the Generally Accepted Accounting Practice in the UK; including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements have been prepared on an accruals basis. Assets and liabilities are recognised on the Company's statement of financial position when it is probable that future economic benefits or costs will flow and the amounts of the assets and liabilities can be reliably measured, Turnover and expenditure is recognised in the statement of comprehensive income where it can be reliably measured that income has become due to the Company or expenditure has been incurred by the Company.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements.

#### (b) Going concern

The directors have reviewed the company's forecasts for the foreseeable future along with the availability of financing to fund both the company's development activities and its working capital requirements. Based on this analysis, at the date of approval of the financial statements, the directors have a reasonable expectation that the company will be profitable within 3 years and has adequate access to financing in the interim to meet working capital requirements and continue in operational existence for the foreseeable future.

#### (c) Turnover

Turnover represents services supplied in the year such as rents and service charges, included at gross cost (all supply is VAT exempt).. All income is recognised on a receivable basis. Repairs income is recognised at the point the job is completed.

#### (d) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of Income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

The revaluation of the Company's investment properties creates a timing difference, because the gain is recognised in the statement of comprehensive income in the current period, but it will be recognised in taxable profits in a later period (either when the asset is sold and a gain is realised, or as the asset is used, generating taxable income). Accordingly, a deferred tax liability is recognised in the statement of changes in equity.

##### (iii) Value added tax (VAT)

The Company is not VAT registered. All services supplied by the Company are VAT exempt.

#### (e) Tangible assets

Tangible assets are stated at valuation or cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Tangible fixed assets of a value exceeding £1,500 will be capitalised and depreciated.

##### (i) Land and buildings

## **Housing properties held for investment**

Housing properties held for investment are land and buildings let at market-rents. Investment properties are carried at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

These valuations are reviewed annually. Gains in fair values are recognised in the statement of comprehensive income and transferred to the revenue reserve. Revaluations which are below carrying value are shown as an impairment and are recognised in the statement of comprehensive income.

Investment properties are included in the statement of financial position at fair value and, in accordance with FRS 102, investment properties are not subject to periodic charges for depreciation.

## **Affordable housing properties**

This class of asset is made up of properties rented on an Assured Shorthold Tenancy basis at or around Local Housing Allowance rates or intermediate market rents and are subject to depreciation over their estimated useful economic life (100 years). These properties are recognised initially at cost and after initial recognition are carried at fair value based on their market value with tenants.

### **(ii) Furniture, fixtures and fittings**

Furniture, fixtures, and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

### **(iii) Depreciation and residual values**

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. Depreciation is charged so as to write down the assets to their residual value on a straight line basis over their estimated useful economic life, unless otherwise noted below. Depreciation is calculated as follows:

Fixture, fixtures and fittings      Depreciated at 40% in the first year of the economic life and at 25% per annum for the remainder of the economic life using the reducing balance method

Furniture, fixtures and fittings – short life      Straight line basis over five years

### **(iv) Subsequent additions and main components**

Repairs, maintenance and minor inspection costs are expensed in the statement of comprehensive income as incurred.

### **(v) Assets in the course of construction**

Assets in the course of construction are stated at historical cost. These assets are not depreciated until they are available for use. There were no assets under construction in this financial year.

### **(vi) Derecognition**

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

### **(f) Borrowing costs**

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(g) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive Income.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(i) Provisions and contingencies

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

In particular:

(a) Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring, and

(b) Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of

money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

#### (k) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (a) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (b) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

#### (l) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### (m) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### (n) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from the Council classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(o) Related party transactions

The Company discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

**4. Particulars of turnover**

Turnover is derived completely from the principal activities of the Company and arises solely within the United Kingdom.

		<b>Turnover</b>	<b>Operating costs</b>	<b>Operating loss</b>
		<b>2018</b>	<b>2018</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Rental Income	5	152	(695)	(543)
<b>Total</b>		<b>152</b>	<b>(695)</b>	<b>(543)</b>

**5. Operating costs**

	<b>Operating costs</b>
	<b>2018</b>
	<b>£000</b>
Cost of Sales	(183)
Administrative expenses	(512)
<b>Total</b>	<b>(695)</b>

## 6. Employees and directors

### Employees

The Company had no employees during the period.

### Directors

Board remuneration:

	2018 £000
Chairperson	18
<b>Total</b>	<b>18</b>

## 7. Tangible fixed assets

	Affordable Housing Properties	Total
	£'000	£'000
<b>Cost or valuation</b>		
As at 16 December 2016	0	0
Adjustment on revaluation	0	0
Additions	45,305	45,305
<b>As at 31 March 2018</b>	<b>45,305</b>	<b>45,305</b>
<b>Accumulated depreciation and impairment</b>		
As at 1 April 2017	0	0
Charge for the year	0	0
Reversal on revaluation of accumulated depreciation	0	0
<b>As at 31 March 2018</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>		
<b>As at 31 March 2018</b>	<b>45,305</b>	<b>45,305</b>

## 8. Debtors

	2018 £000
<i>Amounts falling due within one year</i>	
Rental debtors*	57
Rent collected not yet paid to i4B**	33
Provision for doubtful debts	(3)
<b>Net rental debtors</b>	<b>87</b>
<b>Total debtors falling due within one year</b>	<b>87</b>

\*Timing difference primarily due to the majority of tenants being in receipt of Local Housing Allowance (LHA) with delays of up to 6 weeks in the payment of LHA at the start of tenancies. LHA payments are back-dated so payments will catch-up over time.

\*\*Rents are paid to 3<sup>rd</sup> party managing agents managed by the Council on behalf of i4B under the SLA arrangement and aggregate payments are made periodically to i4B.

## 9. Cash at bank and in hand

	2018 £000
Cash at bank	62
<b>Total cash at bank and in hand</b>	<b>62</b>

## 10. Creditors

### Creditors: amounts falling due within one year

	2018 £000
Debt financing costs owed to the Council	1,002
SLA payments owed to the Council	648
Audit fees	29
Other creditors	15
<b>Total creditors falling due within one year</b>	<b>1,694</b>

### Creditors: amounts falling due after more than one year

	2018 £000
Loans owed to the Council*	45,305
<b>Total creditors falling due after more than one year</b>	<b>45,305</b>

\*Long term loans owed to the Council are secured against all properties, the purchase of which was financed with the respective loans.

