



Audit Committee

Thursday 26 June 2014 at 7.00 pm

Board Room 3 - Brent Civic Centre, Engineers Way,
Wembley HA9 0FJ

Membership:

Members

Councillors:

Ewart (Chair)
A Choudry
Davidson
Khan
McLeish
Van Kalwala

Substitute Members

Councillors:

R Patel, Shaw, Krupa Sheth, Stopp, Thomas and
Warren

For further information contact: Joe Kwateng, Democratic Services Officer
020 8937 1354, joe.kwateng@brent.gov.uk

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The press and public are welcome to attend this meeting

All members are requested to attend a training session at 6:00pm

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
1 Election of Vice Chair	
2 Declarations of personal and prejudicial interests	
Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
3 Deputations	
4 Minutes of the previous meeting	1 - 6
5 Matters arising	
6 KPMG - External audit progress report	7 - 10
This report by KPMG, the Council's external auditors, sets out the summary of work performed by KPMG for the financial year 2013/14 to date and the summary of work proposed over the next quarter.	
7 Draft statement of accounts 2013-14	11 - 140
This report presents the draft Statement of Accounts prior to their submission for audit. The annual accounts are attached as an appendix to the covering report.	
Ward affected:	Contact Officer: Conrad Hall, Chief Finance Officer
All Wards	Tel: 020 8937 6528 conrad.hall@brent.gov.uk

8	Treasury Management outturn 2013-2014	141	-
		150	

This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2013/14.

Ward affected: All Wards
Contact Officer: Conrad Hall, Chief Finance Officer
Tel: 020 8937 6528 conrad.hall@brent.gov.uk

9	Internal audit final progress report	151	-
		210	

This report summarises the work of Internal Audit and the Investigation Team and provides an update on progress since the previous report to this Committee on 19 March 2014. Appendices including Brent fraud briefing have been attached to the covering report.

Ward affected: All Wards
Contact Officer: Conrad Hall, Chief Finance Officer
Tel: 020 8937 6528 conrad.hall@brent.gov.uk

10	Internal audit annual report 2013-14	211	-
		220	

This is an annual report from the Head of Internal Audit which includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the audit work undertaken during the year.

Ward affected: All Wards
Contact Officer: Conrad Hall, Chief Finance Officer
Tel: 020 8937 6528 conrad.hall@brent.gov.uk

11	Annual Governance Statement (AGS) 2013-14	221	-
		266	

This report sets out the Annual Governance Statement (AGS) for 2013/14 as required by the Accounts and Audit Regulations 2011. An appendix to the covering report setting out the scope of responsibility and governance framework is attached to the covering report.

Ward affected: All Wards
Contact Officer: Conrad Hall, Chief Finance Officer
Tel: 020 8937 6528 conrad.hall@brent.gov.uk

12 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Democratic Services Manager or his representative before the meeting in accordance with Standing Order 64.

13 Date of next meeting

The next meeting of the Audit Committee is scheduled to take place on Monday, 29 September 2014 at 7:00pm.



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



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 19 March 2014 at 7.00 pm

PRESENT: Mr Ewart (Chair) and Councillors Al-Ebadi, Cummins and Hector (alternate for Councillor Van Kalwala)

Apologies for absence were received from Councillor Van Kalwala

1. **Declarations of personal and prejudicial interests**

None.

2. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 8 January 2014 be approved as an accurate record of the meeting.

3. **Matters arising**

Treasury Management Strategy

Members were informed that the strategy had been updated.

4. **Deputations**

None.

5. **KPMG - Certification of grants and returns 2012/13**

The Committee received a report that summarised the results of the work on the certification of the Council's 2012/13 grant claims and returns fully undertaken by KPMG as appointed auditor. Phil Johnstone, Director of KPMG (external auditors) informed members that KPMG issued unqualified certificates for two grant claims and returns, and issued qualifications in respect of the housing and council tax benefits claim and the national non-domestic rates return. He explained that the housing and council tax benefits claim was qualified due to benefit either being incorrectly awarded or incorrectly classified on the claim. The 2011/12 claim was also qualified and the level of errors found this year was consistent with the previous year. The national non-domestic rates (NNDR) return was qualified as information in respect of the new deferral scheme missed the certification deadline by four days only. Members noted that the information was subsequently found, thus enabling the qualification issue to be cleared between the Council and the

grant-paying body (Department for Communities and Local Government). The Director (Phil Johnstone) added that minor amendments were necessary to three grant claims and returns audited; housing and council tax benefits claim, the national non-domestic rates return and the teachers' pensions return.

Phil Johnstone reached the conclusion that the Council had good arrangements for preparing its grant claims and returns and supporting the auditors' certification work and apart from those minor issues highlighted above no other significant weaknesses were identified in the Council's arrangements for preparing its grant claims and returns. He continued that the overall fee for the certification of grants and returns reflected a significant reduction on 2011/12. However, there was an additional charge from the original scale fee to reflect additional work that was required to resolve queries on the housing and council tax benefits claim and the production of a qualification letter for the NNDR return.

Mick Bowden, Operational Director of Finance also acknowledged the cooperation of KPMG which he added enabled the Council to achieve an excellent external audit report for the year. In welcoming the report members endorsed the view that the Council had achieved an outstanding external audit report.

RESOLVED:

that the external auditors' certification of grants and returns for 2012/2013 be noted.

6. KPMG - External Audit Plan 2013/14

Members received a report which supplemented KPMG's *Audit Fee Letter 2013/14* (presented to the Committee in April 2013) and described how KPMG delivered their financial statements audit work for the London Borough of Brent ('the Authority') and the Brent Pension Fund ('the Pension Fund')./ The report also set out the external auditors' approach to value for money (VFM) work for 2013/14.

Steve Lucas, Senior Manager KPMG presented the report. Steve Lucas informed the Committee that KPMG had completed their initial risk assessment for the financial statements audit. He continued that one significant risk relating to the triennial valuation for the local government pension scheme was identified this year. The Authority's progress in addressing this risk would be assessed as part of KPMG's interim work to be concluded at year end, although the initial risk assessment for the Pension Fund's financial statements audit had not identified any significant risks this year. The initial risk assessment for the VFM conclusion had not identified any significant risks at this stage. Steve Lucas informed members that the year-end audit was planned to commence in July 2014 and on conclusion the findings would be presented to the Committee in the report entitled 'Report to Those Charged with Governance (ISA 260 Report)' in September 2014.

The overall planned fee for the 2013/14 audit would be £263,520 and £21,000 for the Pension Fund. The main audit fee included work on the VFM conclusion and the audit of the Authority's financial statements and was based on a number of assumptions. These included that the Authority would provide KPMG with complete and materially accurate financial statements and good quality supporting working papers within agreed timeframes. He emphasised that it was imperative that this was achieved because if additional work than envisaged had to be completed,

KPMG would need to charge additional fees. Steve Lucas assured members that the initial assessments presented would be reviewed throughout the year and new risks that emerged would be evaluated and responded to accordingly.

RESOLVED:

that the external audit plan 2013/2014 be noted.

7. **Corporate Risk Register**

The Committee considered a report that presented the council's current Corporate Risk Register following review by the Corporate Management Team (CMT). Simon Lane, Head of Audit and investigations outlined the changes to the register since the last meeting and a review by CMT. In terms of strategic risks, there were no new inclusions or deletions but given the significant budget reductions required across all service areas, CMT were asked to consider the inclusion of a strategic risk around the ability to deliver savings and maintain statutory services. It was recognised that this was a very broad risk heading and would be difficult to encapsulate in a single register entry.

In respect of operational risks, members noted that the risks concerning failure to hit both council tax and National Non Domestic Rate (NNDR) collection targets had been removed. On the other hand, asbestos records in schools had reappeared as had failure to deliver the customer service project. New risks concerning assaults within the Civic Centre, meeting the demands of carers and the parking contract had been added. Members also heard that three new risks had been added concerning compliance with EU procurement regulations; judicial reviews and employment litigation and within the Assistant Chief Executives Department five new risks had been added.

Members noted the significant improvements to the corporate risk register and in welcoming the report Members debated the level of consultation with the voluntary sector in respect of the consultation risk. Members also noted that they would be receiving an updated register at each meeting.

RESOLVED:

that the Council's updated corporate risk register be noted.

8. **Internal Audit Progress Report 2013/14**

The Committee received a report that presented a summary of the work of Internal Audit and the Investigations Team from 1 April 2013 to 28 February 2014. The appendix attached to the report from the Chief Finance Officer provided further details of audit reports issued. Simon Lane Head of Audit and Investigations presented the report. In giving an overview, Simon Lane informed members that out of the total 1248 days, 888 (71%) had been delivered against the audit plan.

Simon Lane advised members that delivery was down on the previous year and that there was a risk that the full plan would not be delivered. It was pointed out that the contractor would not get paid if full delivery was not achieved and that it was

normal for delivery against the plan for 2013/14 to be ongoing into the first two months of the next financial year.

Members heard that there were 81 housing benefit fraud investigations which identified 51 cases of overpayments totalling £1.3million and that housing tenancy fraud investigations led to the recovery of 41 illegally sub-let properties. The Head of Audit and Investigations advised that this was a slight reduction in performance on the previous year and continued that 11 members of staff were dismissed as a result of internal fraud. In respect of general fraud issues he stated that the Department of Works and Pensions (DWP) had confirmed their intention to transfer housing benefit investigators from the local government sector into the DWP. This would mean that the council would no longer have responsibility for housing benefit fraud. The DWP were expected to publish their timetable for the transfer of Brent staff in April 2014 with the timetable for transfer of 380 local authority teams spanning the period October 2014 to March 2016. It is not known when the Brent team would be transferred but this could be as early as October 2014. There are a number of queries outstanding with the DWP.

Mick Bowden, Operational Director of Finance informed members that a verification policy had been developed in partnership with the Head of Audit and Investigations giving insurance staff access to all council databases to assist with verification of claims. In noting the report, members requested that their concerns on fire safety be communicated to the Brent Housing Partnership (BHP) Audit Committee as a priority item.

RESOLVED:

that the progress made in achieving the 2013/14 Internal Audit Plan and the review of fraud work be noted.

9. **Internal Audit Plan 2014/15**

The Committee received a report that report set out the Draft Internal Audit Plan ("the Plan") for 2014/15 and the basis on which the plan had been formulated. Simon Lane, Head of Audit and Investigations informed members that the internal audit plan had been developed in liaison with the Council's external auditors (KPMG). He continued that work against the Plan would commence from April 2014.

Members heard that the total plan days for 2014/15 would deliver 1,200 days of which 905 days would be allocated to Mazars Public Sector Internal Audit Limited (previously Deloitte & Touche Public Sector Internal Audit Limited) and 295 to the in-house team. He then drew members' attention to the table showing the breakdown of the total number of days across departments. He added that although 1,200 days was planned for this year, it was likely that there would be pressure to reduce cost and hence coverage from 2015/16 but that any proposals to reduce the total number of audit days would be presented to the committee.

In welcoming the draft internal audit plan, members were satisfied that the number of total internal audit days had remained unchanged for the year 2014/2015 and urged officers to continue to target the right areas. They commented though that any reduction in the number of days be very carefully considered.

RESOLVED:

- (i) that the approach taken to formulate the draft plan for the 2014/15 financial year and the content of the draft plan be noted;
- (ii) that the Internal Audit Plan for the 2014/15 be approved.

10. **Any other urgent business**

None.

11. **Date of next meeting**

It was noted that the date of next meeting would be confirmed after the Council's Annual General Meeting (AGM) on 4 June 2014.

The meeting closed at 8.05 pm

D Ewart
Chair

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External Audit: Progress Report

London Borough of Brent

June 2014

London Borough of Brent

External Audit: Progress report

Background

The external auditors of the Council are currently appointed by the Audit Commission. KPMG were appointed as the external auditors to London Borough of Brent from 1 September 2012 under a five year contract covering the financial years from 2012/13 to 2016/17. There is an option for this to be extended by three years.

Following the Local Audit and Accountability Act 2014 receiving Royal Assent, the Audit Commission is expected to close on 31 March 2015. In its place there will be a new framework for local public audit, due to start after the Commission's current contracts with audit suppliers end in 2016/17, or in 2019/20 if they are extended. A transitional body, which is being set up by the Local Government Association, will oversee the contracts in the intervening period.

The audit fee for the Council is set annually by the Audit Commission. Any changes to the audit fee as a result of any additional, or reduced, work needs to be agreed by the Council and the Audit Commission.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the Audit Commission Act 1998 and the Audit Commission's Code of Audit Practice. The Code of Audit Practice summarises our responsibilities into two objectives, requiring us to review and report on your:

- financial statements (including the Annual Governance Statement): providing an opinion on your accounts; and
- use of resources: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's Statement of Responsibilities of Auditors and Audited Bodies sets out the respective responsibilities of the auditor and the Council.

Local elector rights

The Audit Commission Act 1998 also gives local electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

Where a local elector objects to the accounts, the external auditor is required to consider and conclude on the issues received prior to issuing the audit certificate.

Grants claims

The Audit Commission requires the external auditor to certify specific grant claims and returns for central Government departments. The number of claims and returns required to be certified has decreased over the years and there are now two that are relevant to the Council, housing benefit claim and pooling of housing capital receipts return.

Pension Fund

The Audit Commission requires the external auditor to issue an opinion on the Pension Fund Accounts and the Pension Fund Annual Report.

Whole of Government Accounts

The external auditor is required to issue a conclusion on whether the Whole of Government Accounts pack that the Council submits to the Treasury are consistent with the audited financial statements. We are also required to audit balances with other Government bodies as part of this work.

London Borough of Brent

External Audit: Progress report

<p>Summary of work performed by KPMG for 2013/14 financial year to date</p>	<p>We completed our initial planning work in February 2014 to determine our audit plan. This comprised of:</p> <ul style="list-style-type: none"> • Review of Council minutes including exempt items; • Discussions with senior officers including Chief Executive, Director of Finance and Head of Audit and Investigation; • Past audit knowledge of the Council and similar authorities (KPMG currently audit 11 London boroughs); and • Changes in legislation and accounting requirements. <p>In line with auditing standards, we presented our detailed annual plan to the Audit Committee in March 2014. This highlighted the key risks to our audit at the planning stages, the first two which are standard risks for all organisations;</p> <ul style="list-style-type: none"> • Management override of controls; • Fraudulent revenue recognition; and • Triennial valuation of the Pension Fund and subsequent in year updates. <p>In April we completed an interim audit visit where we carried out audit testing on a number of controls, including those around journals and bank reconciliations. We also asked the Chair of the Audit Committee his views on controls in place and whether he was aware of any frauds or unlawful transactions we should be made aware of. In connection with our value for money conclusion, we reviewed the Council's in year financial position and the 2014-15 budget. From our interim work, there is nothing that we need to raise with the Audit Committee.</p>
<p>Summary of work proposed over next quarter</p>	<p>Our work over the next quarter will focus on:</p> <ul style="list-style-type: none"> • Detailed planning and audit of your 2013/14 financial statements including the Annual Governance Statement and Pension Fund; • Review of your arrangements in place for securing economy, efficiency and effectiveness in your use of resources – this will include reviewing your medium term financial plan and in year financial performance; • Preparing our ISA 260 Report to the Audit Committee to report to you the key findings of our audit; and • Starting the detailed audit work on your housing benefit claim.
<p>Audit fee update</p>	<p>The proposed audit fee remains at £263,520 for the Council's audit and £21,000 for the Pension Fund. However, following changes in the number of grants the Audit Commission require us to audit, with the Audit Commission no longer responsible for arranging the audit of the Teachers' Pension Return and no longer a need to audit Council Tax benefit, the proposed grant fee has been reduced by the Audit Commission from £36,000 to £29,998.</p>

<p>Actions</p>	<p>The Audit Committee is asked to:</p> <ul style="list-style-type: none"> • NOTE this progress report.
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<p>Contacts</p>	<p>Phil Johnstone <i>Director</i> KPMG LLP Tel: 020 7311 2091 Mob: 077 6974 2275 Philip.johnstone@kpmg.co.uk</p>	<p>Steve Lucas <i>Senior Manager</i> KPMG LLP Tel: 020 7311 2184 Mob: 078 2500 8824 Stephen.lucas@kpmg.co.uk</p>
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London Borough of Brent

External Audit: Progress report

Detailed timetable

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2013	Completed
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2014	Audit Committee March 2014
Interim			
Interim work	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	March 2014	Completed
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2014	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2014	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2014	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2014	TBC

 Brent	<p style="text-align: center;">Audit Committee 26 June 2014</p> <p style="text-align: center;">Report from Chief Finance Officer</p>
<p>To Note</p> <p style="text-align: right;">Wards affected: ALL</p>	
<p style="text-align: center;">Draft Statement of Accounts 2013/14</p>	

1.0 Purpose

1.1 To present the draft Statement of Accounts prior to their submission for audit.

2.0 Recommendations

2.1 The Committee is asked to consider the draft accounts

3.0 Background

3.1 The Council is required to present its accounts, approved by the Chief Finance Officer, for audit by 30 June. Following the completion of the audit of the accounts the Audit Committee will receive a report on the audit from KPMG and be asked to approve the accounts for publication.

3.2 Although the presentation of the draft accounts to the Audit Committee is not part of the formal decision making process it enables members to gain an understanding of the financial statements and raise any issues at an early stage of the process.

4.0 Statement of Accounts

4.1 The draft statement of accounts is set out in the appendix to this report. There is a prescribed format for much of the information although a review has been undertaken to ensure that the information is presented as concisely as possible.

- 4.2 Within the accounts four statements are defined as “core financial statements”, which means that they are fundamental to understanding the accounts. A short commentary on each of these is set out below.

Movement in Reserves Statement (MiRS)

- 4.3 The MiRS shows the movement in the year on the different reserves held by the Council, analysed into those reserves which can be used to fund expenditure and other reserves of a technical nature which cannot be used to fund expenditure. This is therefore a summary of the resources that the council has available to fund future expenditure and to manage financial risks.

Comprehensive Income and Expenditure Statement (CIES)

- 4.4 The CIES sets out the total expenditure by the authority in the 2013/14 financial year, some £1.1bn. The format of the CIES is completely different to council’s management accounts, which present income and expenditure by service area. However, reconciliation between the two is provided in the technical reconciliation section of the financial statements.

Balance Sheet

- 4.5 The balance sheet reports the ‘total equity’ of the council, and shows that it increased by £306m over the year to £435m as at 31 March 2014.

Cash Flow Statement

- 4.6 The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the 2013/14 financial year.

Other Statements

- 4.7 Members’ attention is also drawn to the following financial statements, which although not technically defined as “core financial statements” are nonetheless highly important to understanding key aspects of local authority services and financing:

- The Housing Revenue Account (HRA) which presents the financial transactions relating to the provision of council housing; and
- The Collection Fund which presents a summary of the collection of council tax and national non domestic rates.

- 4.8 The accounts also provide substantial detail by way of notes and other statements. In particular, Members may find the following helpful to their understanding the financial position of the authority:
- Notes 2 and 7 to the core financial statements, which disclose the debtors and creditors of the council as at 31 March 2014
 - Note 9 to the core financial statements, which discloses the provisions held by the Council against the costs of likely future events

- Note 10 to the core financial statements, which discloses the level of earmarked revenue reserves and the purposes for which these are held.

5.0 Financial Implications

5.1 The accounts are a financial document, and present a picture of the council's activities in 2013/14 and its assets and liabilities as at 31 March 2014. However, there are no financial implications directly arising from the production of the draft accounts.

6.0 Legal Implications

6.1 The Accounts and Audit Regulations 2011 require that the draft accounts are approved for issue by 30 June following the year end by the Responsible Finance Officer.

7.0 Background Information

Accounts and Audit Regulations 2011

Contact Officer

Mick Bowden 020 8937 1460

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LONDON BOROUGH OF BRENT

STATEMENT OF ACCOUNTS

2013/14

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INTRODUCTION BY THE CHIEF FINANCE OFFICER

Brent’s annual accounts show the financial performance of the Council for the year 2013/14. They present the financial position of the Council on 31 March 2014 and its income and expenditure for the year ending on that date.