## 11. Loans and other borrowings

As at 31 March 2018, public benefit entity concessionary loans with the Council for the acquisition of properties totalled £45.3m. All of the loans are secured against housing properties.

As at 31<sup>st</sup> March 2018 the company had unutilised borrowing facilities of £36.8m with the Council.

Loan drawings are subject to a one-off 1% set-up fee and interest is charged on the unutilised facility at 0.75% per annum. Loans are repaid on an interest only basis with the capital amount repaid after 30 years.

#### Borrowing in period

Date	Lender	Interest rate p	Amount
		%	£000
September 2017	The Council	2.82	5,348
October 2017	The Council	2.94	5,638
November 2017	The Council	2.93	5,752
February 2018	The Council	2.99	8,448
March 2018	The Council	2.82	20,119
	<b>Total</b>		<b>45,305</b>

#### 12. Interest payable and similar charges

	2018
	£000
Interest payable on loans from the Council	273
Facility non-utilisation fee	276
Facility arrangement fee	453
<b>Interest payable and similar charges</b>	<b>1,002</b>

#### 13. Related party transactions

During the period the Company had the following related party transactions with the Council.

##### Transactions

Amounts payable to the Council in the period were £1.6m inclusive of loan interest payments of £1m.

##### Amount of outstanding balances

Trade receivables with the Council for the period were £90,370 (the rental debtors and collected rent yet to be paid to i4B via the Council) and trade payables were £648,275. Loans due to the Council are £45.3m secured on housing properties.

#### 14. Controlling party

The immediate and ultimate parent undertaking and controlling party is the London Borough of Brent, whose financial statements can be obtained from The Chief Financial Officer, London Borough of Brent, Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ.

## 15. Equity shares

### Ordinary shares of £1 each

Allotted and fully paid	Number	£
As at 16 <sup>th</sup> December 2016	1	1
issued during the year	0	0
<b>As at 31<sup>st</sup> March 2018</b>	<b>1</b>	<b>1</b>

## 16. Provisions

Doubtful debts are estimated at 2% of gross rental income (£152,000) and are included in net debtors.

## 17. Auditors' remuneration

The Company had payables of £28,800 for KPMG LLP for audit services in respect of the financial statements for the period.

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FIRST WAVE HOUSING LIMITED



ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS

Year ended 31 March 2018

Company Registration No. 04533752

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# FIRST WAVE HOUSING LIMITED (04533752)

## COMPANY INFORMATION

The directors of the Company who were in office during the year and up to the date of signing the annual report and financial statements were:

### **BOARD MEMBERS (Non-Executive)**

Farida Adjerit		Resigned	27 September 2017
Waqar Ahmed		Resigned	27 September 2017
Timothy Blanc		Resigned	27 September 2017
Samantha Da Lomba		Resigned	27 September 2017
Joanne Drew	Chair	Resigned	27 September 2017
Patricia Harrison		Resigned	27 September 2017
John Healy		Resigned	27 September 2017
Vijay Patel		Resigned	27 September 2017
Geoffrey Pearce		Resigned	27 September 2017
Sheila Perry		Resigned	27 September 2017
Margaret Von Stoll		Resigned	27 September 2017
George Crane		Appointed	28 September 2017
Peter Gadsdon		Appointed	28 September 2017
Philip Porter		Appointed	28 September 2017
		Resigned	25 January 2018
Martin Smith	Chair	Appointed	28 September 2017
Gail Tolley		Appointed	25 January 2018

### **KEY MANAGEMENT PERSONNEL (Executive)**

Rowann Limond	Interim Managing Director	Resigned	2 July 2017
Juliet James-Lionel	Interim Head of Customer	Resigned	30 September 2017
Gary Wilkinson	Interim Director of Property	Resigned	16 June 2017
Hakeem Osinaike	Interim Managing Director	Appointed	3 July 2017
		Resigned	30 September 2017

### **COMPANY SECRETARY**

Ian Rooney		Resigned	27 September 2017
Peter Gadsdon		Appointed	28 September 2017

### **REGISTERED OFFICE**

Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ

**COMPANY REGISTRATION NO.** 04533752

**HCA REGISTRATION NUMBER** 4569

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP., 1 Embankment Place, London, WC2N 6RH

### **BANKERS**

National Westminster, 567 Kingsbury Road, London, NW9 9EP

### **SOLICITORS**

Winckworth Sherwood LLP., 5 Montague Close, London, SE1 9BB

# FIRST WAVE HOUSING LIMITED (04533752)

## STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their strategic report on the Company for the year ended 31 March 2018. Reference should also be made to the Directors' Report for the year ended 31 March 2018.

### Review of the business

First Wave Housing Limited (the 'Company' or 'FWH'), formerly Brent Housing Partnership ('BHP') is a local authority owned company of the London Borough of Brent (the 'Council' or 'LBB'), and is limited by guarantee.

The Company's primary activity is to effectively manage its stock of 332 properties as (at 31 March 2018) and contribute to Brent's housing strategy. It is a registered housing provider with the Homes and Community Agency (HCA) and conforms to standards set out in the Regulatory Framework for Social Housing in respect of Registered Providers with properties under one thousand units.

The Board of Directors of the Company (the 'Board') has agreed with LBB to follow best practice and comply with all standards and ensure compliance with HCA regulatory framework. The Company has also adopted the National Housing Federation (NHF) Governance Code 2015 (the 'Code') and prepared its financial statements in accordance with the Statement of Recommended Practice for Registered Social Housing Providers (the 'Housing SORP 2014').

LBB decided to terminate the Management Agreement with BHP, in relation to the council housing stock, with effect from 30th September 2017, but decided that the Company should continue in its own right as First Wave Housing. This means that the pension scheme deficit that previously existed (£18.5m in 2016/17) will no longer fall on the Company, as all staff have transferred back to LBB under Transfer of Undertakings (TUPE).

### Principal risks and uncertainties

The borough of Brent continues to face significant housing challenges, with a rising population, a large average family size, low incomes, high unemployment, rising demand, high prices and high rents in a changing market. This all means that housing policy changes at a national level must be carefully evaluated and, where necessary, new approaches identified to meet the challenges arising. The Government's 1% rent reduction continues to impact on the income levels and the valuation of the Company's social rented properties and the loss of housing stock through right-to-buy will still have implications for the on-going finances of the Company.

### Results and performance

The Company was paid a management fee of £3.8m (£7.5m in 2016/17), by LBB to manage its stock, for the 6 months to 30<sup>th</sup> September 2017; including Service Level Agreement (SLA) income of £0.5m (£0.9m in 2016/17). The Company also managed budgets amounting to £13.9m revenue and £65.8m capital in 2017/2018 (£15.2m revenue and £55.2m capital in 2016/17). The Company recorded a surplus of £1.0m in 2017/2018 compared with a surplus of £1.2m in 2016/17.

### Strategy

The company is committed to improving and maintaining its stock through targeted investment, which will be determined by the commissioning of a stock condition survey in

## **FIRST WAVE HOUSING LIMITED (04533752)**

conjunction with LBB. The company will keep under review the potential for it to contribute further to the housing, investment and regeneration objectives of LBB.

### **Governance**

During the year all eleven of the remaining BHP Board Members resigned and were replaced by the FWH Board, which currently comprises of 4 members, made up of one independent (who is Chair of the Board), and three representatives from Brent Council (one councillor and two officers). Recruitment is underway for an additional independent Board member. The Board meets on a monthly basis and takes collective responsibility for the long-term success of the Company.

### **System of internal control**

The Board of FWH is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations.

The Board is responsible for ensuring that sound systems of internal control exist within FWH, which focus on the significant risks that threaten our ability to meet our objectives, and provide reasonable assurance for the safeguarding of assets. The key means of identifying, evaluating and managing the systems of internal control are:

- Corporate governance arrangements as set out above;
- Policies and procedures for all key areas of the business, which are reviewed periodically to ensure their continued appropriateness;
- An Internal Audit function provides quality assurance and value for money. FWH uses the services of a professional firm of auditors (through the Council) and other specialists as necessary. All audit reports are reviewed by the Board, which also receives updates on the implementation of agreed external and internal audit recommendations;
- FWH's Board regularly monitor performance against budgets and other indicators.

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the annual report, for the year ended 31<sup>st</sup> March 2018 and up to the date of the approval of the annual report.

### **By order of the board**

The strategic report was approved by the Board and signed on its behalf by:

**Martin Smith – Chair of the Board**

**Date:** 2018

# FIRST WAVE HOUSING LIMITED (04533752)

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their report and the audited financial statements of First Wave Housing Limited (the 'Company' or 'FWH') for the year ended 31 March 2018. Reference should also be made to the Strategic Report for the year ended 31 March 2018.

### Future developments

The directors will create a vision for the company and a revised 30-year business plan, which will include estimated investment requirements going forward.

### Financial instruments

As at 31 March 2018, FWH had loan facilities with LBB totalling £46.6m secured against the housing stock. All loan facilities are extended with fixed interest rates for the full term of the loan, which mitigates any interest rate risk. This loan facility is made up of £17.8m for the purchase of Granville New Homes (GNH) and £28.8m for the purchase of dwellings in connection with the Settled Homes Initiative (SHI).

### Directors

The directors (in alphabetical order) during any part of the financial year 2017/18 are shown on per page 3 – Board Information. The Company maintains insurance for the benefit of all directors of the Board against liabilities in relation to their services for the Company and also third party indemnity insurance was in place during the financial year ended 31 March 2018 and at the date of approval of the 2017/18 annual report.

Phil Porter was appointed and subsequently resigned as a Director during the year and was replaced by Gail Tolley. There have been no changes in directors since the end of the financial year.

### Employees

FWH no longer directly employs staff as all former BHP staff were transferred back to the Council under TUPE regulations, and instead the company 'buys-in' services from the Council under a Service Level Agreement (SLA).

### Going concern

The Company (a company limited by guarantee) is a wholly owned subsidiary of LBB. On 30<sup>th</sup> September 2017 all the Company's pension liability were transferred to the Council. Furthermore the Council has confirmed, in writing, of its intention for FWH to remain as a going concern for at least twelve months from the date of approval of the annual report and financial statements.

### Statement of Directors' responsibilities (PwC to provide)

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

## **FIRST WAVE HOUSING LIMITED (04533752)**

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

### **By order of the board**

The directors' report was approved by the Board and signed on its behalf by:

**Martin Smith – Chair of the Board**

**Date:** 2018

**Company registration number:** 04533752

**Registered address:** Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ

# FIRST WAVE HOUSING LIMITED (04533752)

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST WAVE HOUSING

### Report on the financial statements

#### Our opinion

In our opinion, First Wave Housing's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinions on other matters prescribed by the Companies Act 2016

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

# FIRST WAVE HOUSING LIMITED (04533752)

## Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Lowe (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

2018

# FIRST WAVE HOUSING LIMITED (04533752)

## FINANCIAL STATEMENTS

### Statement of comprehensive income for the year ended 31 March 2018

	<i>Note</i>	<b>2018</b> £'000	<b>2017</b> £'000
Turnover	5	40,345	65,113
Operating costs	5/7/8	(37,296)	(62,130)
<b>Operating surplus</b>	5	<b>3,049</b>	<b>2,983</b>
Gain on disposal of tangible fixed assets		-	-
Interest payable and similar charges	17	(2,114)	(2,149)
Surplus on revaluation of investment properties	11	200	480
Surplus on revaluation of commercial properties	11	14	24
<b>Surplus on ordinary activities before taxation</b>		<b>1,149</b>	<b>1,338</b>
Tax on surplus on ordinary activities	10	(122)	(151)
<b>Surplus on ordinary activities after taxation</b>		<b>1,027</b>	<b>1,187</b>
<b>Surplus for the financial year</b>		<b>1,027</b>	<b>1,187</b>
Unrealised surplus on revaluation of social housing properties	<i>SOCIE</i>	379	1,730
Actuarial (loss)/gain in respect of pension scheme		(1,224)	(1,919)
<b>Total comprehensive income for the year</b>		<b>182</b>	<b>998</b>

SOCIE = Statement of changes in equity

The notes on pages 14 to 27 form part of these financial statements.