It is intended that these accounts will provide a useful and important source of financial information for the community, Council Members and other interested parties. The Explanatory Foreword on the next few pages gives a brief summary of the Council’s financial position in 2013/14.

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

Date: xx June 2014

CONRAD HALL
Chief Finance Officer

DRAFT

Explanatory Foreword

1. INTRODUCTION

The accounts have been produced in line with the requirements of the 2011 Accounts and Audit Regulations, the 2013/14 Code of Practice on Local Council Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.

2. REVIEW OF THE 2013/14 FINANCIAL YEAR

The Council set its budget for 2013/14 on 25 February 2013 at £284.3m. The budget included £7.3m of savings meaning that the Council had made more than £70m of savings since April 2010.

The majority of savings since 2010 have been delivered through the One Council Programme, the Council's approach to improving services and efficiency. The medium term outlook for local government funding continues to be difficult and it is clear that the Council will need to continue to scrutinise how it provides services in the future to manage the challenge in a planned and structured manner. Based on current projections it is estimated that the Council will need to identify saving of £53m by 2016/17 with a similar level of savings in the following two years.

Despite this challenging environment all departments managed to maintain spending within their respective budgets. Overall the Council has achieved its target level of non-earmarked reserves (or general fund balances) at £12m.

2013/14 Revenue Budget Compared with Outturn

	Latest Budget	Gross Income	Gross Expenditure	Transfer to/from Reserves	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services	91,396	(22,021)	113,227	150	91,356	(40)
Children & Young People	45,303	(265,115)	299,657	10,405	44,947	(356)
Environment & Neighbourhoods	36,609	(38,489)	73,848	1,159	36,518	(91)
Regeneration & Growth	36,277	(68,274)	105,246	(1,997)	34,975	(1,302)
Corporate Departments	50,746	(8,958)	58,766	343	50,151	(595)
Service Total	260,331	(402,857)	650,744	10,060	257,947	(2,384)
Central Budgets	23,966	(428,374)	432,849	21,707	26,181	2,215
Transfer to general fund	0	0	0	75	75	75
Total Budget Requirement	284,297	(831,231)	1,083,593	31,842	284,203	(94)
Revenue Support Grant	(115,976)	(115,976)	0	0	(115,976)	0
Council Tax Income	(81,741)	(81,741)	0	0	(81,741)	0
Non Domestic Rates	(78,424)	(78,347)	0	0	(78,347)	77
Other Non Specific Grants	(6,342)	(6,325)	0	0	(6,325)	17
Collection Fund	(1,814)	(1,814)	0	0	(1,814)	0
Total Funding	284,297	(284,203)	0	0	(284,203)	94

The presentation of financial performance in the Comprehensive Income and Expenditure Statement (CIES) differs from that used for budget management purposes as the CIES includes a number of

accounting adjustments. The table above shows the Council underspent its overall budget by £75k whilst the total figure in the CIES is a credit of £306m.

The main reasons for this difference are as follows:

- Actuarial gains on pension assets and liabilities (£205m)
- Revaluations of Plant, Property and Equipment (£51m)
- Gains on disposal of Plant, Property and Equipment (£15m)
- Capital grants received (£36m)

Capital Expenditure

The Councils in-year expenditure in 2013/14 was £88.77m (2012/13 £139.43m). The Expenditure was within the definition of capital expenditure within the Local Government and Housing Act 1989.

Capital expenditure has been financed from the following sources:

Funding Source	2013/14 £000
Capital Receipt	(21,154)
Government Grant	(40,668)
General Fund Contributions	(3,768)
HRA Contributions	(1,788)
Borrowing	(9,199)
Major Repairs Reserve	(12,197)
Total	(88,774)

Directorate	2013/14 Capital Budget £000	2013/14 Actual £000	Variance £000	Commitments at 31 March 2014 £000
Adults	88	23	65	0
Children and Young People	883	266	617	321
Environment & Neighbourhoods	13,555	11,652	1,903	1,780
Regeneration & Growth (excluding the HRA)	130,255	58,382	71,873	20,605
HRA	20,957	16,048	4,909	197
Finance & IT	1,681	2,403	(722)	50
Total	167,419	88,774	78,646	22,953

The major variances on the Capital Programme relate to Environment & Neighbourhoods, Regeneration & Growth and the HRA and are due principally to slippage into future years of committed expenditure. The Capital Budget in 2013/14 reflected the full approved Capital Programme and work is underway to profile this budget from 2014/15 onwards to reflect commitments for future years.

Borrowing/Investments

During 2013/14 the Council's net borrowing (gross borrowing less investments) fell by £35m. This was largely due to the strong cash flow off setting borrowing requirements to fund the capital programme of the Council. The only change to long-term borrowing was scheduled repayments in relation to borrowing undertaken on the basis of annual repayments of principal throughout the life of the loan.

As set out in the Notes to the Balance Sheet (Note 31 - Nature and extent of risks arising from Financial Instruments) the Council deposited £15m with Icelandic banks in 2008 that subsequently went into administration. Of the original deposits £13.4m has now been recovered, with a further £1m held in a Icelandic account, pending lifting of restrictions on the return of the money.

The Council's borrowing and investment strategy is outlined annually in its Treasury Management Strategy and presented to the Audit Committee.

Reserves

Earmarked reserves generally available for use by the Council have increased by £4.7m in the year. In addition a further £3.1m has been earmarked to manage anticipated increased pressures on the temporary accommodation budget.

Within other reserves the largest single item is a rise in the capital receipts reserve of £37m, the monies are being held to fund specific projects, including the regeneration of South Kilburn, the provision of additional affordable housing, and the new Library at Willesden Green. Further reserve increases include £11m of section 106 funding being held for the provision of infrastructure in the borough and the collection fund surplus increasing by nearly £4m, which is due to be split between the GLA and Brent Council in future years.

4. PENSION FUND DEFICIT

The Pension Fund deficit is a long term liability. It is planned that the deficit will be eliminated over the next 21 years through a combination of investment returns and additional payments by Brent Council, in accordance with the triennial actuarial valuation of the Fund, undertaken as at 31 March 2013.

The accounts also present the actuary's annual assessment of the Council's deficit on its share of the Pension Fund, which is undertaken using a different set of assumptions from that used in the triennial valuation, in accordance with IAS19. On this measure the Council's deficit has reduced by £170m, largely reflecting an improvement in the actuary's assumptions around the cost of future liabilities.

Further information is shown in Note 36 - Defined Benefit Pension Schemes to the Core Financial Statements.

5. HOUSING REVENUE ACCOUNT (HRA)

The Council originally budgeted for a carried forward surplus of £400k. It was reported to members, as part of the Housing Revenue Account (HRA) budget report for 2014/15 in February 2014 that the carried forward surplus for 2013/14 would be £511k, which is £111k more than the originally budgeted amount. The final accounts show a carried forward surplus of £950k, which is £439k more than the revised budgeted surplus carried forward for the year.

6. COLLECTION FUND

The Collection Fund reflects two changes introduced with effect from 2013/14:

- (1) Council Tax Support – the national scheme for council tax benefit has been replaced by a local council tax support scheme to be managed by councils with reduced resources. In advance of the scheme it was recognised that collection performance would reduce. In that context the actual collection rate achieved during 2013/14 (95.7%) was positive as it was only marginally down on the previous year.
- (2) Localisation of business rates – this means that the business rates collected locally are now shared between central government (50%), the Council (30%) and the GLA (20%).

7. FURTHER INFORMATION

Further information on these accounts may be obtained by writing to the Chief Finance Officer at Brent Civic Centre, Wembley, HA9 0FJ.

Core Financial Statements

Balance Sheet

31 March 2013 £'000		Notes	31 March 2014 £'000	
1,322,460	Property, Plant & Equipment	1	1,372,500	Non-current Assets
498	Heritage Assets		498	
2,751	Investment Property		1,171	
3,727	Intangible Assets	1	3,480	
100	Long Term Investments	26	100	
42,346	Long Term Debtors		54,008	
1,371,882	Long Term Assets		1,431,757	
46,336	Short Term Investments	26	75,225	Current Assets
0	Assets Held for Sale		4,519	
97	Inventories		64	
44,100	Short Term Debtors	2	56,525	
36,131	Cash and Cash Equivalents	3	61,654	
126,664	Current Assets		197,987	
(10,509)	Short Term Borrowing		(8,794)	Liabilities
(81,517)	Short Term Creditors	7	(91,095)	
(2,885)	Provisions		(4,001)	
(94,911)	Current Liabilities		(103,890)	
(38,065)	Long Term Creditors	26	(33,444)	
(2,803)	Provisions	9	(3,033)	
(428,003)	Long Term Borrowing	26	(423,662)	
(806,034)	Other Long Term Liabilities	8	(630,675)	
(1,274,905)	Long Term Liabilities		(1,090,814)	
128,730	Net Assets		435,040	
12,060	General Fund		12,135	Reserves
9,198	Capital Receipts		46,173	
88,427	Earmarked Reserves	10	112,351	
115,285	Other Usable Reserves		118,367	
(96,240)	Unusable Reserves		146,014	
128,730	Total Reserves		435,040	

Movement in Reserves Statement

	General Fund Balance £'000	School Balances £'000	Earmarked General Fund Reserves £'000	HRA £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance as at 31 March 2012 (restated)	10,316	14,187	54,181	2,268	3,979	9,018	4,503	67,509	165,961	(7,846)	158,115
Movement in reserves during 2012/13											
Surplus or (deficit) on the provision of services	23,901			32,221					56,122		56,122
Other comprehensive income & expenditure									0	(85,506)	(85,506)
Total comprehensive income & expenditure	23,901	0	0	32,221	0	0	0	0	56,122	(85,506)	(29,384)
Adjustments between accounting basis & funding basis under regulations	7,711			(31,528)		180	3,838	22,685	2,886	(2,886)	0
Net increase/decrease before transfers to earmarked reserves	31,612	0	0	693	0	180	3,838	22,685	59,008	(88,392)	(29,384)
Transfers to/from earmarked reserves	(29,868)	(2,542)	32,410	(375)	(2,143)		2,518		0		0
Increase/decrease in 2012/13	1,744	(2,542)	32,410	318	(2,143)	180	6,356	22,685	59,008	(88,392)	(29,384)
Balance as at 31 March 2013 carried forward	12,060	11,645	86,591	2,586	1,836	9,198	10,859	90,194	224,969	(96,238)	128,731
Movement in reserves during 2013/14											
Surplus or (deficit) on the provision of services	5,664			72,113					77,777	0	77,777
Other comprehensive income & expenditure									0	228,535	228,535
Total comprehensive income & expenditure	5,664	0	0	72,113	0	0	0	0	77,777	228,535	306,312
Adjustments between accounting basis & funding basis under regulations	24,405			(70,334)		36,975	(1,639)	(3,126)	(13,719)	13,720	1
Net increase/decrease before transfers to earmarked reserves	30,069	0	0	1,779	0	36,975	(1,639)	(3,126)	64,058	242,255	306,313
Transfers to/from earmarked reserves	(29,993)	5,991	23,936	(3,416)	(12)	0	3,494	0	0	0	0
Increase/decrease in 2013/14	76	5,991	23,936	(1,637)	(12)	36,975	1,855	(3,126)	64,058	242,255	306,313
Balance as at 31 March 2014	12,136	17,636	110,527	950	1,825	46,173	12,714	87,067	289,028	146,013	435,041

Comprehensive Income and Expenditure Statement

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2012/13 (restated)			2013/14				
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note
50,686	(43,993)	6,693	Central services to the public	29,505	(12,112)	17,393	
19,444	(3,777)	15,667	Cultural and related services	21,198	(4,940)	16,258	
35,105	(6,810)	28,295	Environmental and regulatory services	39,370	(6,217)	33,153	
6,370	(2,832)	3,538	Planning	7,790	(3,766)	4,023	
44,923	(2,566)	42,357	Children's social care	49,265	(8,018)	41,246	
306,312	(273,652)	32,660	Education and children's services	311,865	(271,654)	40,211	
53,120	(32,603)	20,517	Highways and transport services	49,221	(25,416)	23,805	
38,805	(70,613)	(31,808)	Local authority housing (HRA)	40,598	(120,843)	(80,245)	
410,421	(394,449)	15,972	Other housing services	425,094	(406,368)	18,726	
100,978	(26,281)	74,697	Adult social care	115,987	(26,227)	89,760	
3,717	(36)	3,681	Corporate and democratic core	7,113	(983)	6,130	
2,018	(47)	1,971	Non distributed costs	1,095	(224)	871	
1,071,899	(857,659)	214,240	Cost of Services	1,098,101	(886,768)	211,333	
0	0	0	Services transferred from the NHS - Public Health	18,189	(18,694)	(505)	16
1,071,899	(857,659)	214,240	Cost of continuing and acquired services	1,116,290	(905,462)	210,828	
		30,368	Other operating expenditure			(10,232)	11
		48,119	Financing and investment income and expenditure			55,652	12
		(348,849)	Taxation and non-specific grant income			(334,026)	14
		(56,122)	(Surplus) or Deficit on Provision of Services			(77,778)	
		(4,891)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(23,277)	
		90,399	Actuarial (gains)/losses on pension assets and liabilities			(205,258)	36
		85,508	Other Comprehensive Income and Expenditure			(228,535)	
		29,386	Total Comprehensive Income and Expenditure			(306,313)	

Cash Flow Statement

The Cash Flow Statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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.

2012/13		2013/14	
£'000		£'000	Note
62,895	Net surplus or (deficit) on the provision of services	77,781	
(80,631)	Adjustments for non-cash movements	(114,454)	
81,888	Adjustments for investing and financing activities	95,056	
64,152	Net cash flows from Operating Activities	58,383	4
(68,606)	Investing activities	(24,935)	5
131	Financing activities	(7,925)	6
(4,323)	Net increase or decrease in cash and cash equivalents	25,523	
40,454	Cash and cash equivalents at the beginning of the reporting period	36,131	
36,131	Cash and cash equivalents at the end of the reporting period	61,654	6

Note 1 – Significant movements on balances of non-current assets

Movements in 2013/14	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Plant Vehicle & Equipment	Surplus Assets	Assets under Construction	Total	Of which PFI funded Assets	Intangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2013	575,171	474,440	202,704	47,230	4,072	141,277	1,444,894	89,889	6,530
Additions	16,048	38,217	11,271	3,145	41	13,457	82,179	293	1,802
Revaluation (Revaluation Reserve)	0	18,747	0	47	0	4,619	23,413	171	0
Revaluation (Surplus/Deficit on the Provision of Services)	67,365	(39,926)	0	0	0	0	27,439	2,457	0
Derecognition - disposals	(20,807)	(26,536)	0	(3,028)	0	0	(50,371)	(500)	0
Reclassified (to)/from Held for Sale	0	(8,998)	0	0	0	0	(8,998)	0	0
Reclassifications	0	1,580	0	0	0	0	1,580	0	0
Other movements in cost or valuation	0	145,012	0	0	0	(145,012)	0	0	0
At 31 March 2014	637,777	602,536	213,975	47,394	4,113	14,341	1,520,136	92,310	8,332
Accumulated Depreciation/Amortisation and Impairment									
At 1 April 2013	(18,821)	(33,781)	(41,431)	(27,243)	(87)	0	(122,431)	(10,144)	(2,803)
Depreciation/ amortisation	(10,558)	(12,045)	(5,273)	(7,276)	(22)	0	(35,174)	(3,067)	(2,048)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(137)	0	0	0	0	(137)	0	0
Derecognition - disposals	0	2,327	0	3,028	0	0	5,355	0	
Derecognition - other	0	0	0	275	0	0	275	0	
Assets reclassified (to)/from Held for Sale	0	4,479	0	0	0	0	4,479	0	
Other				0	0	0	9	0	0
At 31 March 2014	(29,379)	(40,225)	(46,704)	(31,216)	(109)	0	(147,633)	(13,202)	(4,851)
Net Book Value (Cost or Valuation less Accumulated Depreciation/Amortisation and Impairment)									
At 31 March 2014	608,398	562,311	167,271	16,178	4,004	14,341	1,372,503	79,108	3,481
At 31 March 2013	556,350	439,591	161,273	19,987	3,985	141,277	1,322,463	79,745	3,727

Note 1 - Movements on balances of non-current assets (continued)

Movements in 2012/13	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Plant Vehicle & Equipment	Surplus Assets	Assets under Construction	Total	Of which PFI funded Assets	Intangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2012	553,871	472,290	191,198	64,878	4,120	72,806	1,359,163	78,495	3,717
Additions	11,325	32,355	11,506	1,857	0	78,778	135,821	6,341	2,812
Depreciation / amortisation	0	(1,068)	0	0	0	0	(1,068)		0
Revaluation (Revaluation Reserve)		2,664				2,229	4,893	83	0
Revaluation (Surplus/Deficit on the Provision of Services)	16,701	1,724		0	0	(704)	17,721	(140)	0
Derecognition - disposals	(6,726)	(43,321)		(19,505)	(48)	0	(69,600)		0
Derecognition - other		(3,609)					(3,609)		0
Reclassified (to)/from Held for Sale		0					0		0
Reclassifications		505					505		0
Other movements in cost or valuation		11,832				(11,832)	0	(4,912)	0
At 31 March 2013	575,171	473,372	202,704	47,230	4,072	141,277	1,443,826	79,867	6,529
Accumulated Depreciation/Amortisation and Impairment									
At 1 April 2012	(8,078)	(27,810)	(36,440)	(39,761)	(113)	0	(112,202)	(7,112)	(1,094)
Depreciation/ amortisation	(10,743)	(11,514)	(4,991)	(6,987)	(22)		(34,257)	(3,032)	(1,708)
Depreciation written out	0	1,068	0	0	0	0	1,068		0
Impairment (Surplus/Deficit on the Provision of Services)	0	0	0	0	0	0	0		0
Derecognition - disposals	0	866	0	19,505	48		20,419		0
Derecognition - other	0	3,609	0	0	0		3,609		0
At 31 March 2013	(18,821)	(34,849)	(41,431)	(27,243)	(87)	0	(122,431)	(10,144)	(2,802)
Net Book Value (Cost or Valuation less Accumulated Depreciation/Amortisation and Impairment)									
At 31 March 2013	556,350	439,591	161,273	19,987	3,985	141,277	1,322,463	79,745	3,727
At 31 March 2012	545,793	444,480	154,758	25,117	4,007	72,806	1,246,961	71,383	2,623

Current Assets**Note 2 - Debtors**

31-Mar-13		31-Mar-14	
£'000		£'000	
7,039	Central government bodies	17,992	
4,471	Other local authorities	5,828	
1,571	NHS bodies	882	
2,926	Public corporations and trading funds	3,248	
28,093	Other entities and individuals	28,575	
44,100	Total	56,525	

Note 3 - Cash and Cash Equivalents

31-Mar-13		31-Mar-14	
£'000		£'000	
19,730	Bank current accounts	27,552	
16,401	Short-term deposits	34,101	
36,131	Total	61,654	

Note 4 - Cash Flow Statement - Operating Activities

2012/13		2013/14	
£'000		£'000	
2,639	Interest received	2,823	
(19,636)	Interest paid	(26,103)	

Note 5 - Cash Flow Statement - Investing Activities

2012/13		2013/14	
£'000		£'000	
(135,873)	Purchase of property, plant and equipment, investment property and intangible assets	(91,101)	
(14,621)	Net decrease in short-term and long-term investments	(28,890)	
23,832	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	59,292	
58,056	Capital grants received	35,764	
(68,606)	Net cash flows from investing activities	(24,935)	

Note 6 - Cash Flow Statement - Financing Activities

2012/13		2013/14	
£'000		£'000	
1,294	Net increase/ (decrease) in short-term and long-term borrowing	(6,056)	
(1,163)	Cashflows relating to PFI schemes	(1,869)	
131	Net cash flows from financing activities	(7,925)	

Liabilities**Note 7 - Creditors**

31-Mar-13		31-Mar-14	
£'000		£'000	
9,547	Central government bodies	8,141	
9,039	Other local authorities	5,776	
40	NHS bodies	69	
1,390	Public corporations and trading funds	664	
61,501	Other entities and individuals	76,446	
81,517	Total	91,095	

Note 8 - Long-Term Liabilities

31-Mar-13		31-Mar-14	
£'000		£'000	
772,290	Pension Fund Liability	598,938	
33,744	Deferred Income	31,737	
806,034	Total	630,675	

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Note 9 - Provisions

	Outstanding Legal Cases £'000	Compensation Claims £'000	Other Provisions £'000	Total £'000
<u>Short Term Provisions</u>				
Balance at 1 April 2013	0	2,124	761	2,885
Moved from long term		1,289	0	1,289
Additional provisions made in 2013/14		2,372	959	3,331
Amounts used in 2013/14		(2,130)	(236)	(2,366)
Unused amounts reversed in 2013/14		(1,138)	0	(1,138)
Balance at 31 March 2014		2,517	1,484	4,001
<u>Long Term Provisions</u>				
Balance at 1 April 2013	148	2,514	140	2,802
Moved to short term		(1,288)		(1,288)
Additional provisions made in 2013/14	47		1,995	2,042
Amounts used in 2013/14			(523)	(523)
Balance at 31 March 2014	195	1,226	1,612	3,033

Outstanding legal claims

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

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

Compensation Claims

Uninsured Losses - The Council meets a proportion of its insurance liabilities and claims from the Uninsured Losses provision. The level of the provision is reviewed annually on the basis of information from the Council's advisers.

Other Provisions

Finance lease liability - provision for onerous lease

Carbon Reduction Commitment - provision to cover 2013/14 costs of scheme

Non Domestic Rates - Provision for appeals outstanding since the 2010 revaluation

Non Domestic Rates - Provision for deferred income awaiting new DCLG regulations

Corporate Leases - Provision for photocopier leases

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

31-Mar-13 £'000		31-Mar-14 £'000
2,124	Uninsured Losses provision short term	2,517
2,514	Uninsured Losses provision long term	1,226
1,200	Earmarked insurance reserve	2,500
5,838	Total	6,243

Note 10 - Transfers to/from Earmarked Reserves

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

	Balance at 31-Mar-13 £'000	Transfers in 2013/14 £'000	Transfers out 2013/14 £'000	Balance at 31-Mar-14 £'000
General Fund				
Central				
S106 and Community Infrastructure Levy	15,848	12,806	(1,934)	26,720
Property & Civic Centre	8,618	0	(2,938)	5,680
Redundancy & Restructuring	4,250	0	(525)	3,725
Transformation	4,101	2,000	(325)	5,776
Welfare Reform	3,510	0	0	3,510
Capital Financing	2,900	0	0	2,900
JFS School PFI	2,635	111	0	2,746
Revenue Contribution to Capital	2,350	580	0	2,930
Collection Fund	2,340	6,200	(2,340)	6,200
Capital Funding	2,013	944	(889)	2,068
Service Pressures	2,000	0	0	2,000
Insurance	1,200	1,300	0	2,500
Other Central	1,576	3,055	(56)	4,575
	53,341	26,996	(9,007)	71,330
Corporate	1,723	640	(785)	1,578
Regeneration & Growth				
Council Tax, Business Rates & Local Welfare	1,480	1,976	(210)	3,246
Employment Initiatives	4,000	0	(826)	3,174
Affordable Housing PFI	5,419	0	(2,477)	2,942
Service Pressures - Temporary Accommodation	2,700	3,055	0	5,755
Other Regeneration & Growth	3,277	2	(645)	2,634
	16,876	5,033	(4,158)	17,751
Environment & Neighbourhoods				
Environment & Neighbourhoods	1,389	1,547	(1,090)	1,846
Willesden Sports Centre PFI	1,884	202	0	2,086
	3,273	1,749	(1,090)	3,932
Adults & Children & Young People				
Brent NHS Trust Joint Venture	9,043	0	(35)	9,008
2Yr Old additional Funding	0	2,440	0	2,440
Other Adults & Children & Young People	2,335	2,355	(203)	4,487
	11,378	4,795	(238)	15,935
Total	86,591	39,213	(15,278)	110,526
HRA: Housing Revenue Account	1,837	111	(123)	1,825
Total	88,428	39,324	(15,401)	112,351

Note 11 - Other Operating Expenditure

31-Mar-13		31-Mar-14	
£'000		£'000	
3,129	Levies	3,360	
943	Payments to the Government Housing Capital Receipts Pool	1,074	
26,296	Gains/losses on the disposal of non-current assets	(14,667)	
30,368	Total	(10,233)	

Note 12 - Financing and Investment Income and Expenditure

31-Mar-13		31-Mar-14	
£'000		£'000	
20,306	Interest payable and similar charges	24,181	
	Pensions interest cost and expected return on pensions assets	34,668	
24,635		(2,988)	
(3,177)	Interest receivable and similar income		
	Income and expenditure in relation to investment properties and changes in their fair value	0	
(484)		(209)	
66	(Surplus)/Deficit on Trading Accounts		
41,346	Total	55,652	

Note 13 - Financial Instruments - Income, Expense, Gains and Losses

The Council incurred interest expense of £24,181k in 2013/14 (£20,306k in 2012/13) and received interest income of £2,998k in 2013/14 (£3,177k in 2012/13). This expense and income is shown within the surplus or deficit on the provision of services

Note 14 - Taxation and non-Specific Grant Incomes

31-Mar-13		31-Mar-14	
£'000		£'000	
(104,972)	Council tax income	(83,555)	
0	NNDR Top Up	(46,532)	
0	NNDR Retained Income	(31,815)	
(155,420)	Revenue Support Grant	(115,976)	
(29,953)	Other government grants & taxation	(13,441)	
(58,504)	Capital grants and contributions	(42,707)	
(348,849)	Total	(334,026)	

Note 15 – Material items of Income and Expenses

There were no material items in the statements for 2013/14 or 2012/13.

Additional Disclosures

Note 16 – Acquired and Discontinued Operations

The Council has acquired Public Health operations from the NHS in April 2013. The Council now has a number of commissioning responsibilities, together with overall responsibility for improving health at borough level.

No operations were acquired in the year to 31 March 2013.

One of the Council's schools transferred to Academy status in 2013/14. The assets and liabilities and associated reserves have been written out of the Council's accounts and transferred to the school.

The Council does not consider these transactions to be material and as such has not undertaken specific accounting required for acquired and discontinued operations. These transactions have been treated as in-year entries within the Council's accounts.

Note 17 - Pooled Budgets

The Council entered into partnership agreements under Section 31 of the Health Act 1999 with Brent NHS Trust for the Integrated Community Equipment Service Partnership Board. The London Borough of Brent is the host partner for Occupational Therapy equipment. Funding for Occupational Therapy equipment is split 41% London Borough of Brent and 59% NHS Brent. There is also a Section 31 arrangement with the Central and North West London NHS Foundation Trust (CNWLNFT) which is the host partner for Mental Health. The funding split in this case is 30% London Borough of Brent and 70% CNWLNFT.

The Partnerships' income and expenditure for 2013/14 was:

	Mental Health £'000	Occupational Therapy £'000
Funding: London Borough of Brent	(500)	(450)
Brent NHS Trust	0	(654)
CNWLNFT	(1,158)	0
Total Funding	(1,658)	(1,104)
Expenditure	1,620	1,214
Net Overspend/(Underspend)	(38)	110
2012/13 Net Overspend/(Underspend)	(38)	140

Note 18 - Members Allowances

Total payments including National Insurance costs in 2013/14 were £943,654 (£940,000 in 2012/13). Details of the Members' Allowances scheme are available on Brent's website (www.brent.gov.uk).

Note 19- External Audit Costs

31-Mar-13 £'000		31-Mar-14 £'000
276	Fees payable to KPMG with regard to external audit services carried out for the year	239
40	Fees payable to KPMG for the certification of grant claims and returns for the year	41
316	Total	280

Note 20 - Contingent Liabilities

The Council has a number of contingent liabilities listed below. The potential maximum liability for all the issues could be in the region of £2.5m. Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

The Council has received a claim from a company that owns a piece of land, in which it bought from the Council, stating that the Council is liable to decontaminate the land. The Council is resisting the claim and is making no specific provision. This matter has not progressed over the past four years.

The Council has received two new claims in respect of social care clients.

A number of claims to Employment Tribunals have been made against the Council. The Council is disputing these claims.

A number of primary schools within the borough have disputes about leases in respect of photocopiers and other IT equipment.

Note 21 - Exceptional Items

There were no exceptional items in the 2013/14 and 2012/13 financial years.

Note 22 - Grant Income

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

2012/13 £'000	Credited to Services	2013/14 £'000
4,204	Adult and Community Learning from Learning and Skills Council	3,849
35,289	Council Tax Benefit	0
210,319	Dedicated Schools Grant (DSG)	201,975
2,005	Discretionary Housing payments	4,815
3,650	Housing Benefit and Council Tax Benefit Administration	3,355
3,418	Private Finance Initiative Housing Non HRA	3,418
295,105	Mandatory Rent Allowances: subsidy	293,076
17,394	Mandatory Rent Rebates outside HRA	22,321
0	Public Health	18,335
1,242	Private Finance Initiative Willesden Sports Centre - Pfi Rese	1,242
7,367	Pupil Premium Grant	9,159
3,638	REFCUS revenue grants	0
30,822	Rent Rebates Granted to HRA Tenants: subsidy	30,606
10,806	Sixth forms funding from Learning and Skills Council (LSC)	6,929
900	Troubled Families	1,016
5,042	Other Miscellaneous Grants	8,960
631,201	Total	609,056

2012/13 £'000	Credited to Taxation and Non Specific Grant Income	2013/14 £'000
	Grants:	
32,583	Basic Safety Needs	9,103
0	Targeted Basic Safety Needs	1,148
11,401	Framework Academies	11,300
1,700	My Place	0
4,403	Transport for London	5,833
3,406	LA Capital Maintenance	2,132
925	Other Grants	1,370
	Contributions:	
4,086	S106	11,820
58,504	Total	42,706

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Note 23 - Deployment of Dedicated Schools Grant

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

The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget.

In 2013-14, as in previous years, an element of the DSG was recouped by the DfE to fund academy schools in the borough.

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

Over and underspends on the two elements (i.e. central expenditure and ISB) are accounted separately and the Council is able to (where it can afford) supplement the schools budget from its own resource.

The DSG received in 2013/14 was deployed as follows:

	Central Expenditure	Individual Schools Budget	Total
	£	£	£
Final DSG for 2013-14 before Academy Recoupment			264,973,000
Academy figure recouped for 2013-14			62,998,000
Total DSG after recoupment for 2013-14			201,975,000
Brought Forward from 2012-13			(4,661,115)
Carry Forward to 2013-14 agreed in advance			4,661,115
Agreed initial budgeted distribution in 2013-14	26,948,411	175,026,589	201,975,000
In year adjustments	24,139,504	(24,139,504)	0
Final budgeted distribution for 2013-14	51,087,915	150,887,085	201,975,000
Less Actual Central Expenditure	47,609,451		47,609,451
Less Actual ISB deployed to schools		150,887,085	150,887,085
Plus Local Authority contribution for 2013-14	0	0	0
Carry Forward to 2013-14 agreed in advance	3,478,464	0	(1,183,119)

Note 24 – 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.

Central Government provides grant income for the Council which is shown in Note 22 - Grant Income.

Councillors and Chief Officers complete related party transactions forms each year. Out of 63 Councillors 3 failed to reply. None of these three stood for election in May 2014.

A number of voluntary organisations which received grants from the London Borough of Brent in 2013/14 have Brent Members as Directors, Trustees or employees.

The following disclosures have been made where material transactions were made as obtained from Members' 2013/14 Declarations of Related Party Transactions (where the organisation received a significant amount of funding):

	£'000
Community Development Centre (CODEC)	5
Tricycle Theatre Company	198
Sudbury Town Residents Association	3
Community Voluntary Services (CVS) Brent	100
Energy Solutions (NW London)	75
Brent Housing Partnership (management fee)	8,046

The Director of Environment and Neighbourhood Services declared board membership of Pro-Active West London (PAWL) until January 2014 soon after which it was disbanded. Pro-Active West London became 'London Sport' on 1 May 2014.

Sport England funding distributed by Brent Council through Pro-Active West London totalled £12,579.76. Sport England give a fund to Pro-Active West London who give it to Brent Sports Service who distribute to schools and voluntary sports groups.

London Borough of Brent Pension Fund - administrative support is provided to the Fund. The Pension Fund's accounts are shown separately in this document. The Council charged the Pension Fund £0.880m for administering the fund in 2013/14 (£0.987m was charged in 2012/13).

Pooled Budgets - Details of partnerships with Brent PCT and the North West London Mental Health Trust are shown in Note 17 - Pooled Budgets to the Core Financial Statements.

Subsidiary Company - Brent has one subsidiary, Brent Housing Partnership (BHP) Limited. The Council paid a management fee to BHP of £8.046m in 2013/14 (£8.192m in 2012/13).

Barham Park Trust is controlled by Brent and is included in Brent's Group accounts which can be found later in this document and combine the accounts of Brent, BHP and Barham Park Trust. Brent held £475k on behalf of the Barham Park Trust.

As at 31 March 2014 the Council was owed £401k by Brent PCT and £4k by the Tricycle Theatre Company. There were no provisions for bad debts relating to the above.

Financial Instruments

Note 26 - 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 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000
Investments						
Loans and receivables				75,226	46,336	31,715
Unquoted equity investment at cost	100	100	100	-	-	-
Total investments	100	100	100	75,226	46,336	31,715
Debtors						
Loans and receivables	54,008	42,346	44,780			
Financial assets carried at contract amounts				28,575	28,093	22,392
Total Debtors	54,008	42,346	44,780	28,575	28,093	22,392
Borrowings						
Financial liabilities at amortised cost	423,662	428,003	403,089	8,794	10,509	34,124
Total Borrowings	423,662	428,003	403,089	8,794	10,509	34,124
Other Long Term Creditors						
PFI and finance lease liabilities	(33,444)	(38,065)	(38,275)			
Total Other Long Term Creditors	(33,444)	(38,065)	(38,275)			
Creditors						
Financial liabilities carried at contract amounts				76,446	61,501	68,514
Total Creditors				76,446	61,501	68,514

Note 27 – Fair Values of Assets and Liabilities

The Council's long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. 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 2013 and 31 March 2014 consisted of loans from the Public Works Loan Board (PWL) and market loans. The PWL has provided the Council with Fair Value amounts in relation to its debt portfolio, assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date. The carrying amount of short-term borrowing is considered to be at fair value.

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

Financial Liabilities

31-Mar-13			31-Mar-14	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
10,509	10,509	Short Term Borrowing	8,794	8,794
428,003	608,637	Long Term Borrowing	423,662	560,664
38,065	38,065	Long Term Creditors	33,444	33,444

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

Financial Assets

62,737	62,737	Loans and Receivables	109,326	109,326
42,346	42,346	Long Term Debtors	54,008	54,008

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

Impairment of Deposits with Icelandic Banks

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7th October 2008. As at 31 March 2014, the Council had recovered £9.4m 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.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Court action in Iceland confirmed that the Council is a preferential creditor and £4m has been repaid to the Council. The outstanding balance is being held in an escrow account in Icelandic krone. Recovery is subject to the impact of exchange rate fluctuations on the value of sums held in the this account. The impairment made by the Council is essentially the balance of the deposit outstanding.

Note 28 - Leases

Authority as Lessee

Finance Leases

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

31-Mar-13		31-Mar-14
£'000		£'000
607	Plant, Furniture, Vehicles and Equipment	13

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

31-Mar-13		31-Mar-14	
£'000		£'000	
	Finance lease liabilities		
688	Current		119
160	Non-current		7
55	Finance costs payable in future years		2
903	Minimum lease payments		128

These minimum lease payments are payable over the following periods

	Total Minimum Lease Payments		Present Value of Minimum Lease Payments Repayable	
	2013-14	2012-13	2013-14	2012-13
	£'000	£'000	£'000	£'000
Not Later than one year	120	740	119	688
Later than one year and not later than five years	8	162	7	160
	128	902	126	848

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:

2012-13		2013-14	
£'000		£'000	
1,740	Not later than one year		1,178
3,271	Later than one year and not later than five years		3,467
1,012	Later than five years		1,012
6,023	Total		5,657

The council sub-leases office accommodation and sports grounds. The future minimum sub lease payments to the council for these sub leases are:

2012-13		2013-14
£'000		£'000
0	Future Minimum Sublease Payments Receivable	115

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

2012-13		2013-14	
£'000		£'000	
3,290	Minimum Lease payments		2260
(73)	(Sublease payments receivable)		(38)
3,217			2,222

The council is required to disclose embedded leases in line with the principles of IFRIC 4. IFRIC 4 requires disclosure of the total payment required where payments cannot be separated in separate payments for services and for assets. Lease elements of contracts for Waste Services and Parking Enforcement have been separated and are disclosed above in the finance and operating lease sections.

The following payments are for an Adult Social Services contract and two Special Education contracts where payments cannot be separated, so are disclosed separately from other leases:

2012-13		2013-14	
£'000		£'000	
1,544	Minimum Lease payments	227	
Future payments under this contract are:			
2012-13		2013-14	
£'000		£'000	
227	Not later than one year	0	

Authority as Lessor

Finance Leases

Brent Council leases Northwick golf course to a commercial operator on a finance lease with a remaining term of 93 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:

2012-13		2013-14	
£'000		£'000	
1,249	Finance lease debtor	1,249	
	Non Current		
1,249	Gross Investment in Lease	1,249	

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

	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	2013-14	2012-13	2013-14	2012-13
	£'000	£'000	£'000	£'000
Later than five years	1,249	1,249	1,249	1,249
	1,249	1,249	1,249	1,249

The council receives additional contingent rent based on the turnover of the golf course. In 2013-14, £26k contingent rent was receivable.

Operating Leases

The council leases out a number of its properties both for commercial use and service provision. It also leases a small number of vehicles to Brent Housing Partnership.

Future minimum lease payments expected under these contracts are:

2012-13		2013-14	
£'000		£'000	
874	Not later than one year	929	
2,280	Later than one year and not later than five years	1,669	
7,639	Later than five years	6,428	
10,793	Total	9,026	

The council receives additional contingent rent for one of its properties based on the turnover of the lessee's business. In 2013-14, £43k contingent rent was receivable.

Note 29 – Private Finance Initiative (PFI) and Service Concessions

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

- In 1998/99 a 20 year project to provide and maintain street lights throughout the Borough, legal title to these street lights transfers to Brent at the end of the contract. The contract pays for the maintenance and operation of the streetlights throughout the contract period.
- In 2006/07 a 25 year project to provide, operate and maintain a new sports 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.

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

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

2012-13		2013-14	
£'000		£'000	
36,745	Balance outstanding at start of year	37,806	
(1,163)	Payments during the year	(1,869)	
2,224	Additional liabilities	13	
37,806	Balance outstanding at end of year	35,950	

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

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2013/14	2,964	2,789	3,657	9,410
Payable with two to five years	13,345	10,779	13,029	37,153
Payable within 6 to 10 years	10,164	12,368	13,069	35,601
Payable within 11 to 15 years	9,996	17,310	10,463	37,769
Payable within 16 to 20 years	5,491	10,340	7,372	23,203
Payable within 21 to 25 years	1,264	5,666	3,677	10,607
Total	43,224	59,252	51,267	153,743

Where a PFI asset is paid for by third party payments, the statement of recommended practice requires recognition of deferred income, recognising the expected future third party payments. The following deferred income balance has been recognised in line with the Code of Practice:

2012-13		2013-14	
£'000		£'000	
(30,279)	Deferred Income opening balance	(32,362)	
(4,090)	Additions	0	
2,007	Amortisation	2,007	
(32,362)	Deferred Income closing balance	(30,355)	

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

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

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

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

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

- The number of nomination rights is governed by House Price inflation: the higher house price inflation is the greater the number of nomination rights.
- The PFI Operator is allowed to sell a number of properties to equal in value to the principal amount of senior debt for the PFI. The principal amount of senior debt will be affected by future social housing rents. It is also possible that refinancing of the contract could lower the principal amount of senior debt.