# FIRST WAVE HOUSING LIMITED (04533752)

## FINANCIAL STATEMENTS

### Statement of financial position as at 31 March 2018

	<i>Notes</i>	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Housing properties at valuation - investment properties	11	11,090	10,890
Housing properties at valuation - social housing properties	11	48,900	48,520
Social housing properties - furniture, fixtures & fittings	11	90	121
Commercial properties	11	272	258
<b>Total fixed assets</b>		<b>60,352</b>	<b>59,789</b>
<b>Current assets</b>			
Stocks	12	-	7
Debtors	13	1,436	4,897
Cash at bank and in hand	14	3,036	9,116
<b>Total current assets</b>		<b>4,472</b>	<b>14,020</b>
<b>Creditors: amounts falling due within one year</b>	15	(1,664)	(11,321)
<b>Net current assets</b>		<b>2,808</b>	<b>2,699</b>
<b>Total assets less current liabilities</b>		<b>63,160</b>	<b>62,488</b>
Provision for deferred tax	15	(635)	(641)
Creditors: amounts falling due after more than one year	15	(37,726)	(38,459)
<b>Net assets excluding pension liability</b>		<b>24,799</b>	<b>23,388</b>
Net pension liability	18	(2,639)	(18,536)
<b>Net assets including pension liability</b>		<b>22,160</b>	<b>4,852</b>
<b>Capital and reserves</b>			
Revaluation reserve	SOCIE	12,560	11,962
Revenue reserve	SOCIE	9,600	8,787
Pension reserve	SOCIE	-	(15,897)
<b>Total shareholder's surplus</b>		<b>22,160</b>	<b>4,852</b>

SOCIE = Statement of changes in equity

The notes on pages 14 to 27 form part of these financial statements

The financial statements on pages 10 to 27 were approved by the Board of First Wave Housing (Registered number 04533752) and signed on its behalf by:

Martin Smith  
Chair of the Board

Date: 2018

# FIRST WAVE HOUSING LIMITED (04533752)

## FINANCIAL STATEMENTS

### Statement of changes in equity for the year ended 31 March 2018

	Notes	Revaluation reserve commercial properties	Revaluation reserve investment properties	Revaluation reserve social housing properties	Total revaluation reserve	Revenue reserve	Pension reserve	Total shareholders' surplus
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>		215	4,242	7,505	11,962	8,787	(15,897)	4,852
Surplus for the financial year		-	-	-	-	1,027	-	1,027
Revaluation of social housing properties	11	-	-	379	379	-	-	379
Transfer of pension reserve deficit to parent organisation	18	-	-	-	-	-	15,897	15,897
Net actuarial loss on pension scheme	18	-	-	-	-	-	-	-
Movement of IP revaluation in reserves	11	12	207	-	219	(214)	-	5
<b>Balance at 31 March 2018</b>		<b>227</b>	<b>4,449</b>	<b>7,884</b>	<b>12,560</b>	<b>9,600</b>	<b>-</b>	<b>22,160</b>

The notes on pages 14 to 27 form part of these financial statements

# FIRST WAVE HOUSING LIMITED (04533752)

## FINANCIAL STATEMENTS

### Statement of cash flows for the year ended 31 March 2018

	<i>Notes</i>	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Surplus for the financial year		1,027	1,187
<b>Adjustments for:</b>			
Depreciation of tangible fixed assets	11	30	40
Post-employment benefits less payments	18	-	594
Gain on disposal of tangible fixed assets		-	-
Surplus on revaluation	11	(214)	(504)
Interest paid	17	2,114	2,149
Current tax	10	122	151
Decrease/ (increase) in debtors	13	3,461	7,139
Decrease in stocks	12	7	68
Increase/ (decrease) in creditors	15	(9,696)	(906)
<b>Cash from operations</b>		<b>(3,149)</b>	<b>9,918</b>
Interest paid	17	(2,114)	(2,149)
Tax paid	10	(122)	(151)
<b>Net cash generated from/(utilised in) operating activities</b>		<b>(5,385)</b>	<b>7,618</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposals of tangible fixed assets		-	-
<b>Net cash generated from investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Repayment of loans to the Council		(695)	(650)
<b>Net cash used in financing activities</b>		<b>(695)</b>	<b>(650)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,080)</b>	<b>6,968</b>
Cash and cash equivalents at beginning of year		9,116	2,148
<b>Cash and cash equivalents at end of year</b>	14	<b>3,036</b>	<b>9,116</b>

The notes on pages 14 to 27 form part of these financial statements

# FIRST WAVE HOUSING LIMITED (04533752)

## Notes to the financial statements for the year ended 31 March 2018

### 1. General Information

First Wave Housing Limited (the 'Company' or 'FWH') manages and maintains social housing and other investment and commercial properties on behalf of its parent local authority, the London Borough of Brent (the 'Council' or 'LBB'). The Company is a private company limited by guarantee and is incorporated in England (registered number 04533752). The address of its registered office is Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ.

### 2. Statement of compliance

The financial statements of First Wave Housing have been prepared in compliance with the Generally Accepted Accounting Practice in the UK; including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Companies Act 2006 and the accounting direction for social housing in England from April 2015 and the Housing SORP 2014 Statement of Recommended Practice for Social Housing Providers (the "2014 SORP").

### 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value

The financial statements have been prepared on an accruals basis. Assets and liabilities are recognised on the Company's statement of financial position when it is probable that future economic benefits or costs will flow and the amounts of the assets and liabilities can be reliably measured, Turnover and expenditure is recognised in the statement of comprehensive income where it can be reliably measured that income has become due to the Company or expenditure has been incurred by the Company.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements.

#### (b) Going concern

The Company (a company limited by guarantee) is a wholly owned subsidiary of LBB. In addition, the Company is a registered housing provider owning 332 properties at 31 March 2018 with net book value £59.7m the funding for which is fully provided by the Council loan of £39.2m secured against these properties.