- At this stage, it is not possible to state to which 158 properties the Council will get permanent nomination rights. This will be determined over the course of the contract by the granted of long term tenancies to residents of the properties. This may result in the Council's assets and liabilities being higher or lower than currently projected.

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

Note 30 – Capitalisation of Borrowing Costs

The Civic Centre scheme is currently the Council's only asset where borrowing costs have been capitalised. The total borrowing costs capitalised in 2013/14 were £580k (£4,070k in 2012/13). The capitalisation rate used to determine borrowing costs eligible for capitalisation was 4.73% in 2013/14 (5.58% in 2012/13).

Note 31 - Nature and extent of risks arising from Financial Instruments

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

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

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

The main risks covered are:

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

Credit Risk: Investments

- The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.
- A limit of £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty or banking group (other than the UK government). No more than £20m in total can be invested for a period longer than 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 irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

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

Credit Rating	Long Term		Short Term	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	£'000	£'000	£'000	£'000
AAA	0	0	34,100	1,400
AA-	0	0	20,000	0
A	0	0	50,000	35,000
Unrated local authorities	5,000	0	0	25,000
Residual Icelandic banks	0	0	1,602	3,275
Total Investments	5,000	0	105,702	64,695

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.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on the Council's experience of its default levels.

	Amount at 31 March 2014 £'000 (a)	Historical experience of default % (b)	Estimated maximum exposure to default £'000
Deposits with banks and financial institutions	1,275		1,275
Trade debtors	67,900	64.1%	43,553
	69,175		44,828

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

The Council expects some losses from non-performance by its Icelandic counterparties 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.

Historical experience of default has been used to determine the bad debt provision for trade debtors.

Liquidity risk

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

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

	£'000
Less than one year	4,341
Between one and two years	4,341
Between two and five years	13,023
Between five and ten years	22,036
Between ten and twenty years	8,250
Between 20 and 30 years	19,908
Between 30 and 40 years	88,488
More than 40 years	172,111
Uncertain date *	95,500
	427,998

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

All investments (£75,225k) are due to be repaid within one year.

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. However, the Council's long term borrowing is all 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 2014, all the principal borrowed was exposed to fixed rates.

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

	£'000
Increase in interest receivable on variable rate investments	(1,000)
Impact on Comprehensive Income and Expenditure	(1,000)
Decrease in fair value of fixed rate borrowings/liabilities*	78,600

*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.

Market Risks: Foreign Exchange Risk

The Council currently has approximately £1m in Icelandic Krona held in escrow pending the relaxation of capital controls by the Icelandic Government. If sterling appreciated by 5% against all other currencies, there would be a £50,000 loss recorded in the Surplus or Deficit on the Provision of Services.

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Note 32 - Senior Employees' Remuneration

Employee Benefits

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

Postholder	Note	2012/13					2013/14				
		Salary (including fees and allowances) £	Compen- sation for loss of office £	Total remuneration excluding pension contributions £	Employer's pension contributions £	Total remuneration including pension contributions £	Salary (including fees and allowances) £	Compen- sation for loss of office £	Total remuneration excluding pension contributions £	Employer's pension contributions £	Total remuneration including pension contributions £
Chief Executive – G Daniel (until September 2012) Interim Chief Executive - C Gilbert (from 1 November 2012)	1	119,485	200,702	320,187	nil	320,187	nil	Nil	Nil	Nil	nil
Payments to Limited Company	1	83,333	Nil	83,333	Nil	83,333	66,667	Nil	66,667	Nil	66,667
Interim Chief Executive - C Gilbert	1	Nil	Nil	Nil	Nil	Nil	118,983	Nil	118,983	Nil	118,963
Assistant Chief Executive (from October 2013)	2	nil	Nil	Nil	Nil	Nil	51,026	Nil	51,026	6,838	57,864
Chief Finance Officer (section 151 officer from October 2013)	2	Nil	Nil	Nil	Nil	Nil	55,519	Nil	55,519	7,440	62,959
Director- Children and Families (until July 2013)	2	127,461	Nil	127,461	17,080	144,541	50,574	93,277	143,851	6,774	150,626
Acting Director Children and Families (from July 2013)	2	Nil	Nil	Nil	Nil	Nil	94,424	Nil	94,424	12,653	107,076
Director- Strategy Partnerships & Improvement (left during 2013/14)	2	140,508	Nil	140,508	18,828	159,336	29,388	113,176	142,564	3,938	146,502

Note 32 - Senior Employees' Remuneration (Continued)

		2012/13					2013/14				
Postholder	Note	Salary (including fees and allowances) £	Compen- sation for loss of office £	Total remuneration excluding pension contributions £	Employer's pension contributions £	Total remuneration including pension contributions £	Salary (including fees and allowances) £	Compen- sation for loss of office £	Total remuneration excluding pension contributions £	Employer's pension contributions £	Total remuneration including pension contributions £
Director- Customer & Community Engagement (Left during 2013/14)	2	108,084	Nil	108,084	14,483	122,567	11,078	63,278	74,355	1,484	75,840
Human Resources Director	2	Nil	Nil	Nil	Nil	Nil	117,676	Nil	117,676	15,769	133,444
Director of Finance & Corporate Services (left during 2012/13)		114,710	140,508	255,218	15,371	270,589	Nil	Nil	Nil	Nil	Nil
Deputy Director of Finance (section 151 officer from September 2012 to October 2013)	2	63,410	Nil	63,410	8,497	71,907	69,461	Nil	69,461	9,308	78,769
Director of Environment & Neighbourhoods		126,751	Nil	126,751	16,985	143,736	133,475	Nil	133,475	17,886	151,361
Director of Legal and Procurement	3	122,065	Nil	122,065	16,357	138,422	120,073	Nil	120,073	16,090	136,162
Director of Adult Social Services		118,893	Nil	118,893	15,932	134,825	126,715	Nil	126,715	16,980	143,695
Director of Regeneration and Major Projects		126,751	Nil	126,751	16,985	143,736	133,475	Nil	133,475	17,886	151,361
Director of Public Health	2	Nil	Nil	Nil	Nil	Nil	77,765	Nil	77,765	10,420	88,185
Total		1,251,451	341,210	1,592,661	140,517	1,733,178	1,256,279	269,731	1,526,009	143,465	1,669,474

- Note 1: The former Chief Executive's salary in 2011/12 included £9,504 for acting as counting officer for the May 2011 referendum paid by the Government and £1,452 for returning officer duties in Council by-elections paid by the Council as well as £277 for travel mileage. Remuneration in 2012/13 included £15,359 for Returning Officer duties on the GLA election, £761 for returning officer duties on a Council by election and £127 for travel mileage. The former Chief Executive's annualised salary, excluding returning officer duties and travel mileage, was £194,550 in 2012/13. The post holder left the Council in September 2012. The Interim Chief Executive's annualised salary in 2013/14 was £187,044.
- Note 2: A restructure of the Council's senior management was undertaken during 2013/14, as reported to the General Purposes Committee in March 2013 and November 2013. The annualised salaries in 2013/14, including acting up allowances where appropriate, for posts occupied for part of that year are as follows:
Assistant Chief Executive – £119,382
Chief Finance Officer – £119,382
Director of Children & Families – £129,699
Acting Director of Children & Families – £125,538
Director of Strategy, Partnerships and Improvement – £140,508
Director of Customer & Community Engagement – £108,084
Deputy Director of Finance – £119,382
Director of Public Health - £109,164
- Note 3: The Director of Legal and Procurement was Acting Chief Executive from 10th September 2012 until 5th November 2012. She was paid £10,088 for additional responsibilities.

Note 33 - Officers' Remuneration

The number of employees whose remuneration in 2013/14 and 2012/13, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:-

2012/13				2013/14		
Schools Staff	Officers	Total	Remuneration band £'s	Schools Staff	Officers	Total
190	53	243	50,000 - 54,999	142	67	209
94	36	130	55,000 - 59,999	86	31	117
33	19	52	60,000 - 64,999	27	18	45
23	15	38	65,000 - 69,999	24	9	33
18	5	23	70,000 - 74,999	21	14	35
18	5	23	75,000 - 79,999	14	6	20
5	3	8	80,000 - 84,999	10	2	12
13	7	20	85,000 - 89,999	9	3	12
1	1	2	90,000 - 94,999	7	3	10
0	6	6	95,000 - 99,999	1	1	2
4	2	6	100,000 - 104,999	2	2	4
1	5	6	105,000 - 109,999	2	5	7
1	2	3	110,000 - 114,999	0	4	4
1	1	2	115,000 - 119,999	1	1	2
0	2	2	120,000 - 124,999	0	2	2
0	3	3	125,000 - 129,999	0	1	1
0	0	0	130,000 - 134,999	0	2	2
0	0	0	135,000 - 139,999	0	1	1
0	1	1	140,000 - 144,999	0	2	2
0	0	0	185,000 - 189,999	0	1	1
0	1	1	255,000 - 259,999	0	0	0
0	1	1	300,000 - 304,999	0	0	0
402	167	569	Total	346	175	521

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

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

The number of school staff earning over £50k have reduced because 4 Secondary schools and 1 Primary school have converted into Academies and are no longer part of Brent's accounts.

Officers earning over £50K has increased due to pay award increase of 1%.

Officers earning over £75K have decreased due to senior management restructure during 2013/14.

Note 34 - Exit Packages

Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other other departures		Total number of exit packages by by cost band (b) + (c)		Total cost of exit exit packages in each band £'000	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£0 - £20,000	63	39	87	93	150	132	939
£20,001 - £40,000	8	15	17	51	25	66	712	1,899
£40,001 - £60,000		4	3	22	3	26	158	1,236
£60,001 - £310,000	4	1		3	4	4	502	294
Total	75	59	107	169	182	228	2,311	4,492
ADD amounts provided for in CIES not included in bandings							1,310	1,014
TOTAL cost included in CIES							3,621	5,506

Note 35 - Pension Schemes Accounted for as Defined Contribution Schemes

In 2013/14, the Council paid £9.5m to Teachers' Pensions (£11.1m 2012/13) in respect of teachers' retirement benefits, representing 14.1% (14.1% 2012/13) of pensionable pay. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 36.

As a result of the transfer of responsibilities for Public Health from the NHS, the Council also paid £61k in 2013/14 to the NHS pension scheme representing 14% of pensionable pay.

Note 36 - Defined Benefit Pension Schemes Participation in Pension Schemes

The Council participates in two post employment schemes:

- (1) The Local Government Pension Scheme – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- (2) Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

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

of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

31 March 2013 £'000 (restated)		31 March 2014 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
23,946	Current service cost	31,261
881	Past service costs (including curtailments)	883
	Settlements and curtailments	0
<i>Financing and investment Income and Expenditure:</i>		
51,741	Interest cost	56,496
(20,321)	Expected return on scheme assets	(21,828)
56,247	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	66,812
 <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
0	Changes in demographic assumptions	(78,334)
152,193	Changes in financial assumptions	19,525
(25,148)	Other experience	(145,540)
(36,646)	Return on assets excluding amounts in net interest	(909)
146,646	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(138,446)
 Movement in Reserves Statement		
27,777	Employers' contributions payable to the scheme	29,766
5,080	Contributions in respect of unfunded benefits	5,140
32,857	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	34,906
(56,247)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(66,812)
(23,390)		(31,906)

Note 37 – Reconciliation of Assets and Liabilities in Relation to Post Employment Benefits

31 March	31 March	31 March		31 March	31 March	31 March
2013	2013	2013		2014	2014	2014
£'000	£'000	£'000		£'000	£'000	£'000
Assets	Obligations	Net (liability) / asset		Assets	Obligations	Net (liability) / asset
			Opening Balances at 1 April			
421,608		421,608	Fair value of employer assets	482,210		482,210
	(982,329)	(982,329)	Present value of funded liabilities		(1,178,630)	(1,178,630)
	(97,780)	(97,780)	Present value of unfunded liabilities		(75,870)	(75,870)
		(658,501)	Opening Position at 1 April			(772,290)
	(23,946)	(23,946)	Current service cost		(31,261)	(31,261)
	(881)	(881)	Past service costs		(883)	(883)
20,321		20,321	Interest income on plan assets	21,828		21,828
	(51,741)	(51,741)	Interest cost		(56,496)	(56,496)
6,119	(6,119)	0	Contributions by scheme participants	6,148	6,148	0
27,777		27,777	Employer contributions	29,766		29,766
			Contributions in respect of unfunded benefits	5,140		5,140
5,080		5,080	Benefits paid	(29,431)	(29,431)	0
(30,261)	30,261	0	Unfunded benefits paid	(5,140)	(5,140)	0
(5,080)	5,080	0	Actuarial gains and losses	909	(204,349)	205,258
36,646	(127,045)	(90,399)				
			Closing Balances at 31 March			
482,210		482,210	Fair value of employer assets	511,430		511,430
	(1,178,630)	(1,178,630)	Present value of funded liabilities		(1,040,067)	(1,040,067)
	(75,870)	(75,870)	Present value of unfunded liabilities		(70,302)	(70,302)
482,210	(1,254,500)	(772,290)	Closing Balance at 31 March	511,430	(1,110,369)	(598,939)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1,110m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall net liability of £599m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

Note 38 - Fair value of employers assets (bid value)

Page 54	31-Mar-13				Asset Category	31-Mar-14			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets		Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%		£'000	£'000	£'000	%
					Private Equity				
		61,696.8	61,696.8	13%	All		64,630.6	64,630.6	13%
					Real Estate				
	24,679.3		24,679.3	5%	UK Property	26,719.4		26,719.4	5%
	4,865.3		4,865.3	1%	Overseas Property	4,768.6		4,768.6	1%
					Investment Funds & Unit Trusts				
	231,410.4		231,410.4	48%	Equities	254,046.5		254,046.5	50%
	73,504.9		73,504.9	15%	Bonds	75,676.9		75,676.9	15%
		24,145.5	24,145.5	5%	Hedge Funds		26,733	26,733	5%
	30,105.8		30,105.8	6%	Commodities	40,444.1		40,444.1	8%
		26,895.1	26,895.1	6%	Infrastructure		29,706.9	29,706.9	6%
					Cash and cash equivalents				
	4,906.9		4,906.9	1%	All		(11,295.4)	(11,295.4)	-2%
	369,472.6	112,737.4	482,210	100%	Totals	401,655.5	109,775.1	511,430.6	100%

Sensitivity Analysis

Change in assumptions at 31 March 2014:	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£'000
0.5% decrease in Real Discount Rate	9%	104,083
1 year increase in member life expectancy	3%	33,311
0.5% increase in the Salary Increase Rate	2%	25,648
0.5% increase in the Pension Increase Rate	7%	77,509

Note 39 - Projected defined benefit cost for the period to 31-Mar-15

Period Ended 31-Mar-15	Assets	Obligations	Net (liability)/asset	
	£'000	£'000	£'000	% of pay
Projected Current service cost		(22,395)	(22,395)	-24.20%
Total Service Cost		(22,395)	(22,395)	-24.20%
Interest Income on plan assets	21,980		21,980	23.70%
Interest cost on defined benefit obligation		(47,536)	(47,536)	-51.30%
Total Net Interest Cost	21,980	(47,536)	(25,556)	-27.60%
Total Included in Surplus or Deficit	21,980	(69,931)	(47,951)	-51.80%

Information about the defined benefit obligation

	Liability Split	Weighted Average Duration (years)
Active members	36%	23.9
Deferred members	23%	24
Pensioner members	41%	11.7
Total	100%	18.3

Note 40 - Basis for Estimating Assets and Liabilities

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

2012-13	Actuarial Assumptions:	2013-14
	Longevity at 65 for current pensioners:	
23.8	Men	22.0
26.6	Women	24.3
	Longevity at 65 for future pensioners:	
25.6	Men	24.4
28.6	Women	26.8
5.1%	Rate of increase in salaries	4.4%
2.8%	Rate of increase in pensions	2.8%
4.5%	Rate for discounting scheme liabilities	4.3%
25.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50.0%
25.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	75.0%

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Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2014

2012/2013 £'000		2013/2014 £'000
	<u>Income</u>	
(47,100)	Dwelling Rents	(47,155)
(442)	Non Dwelling Rents(Gross)	(401)
(3,010)	Tenants Charges for Services and Facilities	(2,893)
(284)	Contribution Towards Expenditure	(295)
(3,076)	Leaseholders' charge for services and Facilities	(2,734)
(16,701)	Upward revaluation of assets	(67,365)
(70,613)	Total Income	(120,843)
	<u>Expenditure</u>	
8,992	Repairs and Maintenance	9,534
12,749	Supervision and Management	12,137
4,314	Special Services	5,691
1,317	Rent and Rates and Other Charges	2,093
10,826	Depreciation of Fixed Assets	10,641
515	Bad or Doubtful Debts	488
92	Debt Management Expenses	14
38,805	Total Expenditure	40,598
(31,808)	Net Cost of Services included in the Council's Income and Expenditure Account	(80,245)
121	HRA share of Corporate and Democratic Core	40
(31,687)	Net Cost of HRA Services	(80,205)
	HRA share of the operating income and expenditure included in the Council's income and expenditure	
943	Payments to capital receipts pool	1,074
(7,380)	(Gain) or Loss on Sale of HRA fixed Assets	978
6,115	Interest payable and similar charges	6,136
(49)	HRA Investment Income/Mortgage Interest	(57)
117	Pension interest and expected return on pension assets	
(31,941)	(Surplus)or Deficit for the Year on HRA Services	(72,074)

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

Movement on the HRA Statement

2012/2013 £'000	Movement on the HRA Statement	2013/2014 £'000
(2,268)	Housing Revenue Account brought forward	(2,586)
(31,941)	(Surplus) or deficit on the provision of services	(72,074)
	Other comprehensive income & expenditure	
(31,941)	Total comprehensive income & expenditure	(72,074)
31,248	Adjustment between accounting basis and funding basis under regulations	73,789
(693)	Net increase/decrease before transfers to earmarked reserves	1,715
375	Transfers to/(from) earmarked reserves	(12)
0	Transfers to/(from) General Fund	(66)
(318)	Net increase/decrease	1,637
(2,586)	Balance as at 31 March carried forward	(949)

HRA adjustments between accounting basis and funding basis under regulations

2012/13 £000		2013/2014 £000
7,380	Gain / (Loss) on sale of HRA non-current assets	(978)
3,933	Capital expenditure funded by HRA	1,788
4,535	Amortised payment and discount	3,579
16,701	Revaluation of assets	67,365
(943)	Payments to the capital receipts pool	(1,074)
(37)	Pooled capital receipts – contribution to administration costs	(262)
(117)	Pension interest cost and expected return on pension assets	
(121)	HRA share of CDC	(40)
10,743	Transfers to / from Major Repairs Reserve	14,052
(10,826)	Transfers to / from Capital Adjustment Account	(10,641)
31,248	Total adjustments between accounting basis and funding basis under regulations	73,789

Notes to the Housing Revenue Account

Note 1: Housing Stock

The Council's stock of dwellings reduced during the year from 8,860 to 8,432, a net reduction of 428 Dwellings. These reductions resulted from Right to Buy sales, demolition of dwellings as a result of the on going regeneration work at South Kilburn and transfers to the Council's General Fund to be used for Temporary Accommodation for Homelessness households.

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

31-Mar-13		31-Mar-14	
£'000		£'000	
288	Leasehold	284	
8,572	Freehold	8,259	
8,860	Total	8,543	

Note 2: Rent Arrears

The level of rent arrears at 31 March 2014 was £2.751m. Movement on the arrears and related provisions are shown below.

31-Mar-13		31-Mar-14	
£'000		£'000	
2,770	Arrears from tenants	2,751	
4,161	Arrears from Right to Buy Leaseholders	4,247	
(5,801)	Provision	(5,832)	
1,130	Total Arrears	1,166	

Note 3 – Non-current Assets

	Council Dwellings £'000	Non- Operational £'000	Total £'000
Gross Book Value at 1 April 2013	575,172	9,523	584,695
Revaluation in 2013/14	0		0
Impairment	67,365	0	67,365
Expenditure during the Year	16,048	0	16,048
Disposals	(20,807)	(12)	(20,819)
Gross Book Value at 31 March 2014	637,778	9,511	647,289
Accumulated Depreciation B/fwd.	(18,440)	(109)	(18,549)
Write out of Accumulated Depreciation	595	0	595
Depreciation/adjustment for current year	(10,558)	(83)	(10,641)
Net Book Value at 31 March 2014	609,375	9,319	618,694

Note 4 - Vacant Possession Value of HRA Dwellings

The vacant possession value of dwellings within the HRA at 31 March 2014 was £2.437 billion. The difference between vacant possession value of the HRA dwellings and balance sheet value within the HRA shows the economic cost to the government of providing Council housing at less than open market value.

Note 5 - HRA Capital Receipts

2012/13 £'000			2013/14 £'000	
14,111	Houses		19,829	
0	Other Properties		0	
14,111	Total		19,829	

Note 6 – Net Interest Charged to the HRA

The net interest charge to the HRA, is calculated in accordance with government regulation. In 2013/14 £6,136m was charged (£6,114 in 2012/13).

Note 7 - Brent Housing Partnership

In October 2002, the Council formed Brent Housing Partnership Limited, an arms length management organisation. Brent Housing Partnership Limited is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). The housing stock remains in the ownership of the Council and the rents is collected by Brent Housing Partnership Limited. The Council has entered into a contract with Brent Housing Partnership Limited to provide these services. The income and expenditure arising from these activities are shown in the Council's accounts in accordance with requirement of the current CIPFA Code of Practice and legislation. Brent Housing Partnership Limited is required by law to prepare a set of accounts which shows its management and administrative cost.

Collection Fund

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

There has been a major change between the 2012/13 and 2013/14 years in relation to Non Domestic Rates (also known as Business Rates). Up to the end of the 2012/13 financial year, all income for Non Domestic Rates was paid over to central government, which redistributed the rates collected to local authorities based on a formula of assessed spending needs. From 1 April 2013, local authorities keep a proportion of the income raised (in London the local authority keeps 30%, 50% is paid over to central government, and 20% to the Greater London Authority (GLA). This is a fundamental change, which transfers some of the benefits and risks directly to local authorities, as they will benefit from a share of the increased income if their business base grows, but there is also a risk if the total income falls, either due to businesses closing, or if successful appeals are made against rateable valuations, and bills drop as a result. As of 31 March 2014 there were still nearly a thousand appeals outstanding in Brent, and although some 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 2013/14, 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 2013/14 had the previous system remained unchanged. This income is credited to the General Fund rather than the Collection Fund.

There has also been a major change in relation to Council Tax. Previously, there had been a national scheme for Council Tax Benefit, whereby qualifying claimants received full or partial benefit towards their Council Tax bills. Central government met the cost of this. From April 2013 Council Tax Benefit was replaced by the Council Tax Reduction Scheme. Under this scheme, central government reduced its support to local authorities, who had to cover the shortfall either by spending cuts or by reducing the benefit awarded to claimants (although pensioners are exempt from any charges). This has meant that a large number of residents have had their benefit reduced, and now have to pay a percentage of their Council Tax bill.

Collection Fund Account for the Year ended 31 March 2014

2012/13 £'000		Notes	2013/14 £'000
	Income		
(103,936)	Income from Council Tax payers	1	(113,071)
(35,586)	- Council Tax Benefits (ended 12/13)		0
(102,894)	Income from Non Domestic Rates	2	(101,590)
(242,416)	Total Income		(214,661)
	Expenditure		
	Council Tax:-		
	Payment to GLA		
30,181	- precept	3	23,389
226	- share of surplus		526
	Payment to Brent		
104,197	- precept	3	81,741
774	- share of surplus		1,814
2,819	Provisions for uncollectable amounts		(2,386)
(15)	less write back/add write off		4,127
	Non-Domestic Rates:-		
102,477	- Payment to National Pool / Preceptors	3	101,173
417	- Cost of Collection Allowance		417
241,076	Total Expenditure		210,801
(1,340)	Surplus in year		(3,860)
(1,000)	Surplus brought forward		(2,340)
(2,340)	Surplus carry forward		(6,200)

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 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 77,191 for 2013/14. This basic amount of Council Tax for a Band D property £1,361.94 for 2013/14 is multiplied by the proportion specified for the particular band to give an individual amount due.

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

Proportion of Band D Charge		Number of Band D Equivalent Properties
Band A	0.67	1,012
Band B	0.78	5,119
Band C	0.89	18,419
Band D	1.00	22,631
Band E	1.22	20,474
Band F	1.44	7,552
Band G	1.67	4,806
Band H	2.00	<u>394</u>
		<u>80,407</u>

x 96.0% Collection Rate = 77,191

The final income of £108.944m for 2013/14 includes adjustments to debits during the year. This total includes the adjustment required for the collection fund surplus of £3.2m as at 31 March 2014 (see Note 4).

The differences between 2012/13 and 2013/14 for write-offs and provisions relate to a very large write-off of old uncollectable debts in 13/14, which was largely met from reducing the provision. This did not happen in 2012/13.

Note 2: National Non-Domestic Rates (NNDR)

Non Domestic Rates are organised on a national basis. The Government specified a rate of 47.1p in the £ for 2013/14 (46.2p for small businesses having a rateable value of below £12,000) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nation-wide re-valuation of all properties which took effect from 1 April 2010. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £281,071,735 at 31 March 2014. From 2013/14, the Council retains 30% of the income due, 20% goes to the Greater London Authority and 50% to Central Government. The Government redistributes the sums paid to it back to local authorities on the basis of a Formula Grant calculation. The amounts collected from the ratepayers and paid between the three preceptors can be analysed as follows:

2012/13 £000			2013/14 £000	
122,286	Gross Debit		123,965	
(518)	Transitional Relief		0	
(6,728)	Charitable Relief		(7,239)	
(3,877)	Provision for Uncollectable Amount		(1,743)	
0	Provision for Rate Appeal Reductions (13/14 only)		(6,097)	
(3,201)	Other Adjustments		(2,218)	
(5,070)	Empty/Void Relief		(5,078)	
102,894	Net NNDR Income		101,590	
(417)	Cost of Collection Allowance Payable to General Fund		(417)	
102,477	Amount Payable to NNDR Pool / Preceptors		101,173	

Transitional relief falls outside of the Pool calculations from 2103/14

In addition to the above, properties with a rateable value of over £55,000 pay an additional business rates supplement of 2.0p in the £ to the Greater London Authority, to pay towards the costs of the Crossrail project. This supplement began on 1 April 2010, and for 2013/14 £3.010m was due to the GLA.

Note 3: Precepts

2012/13 £'000	Council Tax	2013/14 £000
104,197	London Borough of Brent	81,741
30,181	Greater London Authority	23,389
134,738		105,130

For 2013/14 the precept figures for both Brent and the GLA are net of Council Tax Support (see above), and are therefore lower than 2012/13.

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

2012/13 £'000	NNDR	2013/14 £000
102,247	Central Government	50,586
0	London Borough of Brent	30,352
0	Greater London Authority	20,235
102,247		101,173

Note 4: Estimated Surplus and Deficit

By 15 January each year, the Council estimates what the surplus or deficit on the collection fund will be as at 31 March. These estimates are set out below.

31-Mar-13 £000		31-Mar-14 £'000
(1,814)	London Borough of Brent	(2,488)
(526)	Greater London Authority	(712)
(2,340)	Deficit / (Surplus)	(3,200)

Note 5: Collection Fund Debtors and Creditors

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

Debtors

31-Mar-13 £'000		31-Mar-14 £'000
634	Other entities and individuals	2,303
2,838	Central government	5,487
1,332	Other local authorities	1,115
4,804		8,905

Creditors

31-Mar-13

£'000

(3,105)	Other entities and individuals
(4,099)	Central government
(1,436)	Other local authorities
(8,640)	

31-Mar-14

£'000

(3,724)
(4,659)
(2,622)
(11,005)

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GROUP ACCOUNTS

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

Brent has one subsidiary, Brent Housing Partnership (BHP) Limited. This is an arms length management organisation (ALMO) which was set up in October 2002 to manage Council properties on behalf of Brent.

BHP is a limited company. It is limited by a guarantee with no share capital. It is fully owned by the London Borough of Brent. The London Borough of Brent has an obligation to meet BHP's pension fund liabilities. BHP's accounts may be obtained from Ian Rooney, Head of Finance, 6th Floor, Brent Civic Centre, Engineers Way, Wembley HA9 0FJ, e-mail address ian.rooney@bhphousing.co.uk.

The group accounts also consolidate the accounts of the Barham Park Trust.

The accounts of BHP & Barham Park Trust have been consolidated as a subsidiaries using the acquisition basis of combination.

The following group financial statements have been prepared:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Account
- Group Balance Sheet
- Group Cash Flow Statement

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

Group Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2012 carried forward	30,007	54,181	2,268	3,979	9,017	4,502	67,509	171,463	(22,253)	149,209
Movement in reserves during 2012/13										
Surplus or (deficit) on the provision of services	30,938		32,221					63,159		63,159
Other comprehensive income & expenditure								0	(95,507)	(95,507)
Total comprehensive income & expenditure	30,938	0	32,221	0	0	0	0	63,159	(95,507)	(32,348)
Adjustments between accounting basis & funding basis under regulations	1,576		(31,528)		180	3,838	22,685	(3,249)	3,249	0
Net increase/decrease before transfers to earmarked reserves	32,514	0	693	0	180	3,838	22,685	59,910	(92,258)	(32,348)
Transfers to/from earmarked reserves	(32,410)	32,410	(375)	(2,143)		2,518		0		0
Increase/decrease in 2012/13	104	32,410	318	(2,143)	180	6,356	22,685	59,910	(92,258)	(32,348)
Balance as at 31 March 2013	30,111	86,591	2,586	1,836	9,197	10,858	90,194	231,373	(114,511)	116,862
Movement in reserves during 2013/14										
Surplus or (deficit) on the provision of services	5,500	0	71,523	0	0	0	0	77,023	0	77,023
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	235,066	235,066
Total comprehensive income & expenditure	5,500	0	71,523	0	0	0	0	77,023	235,066	312,089
Adjustments between accounting basis & funding basis under regulations	24,405	0	(70,334)	0	36,975	(1,639)	(3,126)	(13,719)	13,719	0
Net increase/decrease before transfers to earmarked reserves	29,905	0	1,189	0	36,975	(1,639)	(3,126)	63,304	248,785	312,089
Transfers to/from earmarked reserves	(24,002)	23,936	(3,416)	(12)	0	3,494	0	0	0	0
Increase/decrease in 2013/14	5,903	23,936	(2,227)	(12)	36,975	1,855	(3,126)	63,304	248,785	312,089
Balance as at 31 March 2014	36,014	110,527	359	1,824	46,172	12,713	87,068	294,677	134,274	428,951

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014**

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2012/13			2013/14			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
50,686	(43,993)	6,693	Central services to the public	29,505	(12,112)	17,394
19,576	(3,901)	15,675	Culture and related services	21,458	(5,036)	16,422
35,105	(6,810)	28,295	Environment and Regulatory services	39,370	(6,217)	33,153
6,370	(2,832)	3,538	Planning	7,790	(3,766)	4,023
44,923	(2,566)	42,357	Children's Social Care	49,265	(8,018)	41,246
306,312	(273,652)	32,660	Education and Children's services	311,865	(271,654)	40,211
53,120	(32,603)	20,517	Highways and transport services	49,221	(25,416)	23,805
38,202	(72,997)	(34,795)	Local authority housing (HRA)	41,813	(124,554)	(82,741)
410,421	(394,449)	15,972	Other housing services	425,094	(406,368)	18,726
100,978	(26,281)	74,697	Adult social care	115,987	(26,227)	89,760
3,717	(36)	3,681	Corporate and democratic core	7,113	(983)	6,130
2,018	(47)	1,971	Non distributed costs	1,095	(224)	871
0	0	0	Services Acquired from NHS - Public Health	18,189	(18,694)	(505)
1,071,428	(860,167)	211,261	Cost of Services	1,117,766	(909,270)	208,497
		30,368	Other operating expenditure			(10,232)
		44,061	Financing and investment income and expenditure			58,738
		(348,849)	Taxation and non-specific grant income			(334,026)
		(63,159)	(Surplus) or Deficit on Provision of Services			(77,022)
		(6,433)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(23,277)
		101,940	Actuarial gains/losses on pension assets and liabilities			(211,789)
		95,507	Other Comprehensive Income and Expenditure			(235,066)
		32,348	Total Comprehensive Income and Expenditure			(312,088)



GROUP BALANCE SHEET AS AT 31 MARCH 2014

31 March 2013 £'000		31 March 2014 £'000
1,364,012	Property, Plant & Equipment	1,413,837
498	Heritage Assets	498
8,221	Investment Property	6,641
3,727	Intangible Assets	3,480
100	Long Term Investments	100
1,323	Long Term Debtors	13,578
1,377,881	Long Term Assets	1,438,134
46,336	Short Term Investments	75,226
0	Assets Held for Sale	4,519
370	Inventories	373
42,177	Short Term Debtors	56,358
37,493	Cash and Cash Equivalents	62,946
126,376	Current Assets	199,422
(10,509)	Short Term Borrowing	(8,794)
(80,723)	Short Term Creditors	(91,620)
(2,885)	Provisions	(4,001)
	Deferred income	
(94,117)	Current Liabilities	(104,415)
(38,065)	Long Term Creditors	(33,444)
(2,803)	Provisions	(3,114)
(428,003)	Long Term Borrowing	(423,662)
(824,404)	Other Long Term Liabilities	(643,970)
	Capital Grants Receipts in Advance	
(1,293,275)	Long Term Liabilities	(1,104,190)
116,865	Net Assets	428,951
231,375	Usable Reserves	294,676
(114,510)	Unusable Reserves	134,275
116,865	Total Reserves	428,951

Group Cash Flow Statement

2012/13 £'000		2013/14 £'000
63,159	Net surplus or (deficit) on the provision of services	77,022
(79,001)	Adjustments for non-cash movements	(113,696)
81,888	Adjustments for investing and financing activities	97,397
66,046	Net cash flows from Operating Activities	60,724
(70,872)	Investing activities	(27,346)
131	Financing activities	(7,925)
(4,695)	Net increase or decrease in cash and cash equivalents	25,453
42,188	Cash and cash equivalents at the beginning of the reporting period	37,493
37,493	Cash and cash equivalents at the end of the reporting period	62,946

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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.

2013/14

	Brent	BHP	Barham Park	Adjustments	Group
	£000	£000	£000	£000	£000
Financing and investment income	55,652	3,086	(11)	11	58,738
Local Authority housing (HRA)	(80,245)	(2,496)	0	0	(82,741)
Property plant and equipment	1,372,500	40,432	905	0	1,413,837
Investment properties	1,171	5,470	0	0	6,641
Long term debtors	54,008	0	0	(40,430)	13,578
Inventories	65	308	0	0	373
Short term debtors	56,525	4,363	475	(5,005)	56,358
Cash and cash equivalents in hand	61,654	1,292	0	0	62,946
Short term creditors	(91,095)	(5,530)	0	5,005	(91,620)
Other long term liabilities	(33,444)	(40,430)	0	40,430	(33,444)
Usable reserves	289,028	5,173	475	0	294,676
Unusable reserves	146,014	(12,644)	905	0	134,275
Cash flow from investing activities	(24,935)	(2,411)	0	0	(27,346)

2012/13

	Brent	BHP	Barham Park	Adjustments	Group
	£000	£000	£000	£000	£000
Financing and investment income	41,346	2,714	0	0	44,060
Local Authority housing (HRA)	(31,808)	(2,987)	0	0	(34,795)
Property plant and equipment	1,322,460	40,647	905	0	1,364,012
Investment properties	2,751	5,470	0	0	8,221
Long term debtors	42,346	0	0	(41,023)	1,323
Inventories	97	273	0	0	370
Short term debtors	44,100	3,958	628	(6,509)	42,177
Cash and cash equivalents in hand	36,131	1,362	0	0	37,493
Short term creditors	(81,517)	(5,715)	0	6,509	(80,723)
Other long term liabilities	806,034	18,370	0	0	824,404
Usable reserves	224,970	5,777	628	0	231,375
Unusable reserves	(96,240)	(19,175)	905	0	(114,510)
Cash flow from investing activities	(68,606)	(2,266)	0	0	(70,872)

Independent auditor's report to the members of London Borough of Brent
To be included following the conclusion of the audit

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

To be included following the conclusion of the audit

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Council Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Council at the Accounting date and its income and expenditure for the year ended 31 March 2014.

In preparing this statement of accounts, the Deputy Director of Finance and Corporate Services has:

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

Certificate of the Chief Finance Officer

I certify that the accounts set out on pages 5 to 86 give a true and fair view of the financial position of the London Borough of Brent as at 31 March 2014 and its income and expenditure for the year then ended, and that the accounts set out on pages 87 to 122 give a true and fair view of the net assets of the London Borough of Brent Pension Fund as at 31 March 2014 and its income and expenditure for the year then ended.

Date:

.....
CONRAD HALL
Chief Finance Officer

Certificate of the Chair of the Audit Committee

I confirm that these accounts were agreed by the Audit Committee at its meeting held on xx September 2014.

To update following audit

Date:

.....
Chair of the Audit Committee

Statement of Accounting Policies

1. Code of Practice

The general policies adopted in preparing these accounts are in accordance with the 2013-14 Code of Practice on Local Council Accounting in the United Kingdom issued by the Chartered Institute of Public Finance Accountants (CIPFA) - Statement of Recommended Practice (SORP), henceforth referred to as the "Code of Practice". This Code of Practice is based upon International Financial Reporting Standards (IFRS), with some adoptions from International Public Sector Accounting Standards (IPSAS). The financial statements do not include the measurement and disclosure requirements of IFRS 13 Fair Value Measurement since the adoption of this standard has been deferred to the 2014/15 Code.

1.1 Materiality

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

2. Comprehensive Income and Expenditure Statement

2.1 Accruals of Expenditure and Income

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

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

2.2 Revenue Recognition

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

2.3 VAT

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

2.4 Revenue Grants

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

2.5 Charges to Revenue

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

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

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

2.6 Council Tax and National Non Domestic Rates (NNDR)

Council Tax included in the Comprehensive Income and Expenditure Statement (CIES) account is Brent's accrued income for the year. The collection of Council Tax on behalf of the Greater London Authority (GLA) is in substance an agency arrangement so these amounts are shown in the surplus or deficit on provision of

services section of the Comprehensive Income and Expenditure Statement. There will be a debtor / creditor position between Brent and the GLA to be recognised in Brent's balance sheet if the net cash paid to the GLA is not exactly its share of cash collected from Council Taxpayers. In this case, Brent's accrued income will be shown in the taxation and non-specific grant section of the Comprehensive Income and Expenditure Statement. The 'Revenue Activities' section of the cash flow statement only includes Brent's share of Council Tax cash collected during the year.

Previously Brent collected NNDR under what was in substance an agency arrangement with the Government. From 2013/14, 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 Brent's cash flow statement.

2.7 Overheads/Cost of Support Services

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

2.8 Foreign Currency Transactions

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

2.9 Accounting for the costs of the carbon reduction commitment scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie 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 Council is recognised and reported in the costs of the Council's services within the CIES and is apportioned to services on the basis of premises costs.

2.10 Jointly Controlled Operations

The council has a jointly controlled operation in the form of pooled budget conjunction with Brent NHS Trust. This is an operation undertaken that with a pooled budget between the NHS Trust and the council. The authority recognises the income that it gains and expenditure that it incurs on the Comprehensive Income and Expenditure Statement. The Balance sheet recognises any assets and liabilities resulting to the council from the pooled budget.