The Council has confirmed, in writing, of its intention for FWH to remain as a going concern for at least twelve months from the date of approval of the annual report and financial statements

#### (c) Turnover

Turnover represents services supplied in the year, included at values which are exclusive of VAT, as well as rents and service charges. The Company operates both fixed and variable service charges based on the services received by each property. Other turnover derives mainly from management and service level agreements with the Council as well as the Brent Direct Leasing scheme as well as maintenance recharges. All income is recognised on a receivable basis. Repairs income is recognised at the point the job is completed.

The Company monitors activities by both directorates and operational segments. The directorates used by the Company during the year are: Managing Directorate, Property, Transformation, Finance and Centralised I&E.

#### (d) Employee benefits

The Company provided a range of benefits to employees, including paid holiday arrangements and a defined benefit pension plan. Staff costs include wages and salaries, PAYE, National Insurance contributions, pension costs and any post-employment benefits.

##### (i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### (ii) Defined benefit pension plan

The fair value of plan assets is measured in accordance with FRS 102 and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. The cost of the defined benefit plan recognised in the statement of comprehensive income as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the statement of comprehensive income as an operating cost.

# FIRST WAVE HOUSING LIMITED (04533752)

## **(e) Taxation**

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

### **(i) Current tax**

Current tax is the amount of Income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### **(ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

The revaluation of the Company's investment properties creates a timing difference, because the gain is recognised in the statement of comprehensive income in the current period, but it will be recognised in taxable profits in a later period (either when the asset is sold and a gain is realised, or as the asset is used, generating taxable income). Accordingly, a deferred tax liability is recognised in the statement of changes in equity.

### **(iii) Value added tax (VAT)**

The Company's VAT affairs are in the name of First Wave Housing Limited. The Company only recovers a proportion of input VAT and therefore expenditure on its own property portfolio is shown inclusive of VAT, to the extent that it is not recoverable, with recoverable input tax recovered being credited against management expenses.

## **(f) Tangible assets**

Tangible assets are stated at valuation or cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Tangible fixed assets of a value exceeding £1,500 will be capitalised and depreciated.

### **(i) Land and buildings**

Land and buildings include freehold and leasehold properties. Land and buildings are stated at cost or deemed cost for land and buildings held at valuation at the date of transition to FRS 102 less accumulated depreciation and accumulated impairment losses.

The directly attributable costs are the labour costs of own employees arising directly from the construction or acquisition of the property and the incremental costs that would have been avoided only if individual properties had not been constructed or acquired. Interest is capitalised on a fair proportion of the borrowings of the Company as a whole, calculated on the costs incurred during the period of development, less social housing grant (SHG) received. Improvements are capitalised only when they result in an increase in the net rental income, a reduction in future maintenance costs, or in a significant extension of the useful economic life of the property. All other improvement expenditure is charged to the statement of comprehensive income when incurred.

#### *Commercial properties*

Commercial properties have been valued on a market value basis using a conventional investment approach based on the current or anticipated rental income.

#### *Housing properties held for investment*

Housing properties held for investment are the land and buildings in the market-rent scheme. Investment properties are carried at fair value, which is based on active market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Jones Lang LaSalle (JLL), independent valuers, formed an opinion on the values, in accordance with the Royal Institution & Chartered Surveyors (RICS) publication 'RICS Valuation Professional Standards' (January 2014 edition) as at 31 March 2018.

These valuations are reviewed annually. Following the adoption of FRS 102 standard, gains in fair values are recognised in the statement of comprehensive income and transferred to the revenue reserve. Revaluations which are below carrying value are shown as an impairment and are recognised in the statement of comprehensive income.

Investment properties are included in the statement of financial position at fair value and, in accordance with FRS 102, investment properties are not subject to periodic charges for depreciation.

#### *Social housing properties*

This class of asset is made up of social rented properties (general needs), intermediate market rented properties, settled homes initiative properties, new build properties and an equity share property and are subject to depreciation over their estimated useful

# FIRST WAVE HOUSING LIMITED (04533752)

economic life (100 years). These properties were revalued by JLL as at 31 March 2018 on the basis of their existing use value - social housing (EUV-SH). The Company conducts an annual review of the need to adopt component accounting as per the 2014 SORP

## **(ii) Furniture, fixtures and fittings**

Furniture, fixtures, and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

## **(iii) Depreciation and residual values**

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. Depreciation is charged so as to write down the assets to their residual value on a straight line basis over their estimated useful economic life, unless otherwise noted below. Depreciation is calculated as follows:

Fixture, fixtures and fittings	Depreciated at 40% in the first year of the economic life and at 25% per annum for the remainder of the economic life using the reducing balance method
Furniture, fixtures and fittings – short life	Straight line basis over five years

## **(iv) Subsequent additions and main components**

Repairs, maintenance and minor inspection costs are expensed in the statement of comprehensive income as incurred.

## **(v) Assets in the course of construction**

Assets in the course of construction are stated at historical cost. These assets are not depreciated until they are available for use. There were no assets under construction in this financial year.

## **(vi) Derecognition**

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

## **(g) Borrowing costs**

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

## **(h) Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

## **(i) Stocks**

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the statement of comprehensive income in the period in which the related revenue is recognised.

Cost is determined on the first-in first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

## **(j) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

## **(k) Provisions and contingencies**

### **(i) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

# FIRST WAVE HOUSING LIMITED (04533752)

In particular:

(a) Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring, and

(b) Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (a) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (b) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

## **(l) Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from the Council classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

## **(m) Related party transactions**

The Company discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

## **4. Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

# FIRST WAVE HOUSING LIMITED (04533752)

## (a) Key accounting estimates and assumptions

### (i) Provisions for doubtful debts (note 13)

Provision is made for bad debts on rental income from the Company's owned stock. This provision requires management's best estimate of the likely rent collection rates based upon past experience and trends. In addition, any other provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

### (ii) Defined benefit pension scheme (note 18)

The Company has obligations to pay pension benefits to employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The Company's actuaries estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

### (iii) Valuation of properties (note 11)

All properties have been included at either cost or valuation, The intermediate rented properties have been classified as social housing properties and were valued by JLL as at 31 March 2018 on the basis of existing use value - social housing (EUV-SH) with special assumptions. The special assumptions are those applied to the 15 year term that departs from EUV-SH to reflect the nature of the Company's holding for the properties purchased with a grant, assuming market rents with rental growth capped at RPI and allowing for sales.