3. Balance sheet – Non Current Assets

3.1 Plant, Property and Equipment

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

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

Individual categories of assets are valued on the following basis:

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

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

At 1 April 2009 those land and building assets held at 1 April 2004 values were revalued completing that 5 year cycle. There has been subsequent revaluation of elements of the asset base at 1 April 2010, 1 April 2011, 1 April 2012 [and 1 April 2013] in line with the five year cycle. Council dwellings have been revalued at 1 April 2011 in line with the separate 5 year cycle, and their values have been up-rated to 31 March 2014 using Land Registry indices to reflect changes in property values.

3.1.1 Depreciation and Amortisation

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

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

With the exception of HRA dwellings depreciation is calculated on all building assets using the straight line method as set out below. Land Assets are not depreciated.

Buildings	5 – 60 years as determined by the Valuer
Infrastructure	10 – 40 years
Plant, Vehicles, Equipment and Machinery	Up to 10 years

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

3.1.2 Component Accounting

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

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

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

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

3.2 Investment Properties

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

The Code of Practice requires that investment properties are not depreciated, but instead held at fair value, in this case OMV, and their book value is adjusted annually where there has been a material change in value. The Council adjusts the book value of these assets when appropriate indices indicate that the property has changed in value by 15% or more since the last indexation or revaluation.

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

3.3 Heritage Assets

Heritage Assets are defined as:

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

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

3.4 Intangible Assets

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

Amortisation is the equivalent of depreciation for intangible assets.

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

3.5 Impairment

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

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

The impairment review includes an annual assessment of whether there is indication that the recoverable value of any impaired assets has increased, reversing part or all of the impairment. If there is indication that the recoverable value has increased, the valuer will reassess the economic life of the asset for the

purposes of determining depreciation. The impairment will be reversed to the extent that up to the carrying value of the asset had there been no impairment. This reversal will in the first instance be used to reverse any charge made to the surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement, and then to the revaluation reserve.

4. Balance sheet – Current Assets

4.1 Inventories and Long Term Contracts

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

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

4.2 Cash and Cash Equivalents

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

4.3 Work in Progress (Construction contracts)

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

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

5. Balance sheet - Liabilities

5.1 Provisions, Contingent Liabilities, and Contingent Assets

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

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

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

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

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

5.2 Employee benefits

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

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

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

The Code has adopted the 2011 amendments to IAS 19 and IAS 1 which has resulted in a change in accounting policy. There are new classes of components of defined benefit cost to be recognised in the financial statements (ie net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset)), and new definitions of recognition criteria for service costs, eg past service costs and new recognition criteria for termination benefits.

The opening Balance Sheet for 1 April 2012 and a number of the IAS 19 disclosures have been restated.

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 2013/14 Accounts has been calculated on the basis of the 2012/13 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 revised regulations for the calculation of MRP issued in 2008 the Council adopted the following policy for non-HRA assets:

For supported borrowing, the Council will continue with the existing method (Option 1). This option, ‘the regulatory method’, continues to use the calculations that were used under the system that existed from 2004/05 when the previous regulations came into effect. This means that the amount

of non-housing Capital Financing Requirement (CFR), adjusted as set out in the original regulations (Adjustment A'), is used as the starting position for the MRP calculation in 2008/09 and adjusted thereafter for supported borrowing in each year.

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 years (unless there is a structure on the land with an asset life of more than 50 years, in which case the land would have the same asset life as the structure).*

These policies do not apply to HRA assets.

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

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

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

7.5 Income from the Sale of Fixed Assets

Income from the disposal of fixed assets is known as capital receipts. Such income that is not reserved and has not been used to finance capital expenditure in the period is included in the balance sheet as capital receipts unapplied.

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

- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012 (SI 2012/711); and
- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012 (SI 2012/1324)

As a result of these amendments, local authorities are able to retain the receipts generated by Right to Buy sales for replacement housing provided they can sign up to an agreement with Government that they will

limit the use of the net Right to Buy receipts to 30% of the cost of the replacement homes within a 3 year period from the point of receipt. The London Borough of Brent has elected to enter into agreement with the Government to retain the net receipts from Right to Buy sales.

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

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

7.6 Borrowing Costs

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

8 Group Accounts

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

Additional Supporting Information and reconciliation disclosures

Key Judgements and Material Estimates.

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

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

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

. Retirement Benefit Obligations – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority’s retirement benefit obligation. The key assumptions made are set out in Note 36 - Defined Benefit Pension Schemes.

. Provisions – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability in accordance with accounting policies. In calculating the level of provisions the authority also exercises some judgement; they are measured at the authority’s best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the authority’s provisions and details of its contingent liabilities are set out in Note 9 - Provisions and Note 20 - Contingent Liabilities respectively.

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

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

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

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

. Deposits with Icelandic banks – The authority has deposited £15m with Icelandic banks which are in administration. Based on the latest information from the administrators an impairment of £1.6m has been recognised to cover reasonably expected losses relating to Heritable Bank. Further information on deposits with Icelandic Banks is included in Note 31 - Nature and extent of risks arising from Financial Instruments

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

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

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

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

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

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

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

There are a number of minor changes to accounting standards which will apply to future accounts beginning 1 April 2014:-

IFRS 10 Consolidated Financial Statements (May 2011)

IFRS 11 Joint Arrangements (May 2011)

IFRS 12 Disclosures of Interests in Other Entities (May 2011)

IAS 27 Separate Financial Statements (as amended in May 2011)

IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)

IAS 1 Presentation of Financial Statements— (as amended in May 2011)

There are no material impacts on Brent's accounts that require disclosure here.

Descriptions of Earmarked Reserves

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

Property and Civic Centre - Monies earmarked to be spent on repairs, maintenance and dilapidations to council freehold and leasehold buildings and costs associated with the move to the Civic Centre. This will support more efficient use of office accommodation and new ways of working.

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

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

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

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

JFS School PFI - Grant relating to the setting up of JFS. (A secondary school in the Borough). The PFI agreement means that government funding exceeds contract payments in earlier years but tapers off in later years. The reserve was set up to take account of the funding profile.

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

Collection Fund – This reserve is for any surpluses on the operation of the collection fund and represents the amounts shared between the Council and GLA in 2013/14.

Capital Funding - This represents revenue contributions set aside to meet commitments included in the capital programme. This only relates to the General Fund. There are no contributions from the HRA in this reserve.

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

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

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

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

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

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

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

Service Pressures Temporary Accommodation - Monies identified to mitigate the impact of the introduction of the overall benefit cap on the temporary accommodation budget.

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

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

Willesden Sports Centre PFI - The new Willesden Sports Centre opened during 2006/07 is financed through a 25 year PFI agreement. This involves an arrangement whereby funds received from the Council's own budget and from Government PFI credits are used to cover payments to the contractor. At the start of the project surplus funds are paid into a reserve which will be utilised over the life of the project.

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

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

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

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

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

	Adult Social Services	Children & Families	Environment & Neighbourhood Services	Regeneration & Major Projects	Corporate Departments	Housing Revenue Account	Central Budgets	Non-current asset related Adjustments	Pension Related Adjustments	Employee Related Adjustments	Total
Comprehensive Income & Expenditure Statement											
Central services to the public	0	0	107	6,734	3,993	0	3,063	3,405	93	0	17,395
Cultural and related services	0	0	8,797	1,023	3,453	0	265	2,647	74	0	16,259
Environmental and regulatory services	0	0	26,778	703	2,088	0	628	2,870	87	0	33,154
Planning	0	0	0	1,561	421	0	78	1,934	30	0	4,024
Children's social care	0	32,100	0	1,141	3,384	0	782	3,705	134	0	41,246
Education and children's services	0	2,399	0	1,762	6,592	0	(864)	30,177	626	(481)	40,211
Highways and transport services	15,356	0	(758)	680	1,809	0	1,317	5,331	71	0	23,806
Local authority housing (HRA)	0	0	0	0	0	(11,293)	0	(68,952)	0	0	(80,245)
Other housing services	0	0	0	21,075	2,562	0	(1,923)	(3,086)	98	0	18,726
Adult social care	75,721	0	0	1,688	5,189	0	2,438	4,528	196	0	89,760
Corporate and democratic core	0	0	0	403	3,503	0	680	1,523	21	0	6,130
Non distributed costs	0	0	0	24	85	0	5,333	0	(4201)	(370)	871
Public Health	0	0	529	117	16,674	0	(18,146)	312	10	0	(504)
Cost of Services	91,077	34,499	35,453	36,911	49,753	(11,293)	(6,349)	(15,606)	(2,761)	(851)	210,833

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

	Adult Social Services	Children & Families	Environment & Neighbourhood Services	Regeneration & Major Projects	Corporate Departments	Housing Revenue Account	Central Budgets	Non-current asset related Adjustments	Pension Related Adjustments	Employee Related Adjustments	Total
Cost of Services	91,077	34,499	35,453	36,911	49,753	(11,293)	(6,349)	(15,606)	(2,761)	(851)	210,833
Other operating expenditure	0	0	0	0	0	0	3,361	(13,593)	0	0	(10,232)
Financing and investment income and expenditure	0	0	(140)	0	0	6,079	10,326	4,720	34,668	0	55,653
Taxation and non-specific grant income	129	43	47	62	54	0	(303,475)	(30,886)	1	0	(334,025)
(Surplus) or Deficit on Provision of Services	91,206	34,542	35,360	36,973	49,807	(5,214)	(296,137)	(55,365)	31,908	(851)	(77,771)
Additional lines from Movement in Reserves Statement											
Adjustments between accounting basis & funding basis under regulations	0	0	0	0	0	3,369	18,248	55,367	(31,906)	851	45,929
Transfers to/from earmarked reserves						3,482	29,927				33,409
Total	91,206	34,542	35,360	36,973	49,807	1,637	(247,962)	2	2	0	1,567

26/03/2025

2012/13 (restated)	Usable Reserves					Unusable Reserves					Total
	General	Capital	Major	Capital	Capital	Financial	Accumulated	Revaluation	Deferred		
	Fund + HRA Balance	Receipts Reserve	Repairs Reserve	Grants Unapplied	Adjustment Account	Instruments Adjustment Account	Absences Account	Reserve	Capital Receipts Reserve	Total	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Depreciation and impairment of non-current assets and amortisation of intangible assets	(35,933)				33,142			2,791		0	
Revaluation losses on Property Plant and Equipment	17,721				(17,721)					0	
Movements in the market value of Investment Properties	484				(484)					0	
Revenue expenditure funded from capital under statute	(7,279)				7,279					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	(49,495)				43,468			6,027		0	
Statutory provision for the financing of capital investment	14,891				(14,891)					0	
Capital expenditure charged against the General Fund and HRA balances	10,246				(10,246)					0	
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	39,549			(39,549)						0	
Application of grants to capital financing transferred to the Capital Adjustment Account	18,507			16,864	(35,371)					0	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	23,198	(23,198)								0	
Use of the Capital Receipts Reserve to finance new capital expenditure		22,038			(22,038)					0	

2012/13 (restated)	Usable Reserves					Unusable Reserves				Deferred Capital Receipts Reserve	Total
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve		
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(37)	37									0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(943)	943									0
Reversal of Major Repairs Allowance credited to the HRA	10,743		(10,743)								0
Use of the Major Repairs Reserve to finance new capital expenditure			6,905		-6,905						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	5,137						(5,137)				0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement)	(56,247)					56,247					0
Employer's pensions contributions and direct payments to pensioners payable in the year	32,857					(32,857)					0
Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	419							(419)			0
Revaluation reserve written off to the capital adjustment account											0
Surplus or (deficit) on the provision of services	(56,121)										(56,121)

2012/13 (restated)

	Usable Reserves					Unusable Reserves				Deferred Capital Receipts Reserve	Total
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Actuarial gains or losses on pensions assets and liabilities						90,399					90,399
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of service								(4,893)			(4,893)
Transfers to earmarked reserves	30,244		(2,518)								27,726
Total Adjustments	(2,059)	(180)	(6,356)	(22,685)	(23,767)	113,789	(5,137)	(419)	3,925	0	57,111
Opening Balance	(12,585)	(9,018)	(4,502)	(67,509)	(523,066)	658,501	28,501	6,341	(161,179)	(1,250)	(85,766)
Closing Balance	(14,644)	(9,198)	(10,858)	(90,194)	(546,833)	772,290	23,364	5,922	(157,254)	(1,250)	(28,655)

2013/14

Useable Reserves

Unusable Reserves

	Useable Reserves						Unusable Reserves				
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Deferred Capital Receipts Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment of non-current assets and amortisation of intangible assets	(37,223)				34,698			2,525			0
Revaluation losses on Property Plant and Equipment	27,439				(27,439)						0
Revenue expenditure funded from capital under statute	(7,605)				7,605						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	(45,026)				39,084			5,942			0
Statutory provision for the financing of capital investment	15,690				(15,690)						0
Capital expenditure charged against the General Fund and HRA balances	14,841				(14,841)						0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	17,203			(17,203)							0
Application of grants to capital financing transferred to the Capital Adjustment Account	18,560			20,330	(38,890)						1
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	59,693	(59,693)									0
Use of the Capital Receipts Reserve to finance new capital expenditure		21,382			(21,382)						0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(262)	262									0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,074)	1,074									0
Reversal of Major Repairs Allowance credited to the HRA	10,558		(10,558)								0

2013/14

	Useable Reserves						Unusable Reserves				
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Deferred Capital Receipts Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Use of the Major Repairs Reserve to finance new capital expenditure			12,197		(12,197)						0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4,189						(4,189)				0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(66,812)					66,812					0
Employer's pensions contributions and direct payments to pensioners payable in the year	34,906					(34,906)					0
Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	851							(851)			0
Revaluation reserve written off to the capital adjustment account					(255)				255		0
Surplus or (deficit) on the provision of services	(77,776)										(77,776)
Actuarial gains or losses on pensions assets and liabilities							(205,258)				(205,258)
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of service									(23,277)		(23,277)
Transfers to earmarked reserves	33,409		(3,494)								29,915
Total Adjustments	1,561	(36,975)	(1,855)	3,127	(49,307)	(173,352)	(4,189)	(851)	(14,555)	0	(276,395)
Opening Balance	(14,647)	(9,198)	(10,859)	(90,193)	(546,832)	772,290	23,365	5,922	(157,253)	(1,250)	(28,655)
Closing Balance	(13,086)	(46,173)	(12,714)	(87,066)	(596,139)	598,938	19,176	5,071	(171,808)	(1,250)	(305,050)

Explanation of Major Variances 2013/14

	(Under)/Overspending	
	£'000	£'000
Adult Social Services		
Learning & Disability - Increase in residential and day care placements	241	
Mental Health - Increase in residential care and supported living placements.	288	
Older Peoples Services - Costs of residential dementia placements	247	
Direct Services - Underspend on activity and transport budget for clients	(252)	
Directorate - underspend on training, IT and user engagement budgets	(302)	
Various underspends including continuing health care, advocacy, voluntary sector grants	(262)	
		(40)
Children & Young People		
School Improvement Services – savings on staffing costs	(363)	
SEN Transport Services – demand for services above the budget envelope	867	
Early Years – underspend on children’s centres	(234)	
Connexions – contract costs	(141)	
Directorate & Central Support – additional grant income	(495)	
		(356)
Environment & Neighbourhoods		
Parks and Cemeteries - additional income and contributions and reduced premises and transportation costs	(334)	
Sports Services - Savings from Vale Farm contract and other efficiency saving	(114)	
Directorate - savings on IT and other overheads and charges	(118)	
Transport - additional costs and reduced internal income	248	
Emergency Planning - overachievement of income from CCTV	(106)	
Business Support - savings on staffing and premises costs	(135)	
Registration & Nationality Service - overachievement of income on citizenship and nationality checking service	(235)	
Community Safety - staff vacancies and utilisation of grant monies	(119)	
Parking Control - underachievement of enforcement income	322	
Contribution to capital expenditure	500	
		(91)

Regeneration & Growth

Care Support, Travellers Site and other miscellaneous savings	(191)	
Supporting People - reduced contract costs	(1,146)	
Planning & Building control - Restructuring costs	173	
Customer Services – staffing and vacant posts	(138)	
		(1,302)

Corporate

Land charges - Overachievement of Income	(123)	
Assistant Chief Executives - Staff vacancies and project underspends	(336)	
IT - Overspend on telephony and printing costs	180	
Finance - underspending on staff vacancies and running costs	(205)	
Human Resources People Services - Additional costs of payroll contract offset by staff savings	305	
Human Resources - learning development underspend on corporate training, vacant posts and running costs	(328)	
Other	(88)	
		(595)

Central Items

Capital Financing & Other Charges	(660)	
Redundancy & Restructuring - provisional for actuarial strain in future years & restructuring costs	2,426	
Transformation Fund - Additional Contribution	1,271	
Inflation Provision	(604)	
Other	(124)	
		2,309

Total (75)

HRA Variances



The Council originally budgeted for a surplus brought forward of £400k based on a forecast surplus balance brought forward from 2012/13 of £1.972m and a budget spend of £1.572m. The final surplus for 2012/13 was £2.586m a betterment of £614k. During 2013/14 the HRA spent £1.637m against its budget of £1,572m an overspend of £65k therefore giving a balance carried forward of £950k taking into account the improved surplus brought forward. The main reasons for the overspend of £65k against budget of £1.572m were loss of rent income from the decanting of dwellings at South Kilburn and Barham Park £719k, loss of income from leaseholder services such as health and safety works £368k, additional income from leaseholders for major works (£414k), costs associated with a major retender works £352k, other charges mainly insurance £349k, underspend on bad and doubtful debts provision (£670k), lower interest payable due to lower rates and no new borrowings (£623k).

Construction Contracts

The Council is required to disclose costs related to construction contracts where the Council is completing the work on behalf of other bodies.

At 31 March 2014 the Council had a single construction contract in progress, for the construction of the Crest Academies (previously known as the John Kelly Schools) on behalf of the Academy Partnership utilizing grant monies provided by the Department of Education. Upon completion of the scheme the buildings will be passed over to the Academy Partnership at nil consideration to the Council. The value of work completed at 31 March 2014 is as per the Council's Financial Information System as maintained by the scheme's Project Manager and based on consultants reports. The amount due from the Department of Education at 31 March 2014 is as follows:

CREST Academies	£'000
Costs Incurred to date	30,391
Revenue recognized:	
• Before 1 April 2013	19,800
• During 2013/14	11,300
Profit/(Loss)	0
Advances Received	709
Gross Amount Due	0

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Pension Fund Accounts

Pension Fund Accounts for 2013/14

Brent Pension Fund Account		2012/13	2013/14
	Notes	£'000	£'000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(43,782)	(44,103)
Transfers in from other pension funds	8	(1,361)	(1,895)
		(45,143)	(45,998)
Benefits	9	34,172	35,169
Payments to and on account of leavers	10	3,283	3,595
Administration expenses	11	954	908
		38,409	39,672
Net (additions)/withdrawals from dealings with members		(6,734)	(6,326)
Returns on investments			
Investment income	12	(3,450)	(2,392)
Taxes on income	13	0	569
(Profits) and losses on disposal of investments and changes in the market value of investments	15a	(45,240)	(31,046)
Investment management expenses	14	1,438	2,203
Net return on investments		(47,252)	(30,666)
Net (increase)/decrease in the net assets available for benefits during the year		(53,986)	(36,992)
Net Assets Statement			
		31 March 2013	31 March 2014
	Notes	£'000	£'000
Investment assets	15	538,297	565,843
		538,297	565,843
Current assets	20	8,660	19,357
Non current assets	21	1,357	158
Current liabilities	22	(431)	(483)
Net assets of the fund available to fund benefits at the period end		547,883	584,875

Notes to the Brent Pension Fund accounts

1. Description of Fund

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Brent Pension Fund Annual Report 2013/14 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

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

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

b) Membership

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

Organisations participating in the Brent Pension Fund include:

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

There were 30 employer organisations with active members within the Brent Pension Fund at 31 March 2014, listed below:

Scheduled bodies

London Borough of Brent
Alperton High School
ARK Academy
ARK Franklin Academy
Brent Housing Partnership
Capital City Academy
Claremont High School
College of North West London
Convent of Jesus & Mary Language College
Crest Boys' Academy
Crest Girls' Academy
Islamia Primary School
Kingsbury High School
Preston Manor High School
Queens Park Community School
Sudbury Primary School
Wembley High Technology College

Admitted bodies

Brent MENCAP
Capita Business Services Limited
Europa Facility Services Limited
National Autistic Society
Local Employment Access Project (LEAP)
Sudbury Neighbourhood Centre
Wetton Cleaning Services (Estate Cleaning)
Wetton Cleaning Services (Estate Cleaning & North Grounds Maintenance)
Wetton Cleaning Services (South Grounds Maintenance)
Thames Reach
Conway Aecom Limited
Sanctuary Housing
Xerox (UK) Limited

Brent Pension Fund	31 March 2013	31 March 2014
Number of employers with active members	35	30
Number of employees in scheme		
Brent Council	3,793	3,970
Other employers	1,402	1,398
Total	5,195	5,368
Number of pensioners		
Brent Council	5,133	5,275
Other employers	636	720
Total	5,769	5,995
Deferred pensioners		
Brent Council	6,203	6,392
Other employers	995	1,073
Total	7,198	7,465

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2014. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. During 2013/14, the most commonly applied employer contribution rate within the Brent Pension Fund was 27.4% of pensionable pay.

d) Benefits

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

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

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

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

LGPS 2014

A reformed Local Government Pension Scheme (LGPS) will be introduced from April 2014. The main elements of the new scheme are:

- a pension scheme design based on career average;
- 1/49th accrual rate with revaluation of active members' benefits based on Consumer Prices Index (CPI);
- scheme normal pension age to be equal to the state pension age for both active members and deferred members;
- the earliest point at which retirement benefits can be taken is age 55;
- contributions based on actual pay (including part time employees) with an average member contribution yield of 6.5%, as now, with tiered contributions. Higher earners paying a higher proportion of their earnings in contributions than lower earning colleagues;
- a low cost option allowing members to pay 50% contributions for half the main benefits;
- all accrued rights are protected and benefits built up to April 2014 will be linked to final salary when members leave the scheme;

- vesting period when members can get a refund on their contributions if they leave the scheme will be increased from three months to two years.

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Administration expenses

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

g) Investment management expenses

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

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

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

Net Assets Statement

h) Financial assets

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

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

- i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) Fixed interest securities
Fixed interest securities are recorded at net market value based on their current yields.
- iii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:
 - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
 - Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.

- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
 - Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
 - Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.
- iv) Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.
- v) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Foreign currency transactions

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

j) Derivatives

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

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

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

n) Additional voluntary contributions

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

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

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities and infrastructure investments at 31 March 2014 was £116m (£100m at 31 March 2013).

Pension fund liability

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

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

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

The items in the Net Assets Statement at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity/infrastructure	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £116m. 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 2014, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions receivable

By category

	2012/13 £'000	2013/14 £'000
Employers	36,278	36,411
Members	7,504	7,692
Total	43,782	44,103

By authority

	2012/13 £'000	2013/14 £'000
Scheduled bodies	42,626	42,946
Admitted bodies	1,156	1,157
Total	43,782	44,103

8. Transfers in from other pension funds

	2012/13 £'000	2013/14 £'000
Individual transfers	1,361	1,895
Total	1,361	1,895

9. Benefits payable

By category

	2012/13 £'000	2013/14 £'000
Pensions	28,183	29,273
Commutation and lump sum retirement benefits	5,590	5,447
Lump sum death benefits	399	449
Total	34,172	35,169

By authority

	2012/13 £'000	2013/14 £'000
Scheduled bodies	32,941	33,328
Admitted bodies	1,231	1,841
Total	34,172	35,169

10. Payments to and on account of leavers

	2012/13 £'000	2013/14 £'000
Refunds to members leaving service	14	14
Payments for members joining state scheme	(2)	(1)
Individual transfers	3,271	3,582
Total	3,283	3,595

11. Administration expenses

	2012/13 £'000	2013/14 £'000
Pension administration costs	899	825
External audit fees	25	15
Actuarial fees	30	68
Total	954	908

12. Investment income

	2012/13 £'000	2013/14 £'000
Fixed interest securities	21	27
Equity dividends	1,179	0
Pooled property investments	1,798	1,924
Interest on cash deposits	31	13
Private equity/infrastructure	421	410
Miscellaneous expenses	0	19
Total	3,450	2,392

13. Taxes on income

	2012/13 £'000	2013/14 £'000
Withholding tax - equities	0	569
Total	0	569

14. Investment management expenses

	2012/13 £'000	2013/14 £'000
Management fees	1,383	2,132
Performance monitoring service	20	22
Other advisory fees	35	49
Total	1,438	2,203

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

15. Investments

	Market value 31 March 2013 £'000	Market value 31 March 2014 £'000
Investment assets		
Pooled investments	405,064	414,508
Pooled property investments	33,320	34,944
Private equity/infrastructure	99,913	116,391
Total investments	538,297	565,843

a) Reconciliation of movements in investments

	Market value 1 April 2013 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Market value 31 March 2014 £'000
Pooled investments	405,064	15,027	26,736	21,153	414,508
Pooled property investments	33,320	0	983	2,607	34,944
Private equity/infrastructure	99,913	29,673	20,481	7,286	116,391
Net investment assets	538,297	44,700	48,200	31,046	565,843

	Market value 1 April 2012	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2013
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	77,040	0	-77,040	0	0
Equities	86,491	0	-86,491	0	0
Pooled investments	205,281	275,238	-118,020	42,565	405,064
Pooled property investments	34,739	0	0	-1,419	33,320
Private equity/infrastructure	80,729	25,306	-10,216	4,094	99,913
	484,280	300,544	-291,767	45,240	538,297
Other investment balances:					
Investment income due	544				0
Net investment assets	484,824				538,297

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

b) Analysis of investments

	31 March 2013 £'000	31 March 2014 £'000
Fixed interest securities		
UK		
Public sector quoted	0	0
Corporate quoted	0	0
Overseas		
Public sector quoted	0	0
	0	0
Equities		
UK		
Quoted	0	0
	0	0
Pooled funds – additional analysis		
UK		
Fixed income unit trust	82,898	84,058
Unit trusts	99,392	111,992
Fund of hedge funds	27,231	0
Diversified growth funds	33,953	44,865
Overseas		
Unit trusts	161,590	173,593
	405,064	414,508
Pooled property investments	33,320	34,944
Private equity/infrastructure	99,913	116,391
	133,233	151,335
	538,297	565,843

Investments analysed by fund manager

	Market value 31 March 2013		Market value 31 March 2014	
	£'000	%	£'000	%
Legal & General	202,617	37.6	220,614	39.0
Henderson	105,243	19.5	112,417	19.9
Capital Dynamics	81,199	15.1	92,308	16.3
Yorkshire Fund Managers	1,144	0.2	1,090	0.2
Fauchier	27,231	5.1	0	0.0
Baillie Gifford	33,953	6.3	44,865	7.9
Aviva	33,320	6.2	34,944	6.2
Dimensional	36,945	6.9	37,941	6.7
Alinda	16,645	3.1	21,664	3.8
Total	538,297	100.0	565,843	100.0

All the above companies are registered in the United Kingdom.

Concentration of investments

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

c) Stock lending

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

16. Financial instruments

a) Classification of financial instruments

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

31 March 2013			31 March 2014		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets					
405,064			414,508		
33,320			34,944		
99,913			116,391		
	5,534			18,265	
	4,483			1,158	
538,297	10,017	0	565,843	19,423	0
Financial Liabilities					
		(431)			(483)
538,297	10,017	(431)	565,843	19,423	(483)
Totals			Totals		

b) Net gains and losses on financial instruments

31 March 2013			31 March 2014	
	£'000			£'000
		Financial assets		
	45,240	Fair value through profit and loss		31,046
45,240		Total	31,046	

c) Fair value of financial instruments and liabilities

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

31 March 2013			31 March 2014	
Carrying value	Fair value		Carrying value	Fair value
£'000	£'000		£'000	£'000
		Financial assets		
538,297	538,297	Fair value through profit and loss	565,843	565,843
10,017	10,017	Loans and receivables	19,423	19,423
548,314	548,314	Total financial assets	585,266	585,266
		Financial liabilities		
(431)	(431)	Financial liabilities at amortised cost	(483)	(483)
(431)	(431)	Total financial liabilities	(483)	(483)

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

d) Valuation of financial instruments carried at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	449,452		116,391	565,843
Loans and receivables	20,515			20,515
Total financial assets	469,967	0	116,391	586,358
Financial liabilities				
Financial liabilities at amortised cost	(483)			(483)
Total financial liabilities	(483)	0	0	(483)
Net financial assets	469,484	0	116,391	585,875

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2013	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss	411,153		127,144	538,297
Loans and receivables	10,017			10,017
Total financial assets	421,170	0	127,144	548,314
Financial liabilities				
Financial liabilities at amortised cost	(431)			(431)
Total financial liabilities	(431)	0	0	(431)
Net financial assets	420,739	0	127,144	547,883

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.

2) Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with WM Company plc, the Pension Fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset type	Potential market movements (+/-)
Fixed interest	2.1%
UK equities	11.4%
Overseas equities	12.4%
Property	2.3%
Alternative investments	6.1%
Cash	0.0%

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

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

Asset type	Value at 31 March 2014	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	18,265	0.0	18,265	18,265
Investment portfolio assets:				
Fixed interest	84,058	2.1	85,823	82,293
UK equities	111,992	11.4	124,759	99,225
Overseas equities	173,593	12.4	195,119	152,067
Property	34,944	2.3	35,748	34,140
Alternative investments	161,256	6.1	171,093	151,419
Total	584,108		630,806	537,410

Asset type	Value at 31 March 2013	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	5,534	0.0	5,534	5,534
Investment portfolio assets:				
Fixed interest	82,898	2.1	84,639	81,157
UK equities	99,392	11.4	110,723	88,061
Overseas equities	161,590	12.4	181,627	141,553
Property	33,320	2.3	34,086	32,554
Alternative investments	161,097	6.1	170,924	151,270
Total	543,831		587,533	500,129

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 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2013	31 March 2014
	£'000	£'000
Cash balances	5,534	18,265
Fixed interest securities	82,898	84,058
Total	88,432	102,323

Interest rate risk sensitivity analysis

The Pension Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. Experience suggests that long-term average rates are expected to move less than 100 basis points from one year to the next.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£'000	£'000	£'000
Cash balances	18,265	183	-183
Fixed interest securities	84,058	840	-840
Total change in assets available	102,323	1,023	-1,023
Asset type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£'000	£'000	£'000
Cash balances	5,534	55	-55
Fixed interest securities	82,898	829	-829
Total change in assets available	88,432	884	-884

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 2014 and as at the previous period end:

Currency exposure – asset type	Asset value at 31 March 2013 £'000	Asset value at 31 March 2014 £'000
Overseas unit trusts	161,590	173,593
Overseas pooled property investments	5,487	5,022
Overseas private equity/infrastructure	99,913	116,391
Total overseas assets	266,990	295,006

Currency risk – sensitivity analysis

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

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

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

	Asset value as at 31 March	Change to net assets available to pay	
	2014	+8%	-8%
	£'000	£'000	£'000
Overseas unit trusts	173,593	187,480	159,706
Overseas pooled property investments	5,022	5,424	4,620
Overseas private equity/infrastructure	116,391	125,702	107,080
Total change in assets available	295,006	318,606	271,406

	Asset value as at 31 March	Change to net assets available to pay	
	2013	+8%	-8%
	£'000	£'000	£'000
Overseas unit trusts	161,590	174,517	148,663
Overseas pooled property investments	5,487	5,926	5,048
Overseas private equity/infrastructure	99,913	107,906	91,920
Total change in assets available	266,990	288,349	245,631

b) Credit risk

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

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

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

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2014 was £18.265m (31 March 2013: £5.534m). This was held with the following institutions:

	Rating	Balances as at 31 March 2013 £'000	Balances as at 31 March 2014 £'000
Bank deposit accounts			
NatWest	A-	5,534	18,265
Total		5,534	18,265

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 2014 the value of illiquid assets was £151.3m, which represented 27% of the total fund assets (31 March 2013: £160.5m, which represented 30% 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 2014 are due within one year.

Refinancing risk

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

18. Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

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

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

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

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

Mortality assumptions

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

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

Commutation assumption

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

19. Actuarial present value of promised retirement benefits

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

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

The actuarial present value of promised retirement benefits at 31 March 2014 was £1,168m (31 March 2013: £1,587m). The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

Financial assumptions

Inflation/pensions increase rate	2.8%
Salary increase rate	4.4%
Discount rate	4.3%

Longevity assumption

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

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

* Future pensioners are assumed to be currently aged 45

Commutation assumption

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

20. Current assets

	31 March 2013 £'000	31 March 2014 £'000
Debtors:		
- Contributions due – employees	146	188
- Contributions due – employers	2,596	812
- Sundry debtors	384	92
Cash balances	5,534	18,265
Total	8,660	19,357

Analysis of debtors

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	245	0
Other local authorities	2,742	999
Other entities and individuals	139	93
Total	3,126	1,092

21. Non current assets

	31 March 2013 £'000	31 March 2014 £'000
Non current assets	1,357	158
Total	1,357	158

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

22. Current liabilities

	31 March 2013 £'000	31 March 2014 £'000
Sundry creditors	431	483
Total	431	483

Analysis of creditors

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	5	3
Other entities and individuals	426	480
Total	431	483

23. Additional voluntary contributions

	Market value 31 March 2013 £'000	Market value 31 March 2014 £'000
Clerical Medical	1,190	1,145
Equitable Life	172	169
Total	1,362	1,314

AVC contributions of £38,282 were paid to Clerical Medical during the year (2012/13: £79,000). The Pension Fund's former provider, Equitable Life, no longer accepts AVC contributions from Scheme members.

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

24. Related party transactions

Brent Council

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

The Council incurred costs of £0.880m (2012/13: £0.987m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £31.390m to the Fund in 2013/14 (2012/13: £31.576m). All monies owing to and due from the Fund were paid in year.

Governance

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

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

Key management personnel

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

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

25. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2014.

26. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2014 totalled £41.537m (31 March 2013: £64.979m).

	31 March 2013 £'000	31 March 2014 £'000
Capital Dynamics	54,077	38,061
Alinda	10,636	3,416
Yorkshire Fund Managers	266	60
Total	64,979	41,537

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

27. Contingent assets

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

	31 March 2013 £'000	31 March 2014 £'000
Wettons (Estate Cleaning & North Grounds Maintenance)	158	158
Wettons (South Grounds Maintenance)	145	145
Europa	0	136
Capita Business Services Limited	123	123
Conway Aecom	0	113
Willow Housing & Care Limited	45	0
Xerox (UK) Limited	29	29
ThamesReach	0	5
Total	500	709

28. Impairment losses

The Fund had no impairment losses at 31 March 2014.

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.

CORPORATE MANAGEMENT

Those activities which relate to the general running of the Council. These provide the infrastructure that allows services to be provided whether by the Council or not and the information required for public accountability. Activities relating to the provision of services, even indirectly, are overheads on those services, not a charge to corporate management.

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)

DEMOCRATIC REPRESENTATION AND MANAGEMENT

This concerns corporate policy making and all other member-based activities. It includes the costs of officer time spent on appropriate advice and support activities plus subscriptions to local authority associations.

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.

GLOSSARY (Continued)

LONG-TERM CONTRACTS

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

MINIMUM REVENUE PROVISION

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.

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation.

ABBREVIATIONS

ALMO	Arms Length Management Organisation
AVC	Additional Voluntary Contribution
BHP	Brent Housing Partnership
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government
CIES	Comprehensive Income and Expenditure Statement
DfE	Department for Education
FTE	Full Time Equivalent
GLA	Greater London Authority
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NNDR	National Non Domestic Rates (also called Business Rates)
PFI	Private Finance Initiative
PPP	Public Private Partnership
PWLB	Public Works Loans Board

 Brent	<p style="text-align: center;">Audit Committee 26 June 2014</p> <p style="text-align: center;">Report from the Chief Finance Officer</p>
<p style="text-align: right;">Wards Affected: ALL</p>	
<p>2013/14 Treasury Management Outturn Report</p>	

1. INTRODUCTION

- 1.1 This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2013/14.

2. RECOMMENDATION

- 2.1 The Committee is asked to consider the 2013/14 Treasury Management outturn report, which will also be submitted to the Cabinet and Full Council.

3. BACKGROUND

- 3.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.
- 3.2 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Investment Guidance.
- 3.3 The Council has borrowed money over the long term to support investment in the Council's infrastructure and also invests balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Economic background

- 3.4 The recovery in the UK surprised with strong economic activity and growth. Q4 2014 GDP showed year-on-year growth of 2.7%. Much of the improvement was down to the dominant service sector, and an increase in household consumption buoyed by the pick-up in housing transactions which were driven by higher consumer confidence, greater availability of credit and strengthening house prices which were partly boosted by government initiatives such as Help-to-Buy. However, business investment had yet to recover convincingly and the recovery was not accompanied by meaningful productivity growth. CPI fell from 2.8% in March 2013 to 1.7% in February 2014, the lowest rate since October 2009, helped largely by the easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates. Although the fall in unemployment (down from 7.8% in March 2013 to 6.6% in April 2014) was faster than the Bank of England had forecast, the real level of unemployment, and therefore the amount of excess capacity, remains uncertain making it difficult to be confident how much inflationary pressure is in the economy.
- 3.5 At present it is difficult to be confident that present levels of growth can be sustained due to:
- The Federal Reserve's then Chairman Ben Bernanke's announcement in May 2013 that the Fed's quantitative easing (QE) programme may be 'tapered'
 - the Eurozone struggling to show sustainable growth
 - uncertainty arising from the situation in the Ukraine and the Middle East
 - evidence of strains to the Chinese economy

Gilt Yields and Money Market Rates

- 3.6 Gilt yields (the rate of interest on UK government borrowing) ended the year higher than in April 2013. The peak in yields was during autumn 2013. The biggest increase was in 5-year gilt yields which increased by nearly 1.3% from 0.70% to 1.97%. 10-year gilt yields rose by nearly 1% ending the year at 2.73%. The increase was less pronounced for longer dated gilts; 20-year yields rose from 2.74% to 3.37% and 50-year yields rose from 3.23% to 3.44%.
- 3.7 Interest rates on short term inter-bank lending remained below 1% through the year.

The Borrowing Requirement and Debt Management

- 3.8 The table below summarises the Council's borrowing activity during 2013/14. The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31/03/2014 was £582 million.

	Balance 01/04/2013 (£m)	New Borrowing (£m)	Borrowing Repaid (£m)	Balance 31/03/2014 (£m)	Average Rate (%)	Average Life (Years)
CFR	591			582		
Short Term Borrowing	0	422	422	0	0	
Long Term Borrowing	432	0	4	428	4.68	37.8
TOTAL BORROWING	432	422	426	428	4.68	37.8

- 3.9 At 1 April 2013 the Council had £432 million of long-term borrowing, to finance its previous years' capital programmes. With short-term interest rates being much lower than long-term rates, it was more cost effective in the short-term to use internal resources and borrow on a short-term basis (mainly from other local authorities), rather than undertake further long-term borrowing. By doing so, the Council has been able to reduce net borrowing costs and reduced overall treasury risk.
- 3.10 The Treasury Management Strategy approved by the Council in March 2014 includes provision for borrowing to progress towards CFR over a period of 2 – 3 years. The rate of progress will depend on the perceived risks of lending surplus cash, the Council's cash flow and the prospective path of interest rates.
- 3.11 No debt was restructured during the year and no lenders exercised options to vary the terms of loans on LOBO (Lender Option, Borrower Option) terms.

Investment Activity

- 3.12 Both CIPFA and the CLG Investment Guidance require the Council to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield. The table below summarises investment activity during 2013/14.