## 5. Particulars of turnover, operating costs and operating surplus

Turnover is derived completely from the principal activities of the Company and arises solely within the United Kingdom.

	Note	Turnover 2018	Turnover 2017	Note	Operating costs 2018	Operating costs 2017	Operating surplus 2018	Operating surplus 2017
		£'000	£'000		£'000	£'000	£'000	£'000
Social housing lettings	6	3,610	3,630		(1,448)	(1,329)	2,162	2,301
Market rent		653	622		(20)	(33)	633	589
Other*		36,082	60,861		(35,828)	(60,768)	254	93
<b>Total</b>		<b>40,345</b>	<b>65,113</b>	7&8	<b>(37,296)</b>	<b>(62,130)</b>	<b>3,049</b>	<b>2,983</b>

\*Includes management fees paid by the Council in respect of housing management and support services, service level agreements with the Council, recharges of expenditure incurred through maintenance of Council-owned properties, repairs income, and other recharges to the Council for management and other services.

### Turnover comprises the following elements

	2018 £'000	2017 £'000
Management fee paid by the Council in respect of housing management and support services	3,302	6,574
Service level agreements with the Council	463	884
Recharges of expenditure incurred through maintenance of Council-owned properties*	27,401	47,748
Repairs income from the Company's empty property repairs section	1,519	2,593
Rental income from the Company's social housing properties	3,610	3,630
Rental income from the Company's market rented properties	653	622
Other**	3,397	3,062
<b>Total</b>	<b>40,345</b>	<b>65,113</b>

\*Recharges of revenue and capital expenditure, from external contractors, incurred by the Company for repair works carried out on the Council's properties.

\*\*Includes charges to the Council for the provision of services such as regeneration and responsive repairs works, asbestos works, management of private lettings, travellers' site and the Brent mental health scheme.

# FIRST WAVE HOUSING LIMITED (04533752)

## 6. Particulars of turnover and operating costs from social housing lettings

	2018 £'000	2017 £'000
Rent receivable net of service charges	3,532	3,549
Service charges receivable	51	33
<b>Net rental income</b>	<b>3,583</b>	<b>3,583</b>
Management fees	27	47
<b>Turnover from social housing lettings</b>	<b>3,610</b>	<b>3,630</b>
Depreciation - social housing fixtures and fittings	(30)	(40)
Other costs	(1,418)	(1,289)
<b>Operating costs on social housing lettings</b>	<b>(1,448)</b>	<b>(1,329)</b>
<b>Operating surplus on social housing lettings</b>	<b>2,162</b>	<b>2,301</b>

	Commercial properties#	Equity share*	General needs social rent*	Intermediate market rent*	Other Market rent#	Total
<b>Housing accommodation:</b>						
Units in ownership 2018	2	1	84	200	45	<b>332</b>
Units in ownership 2017	2	1	84	200	45	<b>332</b>

\*comprise social housing properties

#comprise investment properties

## 7. Operating surplus is stated after charging:

	2018 £'000	2017 £'000
Wages and salaries	2,205	4,753
Social security costs	230	482
Pension costs	664	1,154
<b>Total staff costs</b>	<b>3,099</b>	<b>6,389</b>
Training and recruitment expenses	13	101
Agency and consultancy costs	1,242	2,598
Supplies and services	5,465	5,210
Depreciation of tangible fixed assets	30	40
Auditors' remuneration		
- Audit of the financial statements	35	33
- Non audit (tax) services	11	11
Property maintenance costs	27,401	47,748
<b>Total</b>	<b>37,296</b>	<b>62,130</b>

# FIRST WAVE HOUSING LIMITED (04533752)

## 8. Operating cost (apportioned by Directorate)

	2018 £'000	2017 £'000
Managing Directorate	420	689
Property (formerly Development and Growth)	8,339	13,128
Transformation (formerly Operations)	26,351	43,373
Finance	1,921	3,832
Centralised Income & Expenditure	265	1,108
<b>Total</b>	<b>37,296</b>	<b>62,130</b>

Operating costs include Service Level Agreements ('SLA') from the Council such as legal, IT and accommodation charges.

## 9. Employees and directors

	2018 No.	2017 No.
<b>Employees:</b>		
The average monthly number of persons employed by the Company during the year was:		
Managing Directorate	7	1
Property (formerly Development and Growth)	30	18
Transformation (formerly Operations)	41	67
Finance	29	40
Board members	11	11
<b>Total</b>	<b>118</b>	<b>137</b>

The average monthly number of persons employed is calculated using the sum of permanent employees per month, divided by 12 to obtain an average.

	2018 £'000	2017 £'000
<b>Directors:</b>		
<b>Board remuneration (Non-Executive)</b>		
Chair (highest paid)	4	8
Board members	22	51
<b>Total</b>	<b>26</b>	<b>59</b>

## **Key management compensation\*\*\* (Executive)**

Key management includes the directors noted above and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2018 £'000	2017 £'000
Interim Managing Director **	142	155
Head of Customer Services	62	32
Head of Financial Services	54	109
Director of Property	30	137

\*\*The Interim Managing Director is an ordinary member of the local government pension scheme (LGPS) on the same basis as is available to all staff. No enhanced terms or special conditions apply. Employees' contribution rate depends on their pay, in the case of the Interim Managing Director the rate was 11.4% per annum, in addition the employer contributed a further 25.8% per annum. The Company has not made any contributions to a personal pension scheme on behalf of any member of staff. The Managing Director's contract can be terminated by giving 3 months' notice.

\*\*\*Includes pension contributions

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## Highest paid director (Executive)

The highest paid director's emoluments were as follows:

	2018 £'000	2017 £'000
Salaries	61	112
Compensation for loss of office	58	-
Pensions - employers contribution	15	29
Employer's NI contributions	8	14
<b>Total</b>	<b>142</b>	<b>155</b>

## Staff salary banding\*

	2018 No	2017 No
£60,000 to £69,999	1	6
£70,000 to £79,999	1	5
£80,000 to £89,999	1	3
£90,000 to £99,999	1	1
£100,000 to £109,999	-	2
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 and £149,999	2	-
£150,000 and £159,999	-	1
£160,000 and £169,999	-	-
£170,000 and £179,999	-	-
£180,000 and £189,000	-	-
£190,000 and £199,000	1	-
<b>Total</b>	<b>7</b>	<b>18</b>

\*Excludes Board members

## 10. Tax on surplus on ordinary activities

	2018 £'000	2017 £'000
<b>A: Current tax:</b>		
UK corporation tax on surplus for the year	122	151
<b>Tax on surplus on ordinary activities</b>	<b>122</b>	<b>151</b>

## Tax on (income)/ expense included in equity

	2018 £'000	2017 £'000
<b>B: Deferred tax:</b>		
Origination and reversal of timing differences	5	53
Impact of changes in tax rates	0	(75)
<b>Total deferred tax (income) expense included in equity</b>	<b>5</b>	<b>(22)</b>

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## Factors affecting the tax charge

	2018	2017
	£'000	£'000
Surplus on ordinary activities before taxation	1,149	1,338
Surplus multiplied by the standard rate of tax in the UK of 19% (2017: 20%)	218	268
Effects of:		
Surplus outside of scope of corporation tax (see note below)	(63)	(111)
Capital allowances in excess of depreciation	(33)	(6)
<b>Total tax charge for the year</b>	<b>122</b>	<b>151</b>

As the memorandum and articles of association of the Company are in accordance with HM Revenue & Customs (HMRC) BIM58210, transactions between the Company and the Council are not regarded by HMRC as amounting to trading and will therefore not attract corporation tax. In addition, the surplus on revaluation of the commercial and investment properties is not subject to current tax but has generated a deferred tax liability included in equity.

There are £20,071 (2017: £20,071) of losses carried forward at 31 March 2018 which at the tax rate of 19% (2017: 20%) would have a tax value of £3,813 (2017: £4,014). This potential asset has not been recognised in the financial statements in view of the uncertainty of the future use of the tax losses.

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## 11. Tangible fixed assets

	Commercial properties	Housing properties held for investment	Social housing properties	Social housing properties furniture, fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Number of housing units</b>	2	45	285	-	332
<b>Cost or valuation</b>					
As at 1 April 2017	258	10,890	48,520	404	60,072
Adjustment on revaluation	14	200	380	-	594
<b>As at 31 March 2018</b>	<b>272</b>	<b>11,090</b>	<b>48,900</b>	<b>404</b>	<b>60,666</b>
<b>Accumulated depreciation and impairment</b>					
As at 1 April 2017	-	-	-	(283)	(283)
Charge for the year	-	-	(527)	(30)	(557)
Reversal on revaluation of accumulated depreciation	-	-	527	-	527
<b>As at 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(313)</b>	<b>(313)</b>
<b>Net book value</b>					
<b>As at 31 March 2018</b>	<b>272</b>	<b>11,090</b>	<b>48,900</b>	<b>90</b>	<b>60,353</b>
<b>As at 31 March 2017</b>	<b>258</b>	<b>10,890</b>	<b>48,520</b>	<b>121</b>	<b>59,789</b>

The assets portfolio is made up of 45 market rented properties held for investment, 84 social housing properties, 200 intermediate rented properties, 2 commercial properties and 1 equity share property. All properties are located in North London.

Following the adoption of FRS 102, gains in fair values of the commercial and investment properties are recognised in the statement of comprehensive income and transferred to the revenue reserve. Revaluations which are below carrying value are shown as an impairment and are recognised in the statement of comprehensive income.

All properties have been included at either cost or valuation. The intermediate rented properties have been classified as social housing properties and were valued by JLL as at 31 March 2018 on the basis of existing use value - social housing (EUV-SH) with special assumptions. The special assumptions are those applied to the 15 year term that departs from EUV-SH to reflect the nature of the Company's holding for the properties purchased with a grant, assuming market rents with rental growth capped at RPI and allowing for sales. The agreement permits a different structure for the first 15 years to that permitted thereafter.

In valuing the properties, discounted cash flow methodology was adopted and key assumptions included:

	Social housing properties	Housing properties held for investment
Rental growth p.a. (Year 1) (Real)	-1.0%	10.7%
Voids and bad debts (Year 1)	2.5%	4.0%
Cost of growth p.a. (Real)	1.0%	1.0%
Discount rate (Income)	5.75%	6.75%
Discount rate (Sales)	n/a	9.25%

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The carrying value of the housing properties that would have been carried forward at historical costs less social housing grant, depreciation and impairment is as follows.

	2018 £'000	2017 £'000
Historical cost	56,211	56,211
Social housing grant	(6,561)	(6,561)
Depreciation and impairment	(5,153)	(4,626)
	<b>44,497</b>	<b>45,024</b>

The ownership status of properties is as follows:

	2018 No.	2017 No.
Equity share	1	1
Long leasehold	145	145
Freehold	179	179
Shared freehold	5	5
Commercial	2	2
	<b>332</b>	<b>332</b>

## 12. Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	-	-
Work in progress	-	7
<b>Total stocks</b>	<b>-</b>	<b>7</b>

Management took the decision to write off raw materials and consumables that had become obsolete following the closure of the in-house Direct Labour Organisation. Work in progress are third party costs and relate to unfinished jobs which have not yet been completed and invoiced at year end.

## 13. Debtors

	2018 £'000	2017 £'000
<i>Amounts falling due within one year</i>		
Rental debtors	798	726
Provision for doubtful debts*	(380)	(200)
<b>Net rental debtors</b>	<b>418</b>	<b>526</b>
Other trade debtors	2	2
Other debtors	-	243
Amounts owed by the Council	1,016	4,122
Loans to employees	-	4
<b>Total debtors falling due within one year</b>	<b>1,436</b>	<b>4,897</b>

\*\*Amounts owed by the Council are interest free, unsecured and payable on demand.

### \*Movement in provision for doubtful debts

	2018 £'000	2017 £'000
<b>Opening balance</b>	<b>(200)</b>	<b>(147)</b>
Provision utilised	44	-
New provisions made	(223)	(53)
<b>Closing balance</b>	<b>(380)</b>	<b>(200)</b>

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## 14. Cash at bank and in hand

	2018	2017
	£'000	£'000
Bank current account	3,036	9,116
<b>Total cash at bank and in hand</b>	<b>3,036</b>	<b>9,116</b>

## 15. Creditors

### Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts owed to the Council*	32	1,107
Loans owed to the Council**	733	695
Other creditors	299	5,240
Taxation and social security	210	2,353
Accruals and deferred income	200	1,774
Rental prepayments	190	151
<b>Total creditors falling due within one year</b>	<b>1,664</b>	<b>11,321</b>

### Provision and Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Provision for deferred tax	635	641
Loans owed to the Council**	37,726	38,459
<b>Total provisions and creditors falling due after more than one year</b>	<b>38,361</b>	<b>39,100</b>

<b>Total</b>	<b>40,024</b>	<b>50,421</b>
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\*Amounts owed to the Council are interest free, unsecured and payable on demand.

\*\*Loans owed to the Council are secured against all properties, the purchase of which was financed with the respective loans. Details of properties owned are provided in Notes 6 and 11.

The movement in the year in the deferred tax balance is due to the reversal of timing differences (see note 10).

### **Loan repayments are analysed as follows:**

	2018	2017
	£'000	£'000
Within one year	733	695
Between two to five years	3,595	3,435
More than five years	34,131	35,024
<b>Total</b>	<b>38,459</b>	<b>39,154</b>

## 16. Loans and other borrowings

As at 31 March 2018, loan facilities with the Council for the acquisition of properties totalled £71.8m. £17.8m has been drawn down fully for the purchase of Granville New Homes (GNH). £54.0m was for the purchase of dwellings in connection with the Settled Homes Initiative (SHI), of which £28.8m has been drawn down. All loan facilities are extended with fixed interest rates for the full term of the loan. All of the loans are secured against housing properties. The loan facilities are payable in 30 annual fixed instalments. The interest rate for the Granville new homes and settled homes initiative – tranche 1 loans is 5% per annum (pro rata on a daily rate) while the settled homes initiative - tranche 2 loans interest rate is 6% per annum.

## 17. Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest payable on loans from the Council	2,114	2,149
<b>Total interest payable</b>	<b>2,114</b>	<b>2,149</b>

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## 18. Post-employment benefits

	As at 30 Sept 2017 £'000	2017 £'000
Fair value of assets	29,269	28,180
Present value of funded liabilities	(46,856)	(46,716)
<b>Net liability</b>	<b>(17,587)</b>	<b>(18,536)</b>

The amounts recognised in the income and expenditure account are as follows:

	As at 30 Sept 2017 £'000	2017 £'000
Current service cost	774	1,117
Interest cost on pension liability	605	1,407
Expected return on plan assets	(366)	(846)
<b>Expense recognised</b>	<b>1,013</b>	<b>1,678</b>

Changes to the present value of defined benefit obligation are as follows:

	As at 30 Sept 2017 £'000	2017 £'000
Opening defined benefit obligation	(46,716)	(39,905)
Current service cost (includes curtailment losses)	(716)	(1,117)
Interest cost on pension liability	(605)	(1,407)
Contributions by participants	(132)	(311)
Actuarial (loss)/gain on pension liabilities including other experience	(965)	(4,766)
Net benefits paid out	406	790
<b>Closing defined benefit obligation</b>	<b>(48,728)</b>	<b>(46,716)</b>

Changes to the fair value of plan assets are as follows:

	As at 30 Sept 2017 £'000	2017 £'000
Opening fair value of assets	28,180	23,882
Expected return on assets	366	846
Actuarial gain/(loss) on assets	259	2,847
Contributions by employer	738	1,084
Contributions by participants	132	311
Net benefits paid out	(406)	(790)
<b>Closing fair value of assets</b>	<b>29,269</b>	<b>28,180</b>

The amounts recognised in the notes to the cash flow statement are as follows:

	As at 30 Sept 2017 £'000	2017 £'000
Current service costs:		
Settlement cost	774	1,117
Less employer's contribution	(738)	(1,084)
Interest cost on pension liability	605	1,407
Expected return on plan assets	(366)	(846)
<b>Pension cash flow recognised</b>	<b>275</b>	<b>594</b>

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Amounts for the current and previous four years are as follows:

	As at 30 Sept 2017 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Fair value of assets	29,269	28,180	23,882	23,615	20,781
Present value of defined benefit obligation	(46,856)	(46,716)	(39,905)	(42,428)	(34,076)
Deficit	(17,587)	(18,536)	(16,023)	(18,813)	(13,295)
Expected gains/(losses) on assets	259	2,847	(1,223)	1,540	(1,071)
Expected (losses)/gains on liabilities	965	(4,766)	4,869	(6,213)	7,295

## **19. Related party transactions**

During 2017/18 the Company had related party transactions with the Council.

### **(a) Transactions**

Income received from the Council in 2017/18 was £36.19m (2016/17: £60.76m). Amounts paid to the Council in 2017/18 was £3.28m (2016/17: £3.77m) inclusive of loan interest payment of £2.11m (2016/17: £2.15m).

### **(b) Amount of outstanding balances**

Trade receivables with the Council for 2017/18 were £1.02m (2016/17: £4.12m) and trade payables were £0.03m (2016/17: £1.10m). Loans due to the Council are £38.46m (2016/17: £39.16m) secured on housing properties.

## **20. Subsidiaries and related undertakings**

The Company had one incorporated subsidiary, Skip view Limited (Registration number 06266363), which was dissolved on 28 November 2017.

## **21. Controlling party**

The immediate and ultimate parent undertaking and controlling party is the London Borough of Brent, whose financial statements can be obtained from The Chief Financial Officer, London Borough of Brent, Brent Civic Centre, Engineers Way, Wembley, Middlesex, HA9 0FJ.

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