Investments	Balance on 01/04/2013 (£m)	Investments made (£m)	Investments repaid (£m)	Balance on 31/03/2013 (£m)	Average Rate (%)
Fixed Term Deposits	48	136	122	62	0.7
Market Funds	17	550	518	49	0.4
TOTAL INVESTMENTS	65	686	640	111	0.6

- 3.11 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2013/14 which defined "high credit quality organisations" as those having a long-term credit rating of A- or higher that are domiciled in the UK or overseas where the sovereign rating is AA+ or higher.
- 3.12 Investments with banks and building societies were primarily fixed-rate term deposits. The maximum duration of these investments was 12 months in line with the prevailing credit outlook during the year as well as market conditions.

Credit developments and credit risk management

- 3.13 The Council assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating determined by the Council for the 2013/14 treasury strategy was A- across rating agencies Fitch, S&P and Moody's.

- 3.14 The debt crisis in Cyprus was resolved by its government enforcing a 'haircut' on unsecured investments and bank deposits over €100,000. This resolution mechanism has implications throughout Europe and has already been incorporated into UK legislation through the Financial Services (Banking Reform) Act 2013. The risk of loss is currently felt to be low in the UK, but the Council has taken a number of actions in response to this, and continues to monitor risks, with advice from Arlingclose.
- 3.15 EU finance ministers agreed further steps towards banking union, and the Single Resolution Mechanism (SRM) for resolving problems with troubled large banks which will shift the burden of future restructurings/rescues to the institution's shareholders, bondholders and unsecured investors. Proposals were also announced for EU regulatory reforms to Money Market Funds which may result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper in the future.
- 3.16 The material changes to UK banks' creditworthiness were (a) the strong progress made by the Lloyds Banking Group in strengthening its balance sheet, profitability and funding positions and the government reducing its shareholding in the Group to under 25%, (b) the announcement by Royal Bank of Scotland of the creation of an internal bad bank to house its riskiest assets (this amounted to a material extension of RBS' long-running restructuring, further delaying the bank's return to profitability) and (c) substantial losses at Co-op Bank which forced the bank to undertake a liability management exercise to raise further capital and a debt restructure which entailed junior bondholders being bailed-in as part of the restructuring.
- 3.17 In July Moody's placed the A3 long-term ratings of Royal Bank of Scotland and NatWest Bank and the D+ standalone financial strength rating of RBS on review for downgrade amid concerns about the impact of any potential breakup of the bank on creditors. As a precautionary measure the Council reduced its duration to overnight for new investments with the bank(s). In March Moody's downgraded the long-term ratings of both banks to Baa1. As this rating is below the Council's minimum credit criterion of A-, the banks were withdrawn from the counterparty list for further investment. Natwest are the Council's bankers, and having reviewed their position and taken advice from Arlingclose, they will continue to be used for operational and liquidity purposes.
- 3.18 The Co-op's long-term ratings were downgraded by Moody's and Fitch to Caa1 and B respectively, both sub-investment grade ratings. The Co-op Bank's capital raising plans to plug a capital shortfall include a contribution from the Co-op Group which is committed to injecting £313m in 2014 of which £50m had been paid [as at 16 April 2014]. However, in order to cover future expected losses and to meet the Prudential Regulation Council's capital targets, a further £400m is being sought from shareholders, of which Co-operative Group's share is approximately £120m.

Liquidity Management

- 3.19 At current rates it is appropriate to make use of opportunities to lend to secure counterparties for up to a year (and limited amounts beyond that). Over the last year, largely due to the pattern of government grant distribution, net available balances

have fluctuated considerably. At peak periods, mindful of the primacy of security as a criterion for decision making, substantial balances may be held in short term investments, particularly Money Market Funds. The use of short term borrowing at times of lower cash balances is judged to maintain a prudent balance between maintaining security and liquidity and achieving a reasonable yield on investments.

Yield

- 3.20 The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The average 3-month LIBID rate during 2013/14 was 0.45%, the 6-month LIBID rate averaged 0.53% and the 1-year LIBID rate averaged 0.78%. The low rates of return on the Council's short-dated money market investments reflect prevailing market conditions and the Council's objective of optimising returns commensurate with the principles of security and liquidity.
- 3.21 The Council's budgeted investment income for the year had been estimated at £0.2m. The average cash balance during the year was £97m during the period and interest earned was £0.6m.

Update on Investments with Icelandic Banks

- 3.22 **Heritable** – The Council has now recovered 94% of its £10 million deposit with Heritable Bank. It is likely that further distributions will be received, although the administrators have not made any further estimate of final recoveries yet.
- 3.23 **Glitnir** – The Council has received £4 million of its deposit with Glitnir Bank, and approximately £1m is held in a bank account in Iceland until authorisation is received from the Central Bank of Iceland to convert it into sterling. It is earning interest at a rate of 4.2%, but that is also not convertible. The amount which will, in due course, be realised from this deposit will depend on the exchange rate when it becomes convertible.

Compliance

- 3.24 The Council confirms that it has complied with its Prudential Indicators for 2013/14, which were approved by the Council on 25 February 2013 as part of the Council's Treasury Management Strategy Statement.
- 3.25 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2013/14. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. Further information is set out in Appendix 2.

Investment Training

- 3.27 The needs of the Council's treasury management staff for training in investment management are kept under review and considered as part of the staff appraisal

process, and additionally when the responsibilities of individual members of staff change.

3.28 During 2013/14 staff attended training courses, seminars and conferences provided by Arlingclose and CIPFA and opportunities which may arise with other organisations are considered.

3.29 A member training session on treasury management was held on 2 July 2013 which outlined the overall treasury management framework with a particular focus on the management of risks.

4. FINANCIAL IMPLICATIONS

4.1 The Council's incurred interest costs of £20.2m in 2013/14 in respect of its long-term borrowing and earned interest of £0.6m on its investments. The approach taken to minimise net interest costs enabled the Council to reduce its capital financing requirement by £4.6m, thereby providing ongoing annual contribution of at least £550k towards the savings needed in the Council's medium term financial strategy.

5. LEGAL IMPLICATIONS

5.1 None identified.

6. DIVERSITY IMPLICATIONS

6.1 None identified.

7. STAFFING IMPLICATIONS

7.1 None identified.

8. BACKGROUND INFORMATION

Treasury Management Strategy Report to Council – 25 February 2013
2013/14 Mid Year Treasury Report to Council – 18 November 2013

9. CONTACT OFFICERS

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Appendix 1 - Debt and Investment Portfolio Position 31/3/2014

	31/3/2014 Actual Portfolio £m	31/3/2014 Average Rate %
External Borrowing:		
PWLB – Maturity	288	2.6
PWLB – Equal Instalments of Premium	44	5.0
LOBO Loans	96	4.7
Total External Borrowing	428	4.7
Other Long Term Liabilities:		
PFI	36	9.5
Total Gross External Debt	464	5.1
Investments:		
Deposits	62	0.7
Money Market Funds	49	0.4
Total Investments	111	0.6
Net Debt	353	4.8

Appendix 2 – Prudential Indicators

(a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2013/14 is shown in the table below:

Capital Financing Requirement	31/03/2014 Estimate £m	31/03/2014 Actual £m
General Fund	478	445
HRA	137	137
Total CFR	615	582

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31/03/2014 Estimate £m	31/03/2014 Actual £m
Borrowing		428
PFI liabilities		36
Total Debt	615	464
Borrowing in excess of CFR?	No	No

(b) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2013/14.

	Operational Boundary (Approved) 31/03/2014	Authorised Limit (Approved) 31/03/2014	Actual External Debt 31/03/2014
Borrowing			428
Other Long-term Liabilities			36
Total	700	800	464

(c) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed.

	Approved Limits for 2013/14 Proportion %	Maximum during 2013/14 Proportion %
Upper Limit for Fixed Rate Exposure	100	100
Compliance with Limits:	Yes	Yes
Upper Limit for Variable Rate Exposure	40	14
Compliance with Limits:	Yes	Yes

(d) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing at 31/03/2014 £m	% Fixed Rate Borrowing at 31/03/2014	Compliance with Set Limits?
under 12 months	40	0	19	5	Yes
12 months and within 24 months	20	0	29	7	Yes
24 months and within 5 years	20	0	64	15	Yes
5 years and within 10 years	60	0	27	6	Yes
10 years and within 20 years	100	0	8	2	Yes
20 years and within 30 years	100	0	20	4	Yes
30 years and within 40 years	100	0	89	21	Yes
40 years and within 50 years	100	0	172	40	Yes
50 years and above	100	0	0	0	Yes

(e) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	31/03/2014 Estimate £m	31/03/2014 Actual £m
Non-HRA	85	73
HRA	17	16
Total	102	89

(f) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	31/03/2014 Estimate %	31/03/2014 Actual %
Non-HRA	8.83	8.74
HRA*	20.34	19.33
Total	10.56	10.33

(g) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council adopted the principles of best practice.

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in February 2013


(h) Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

	31/03/2014 Approved £m	31/03/2014 Actual £m
	20	5

(i) HRA Limit on Indebtedness

HRA Debt Cap (as prescribed by CLG)	£199m	
	31/03/2014 Estimate £m	31/03/2014 Actual £m
HRA CFR	137	137

 <h1>Brent</h1>	<p>Audit Committee 26 June 2014</p> <p>Report from the Chief Finance Officer</p>
<p>For Information Wards Affected: ALL</p>	
<p>Final Internal Audit Progress Report 2013/14</p>	

1. Summary

- 1.1. This report summarises the work of Internal Audit and the Investigation Team and provides an update on progress since the previous report to this Committee on 19 March 2014.

2. Recommendation

- 2.1. That the Audit Committee notes the progress made in achieving the 2013/14 Internal Audit Plan and the review of fraud work.

3. Detail

Audit

- 3.1. The Internal Audit Plan for 2013/14¹ comprises 1,248 days, including 48 days brought forward from the previous year which were not delivered (payments to the contractor were adjusted accordingly). The majority, 953 days, of the plan is delivered through Mazars (previously Deloitte) Public Sector Internal Audit Limited called off from a framework contract procured by Croydon Council. A small in-house team deliver a further 295 days.
- 3.2. The summary of final reports issued to date is as follows:

	Full	Substantial	Limited	None	Non- Assurance	Total
Final Reports	1	31	19	0	8	59
Draft Reports	0	9	12	0	1	22
Totals	1	40	31	-	9	81
Outstanding Reports yet to be issued						2
Report Totals						83
Planned Reports						83

- 3.3. The key points to note with regard to progress for the year are:
- 81 draft and final reports issued (both Mazars and in-house output) against a planned total of 83 individual projects, representing 98% of the planned output.
 - 59 final reports issued, representing 71% of total projects.
 - Of the final reports (Council & BHP reports) issued to date and for which assurance opinions were relevant to date there have been 1 full; 31 substantial and 19 limited assurance opinions.
- 3.4. A summary report setting out the completed audit work is attached as Appendix 1. The status of all projects planned is set out in the table 1 below. The presentation of this table has been amended from previous versions and withdrawn audits are now shown in a separate Appendix 2.

Audit	Original Plan	Revised Plan	Total days delivered	Progress	Assurance Opinion/ Direction of Travel	Issue Date
CROSS COUNCIL / CORPORATE AUDIT						
Business Continuity Planning & Emergency Planning	10	10	10	Final Report	Limited (Improved)	12/09/2013
Corporate Income Collection Arrangement (Original focus was cemeteries and mortuary income)	10	10	10	Draft Report	Limited	29/05/2014
CROSS COUNCIL / CORPORATE Total	20	20	20			
FINANCE						
Pension Fund Investments	10	10	10	Final Report	Substantial (Unchanged)	13/11/2013
One Oracle Project (SME and FIT Meeting attendance)	11	14	14	Complete for 2013/14		
Insurance	15	15	15	Final Report	Limited (Deteriorated)	13/11/2013
Pre-Migration Audit - (AP/AR/GL)	0	17	17	Draft Report	Substantial (Unchanged)	28/05/14
Finance Total	36	56	56			
HR						
Pre-Migration Audit (Payroll)	0	8	8	Draft Report	Substantial (Unchanged)	28/05/14
Disclosure & Barring (formerly CRB checks)	20	25	25	Revised Draft Report	Substantial	22/05/2014
Sickness & Absence Management	20	20	20	Draft Report	Limited	16/04/2014
HR Total	40	53	53			

CHILDREN AND YOUNG PEOPLE						
Christchurch	10	10	10	Draft Report	Limited	28/05/14
Mount Stewart Junior	10	10	10	Final Report	Substantial	13/12/2013
Our Lady of Grace Infants	10	11	11	Final Report	Substantial	13/01/2014
Our Lady of Grace Juniors	10	10	10	Final Report	Substantial	19/11/2013
Woodfield	10	18	18	Final Report	Limited	29/11/2013
Byron Court	10	13	13	Final Report	Limited	04/03/2014
Manor Day	10	10	10	Final Report	Substantial	04/03/2014
Braintcroft	10	10	10	Final Report	Substantial	15/01/2014
Harlesden	10	10	10	Final Report	Substantial	13/06/14
Kingsbury Green	0	10	10	Final Report	Substantial (Improved)	04/02/2014
Our Lady of Lourdes	10	10	10	Final Report	Substantial (Improved)	02/10/2013
Donnington	10	10	10	Final Report	Substantial	23/07/2013
Fryent	10	15	15	Final Report	Substantial	03/04/2014
Northview	0	10	10	Final report	Substantial (Unchanged)	26/02/2014
Mount Stewart Infants	0	10	10	Final Report	Limited	30/01/2014
Other School Issues / Training	0	11	11	Complete	Not applicable	
Follow up work for the schools with Limited Assurance	20	30	30	Follow-up audits. See Appendix 1 page 15 for details		
Capital Grant Funding for Nursery Places for 2 Year Olds	5	5	5	Complete	Non Assurance Work	31/05/2013
Gordon Brown Education Centre	10	12	12	Final Report	Substantial	28/03/2014
Troubled Families Grant Claim Certification Families Worked with June 2013	0	5	5	Claim certified	Grant Certification	15/07/2013
Troubled Families Grant Claim Certification Families Worked with August 2013	0	5	5	Claim certified	Grant Certification	23/08/2013
Troubled Families Grant Claim Certification Payment By Results August 2013	0	5	5	Claim certified	Grant Certification	23/08/2013
Troubled Families Grant Claim Certification Payment By Results October 2013	0	6	6	Claim certified	Grant Certification	25/10/2013
Troubled Families Grant Claim Certification Payment By Results January	0	12	12	Claim certified	Grant Certification	14/02/2014

2014						
Frameworkki purchasing	0	12	12	Final Report	Limited	09/08/2013
Frameworkki payments	0	11	11	Final Report	Non Assurance Work	10/12/2013
Placements	0	28	28	Draft Report	Limited	02/05/2014
Nurseries	0	25	25	Draft Report	Limited	12/05/2014
Frameworkki Board Advisory	0	3	3	Completed.		
C&F Total	155	337	337			
ADULT SOCIAL SERVICES						
Transitions Team (14-25 year old)	15	15	15	Draft Report	Limited	30/05/2014
Carers Audit	10	10	10	Final Report	Limited	04/12/2014
Kingsbury Resource Centre	0	10	10	Draft Report	Limited	26/02/2014
John Billam Resource Centre	0	10	10	Draft Report	Limited	28/05/2014
New Millennium Day Care Centre	0	10	10	Draft Report	Limited	28/05/2014
Tudor Gardens	0	15	15	Final Report	Substantial	29/05/2014
Appointeeship & Deputyship 2012/13 accounts verification	0	20	20	Final Report	Non assurance	13/06/2014
Soft Box - Migration of Data on Abacus to Frameworkki	10	12	12	Final Report	Limited	10/12/2013
Adult Social Services Total	35	102	102			
ENVIRONMENT & NEIGHBOURHOOD (E&N)						
Recycling & Waste	10	10	10	Final Report	Limited	26/06/2013
Preparation work for Street Lighting Energy Consumption	0	3	3	See Appendix 2		
E&N Total	10	13	13			
LEGAL AND PROCUREMENT						
Members expenses and allowances	8	8	8	Final Report	Substantial (Deteriorated)	06/08/2013
G & CS Total	8	8	8			
REGENERATION & GROWTH (R&G)						
Capital Projects (Bronte House Disposal)	20	20	20	Draft Report	Limited	30/05/2014

Capital Projects (Byron Court)	10	10	5	Draft Report to be issued		
Homelessness and Temporary Accommodation/ Housing Allocations	20	20	20	Draft Report	Limited (Deteriorated)	30/05/2014
S106	10	10	10	Final Report	Limited	28/05/2014
Community Infrastructure Levy	0	10	10	Final Report	Limited	28/05/2014
Council Tax	15	15	15	Final Report	Substantial (Unchanged)	23/03/2014
Local Council Support Scheme (formerly Council Tax Benefit)	12	12	12	Final Report	Substantial	13/06/2014
National Non Domestic Rates (NNDR)	15	15	15	Final Report	Substantial (Unchanged)	25/02/2014
NNDR Strategy	5	5	5	Draft Report	Non Assurance	30/05/2014
Housing Benefits / Discretionary Payments	20	25	25	Final Report	Substantial (Unchanged)	15/05/2014
R&G Total	127	142	137			
ASSISTANT CHIEF EXECUTIVE'S PORTFOLIO						
Data Quality	10	10	10	Final Report	Substantial	06/06/2014
Complaints	10	16	16	Final Report	Limited	06/06/2014
Grants to Voluntary Organisations	0	15	15	Draft Report	Substantial	30/05/2014
Grants to Voluntary Organisations (Public Health)	0	10	3	WIP		
Public Health Contract Management (Stop Smoking)	25	30	30	Final Report	Substantial	29/05/2014
Freedom of Information	10	20	20	Final Report	Limited	11/06/2014
Public Health Board	0	5	5	Complete		
ACEP Total	55	106	99			
IT Audits (132 Days)						
Oracle - Pre Implementation	10	16	16	Draft Report	Substantial	27/02/2014
Migration of Appointeeship and Deputyship (Abacus, ResFunds, Quicken)	10	14	14	Final Report	Limited	18/12/2013
View 360	10	10	10	Final Report	Substantial (Unchanged)	11/12/2013
Infostore - Apps Sharepoint Implementation	10	10	10	Final Report	Limited	29/04/2014

Academy	10	10	10	Final Report	Substantial (Unchanged)	05/11/2013
Telecommunications (telephony with iphones and also to include Ipads Security and management)	15	20	20	Final Report	Substantial	12/06/2014
Network Infrastructure	20	15	15	Final Report	Substantial	15/05/2014
Remote Access	12	10	10	Final Report	Substantial	12/06/2014
Follow Up	8	8	8	Complete		
Planning for 13/14 audit	1	1	1	Complete		
IT Total	106	114	114	*		
OTHER						
Risk Management	15	15	15	Complete		
Governance & Audit Planning 2014/15	13	14	14	Complete		
Consultation, Communication and Reporting (Mazars)	55	55	55	Complete		
Follow-Up	45	45	45	Complete		
Office Move & Archiving	10	15	15	Complete		
Advice on Internal Controls	0	3	3	Complete		
Contingency	19	0	0			
OTHER Total	157	147	147			
BRENT HOUSING PARTNERSHIP (BHP)						
Housing Repairs and Maintenance	12	12	12	Draft Report	Limited (Improved)	20/05/2014
Housing Rents	8	8	8	Final Report	Substantial (Unchanged)	10/12/2013
Major Works Contracts (1)	5	5	5	Final Report	Limited	12/06/2014
Major Works Contracts (2)	5	5	5	Final Report	Substantial	12/06/2014
Key Financial Systems Transactions Testing - AR/AP/GL	0	8	8	Draft Report	Substantial	29/05/2014
Key Financial Systems Transactions Testing - Payroll	0	4	4	Draft Report	Substantial	28/05/2014
Rent Arrears Management	12	12	12	Final Report	Substantial	16/04/2014
Budget Management	0	8	8	Final Report	Substantial	31/03/2014
Voids and Disrepair	10	12	12	Final Report	Limited	01/04/2014
Fire Safety	12	12	12	Final Report	Limited	18/12/2013
Gas Safety				Final Report	Full (Unchanged)	18/12/2014

Management of Non Brent Properties	12	12	12	Draft Report	Substantial (Improved)	20/05/14
Resident Involvement	12	12	12	Final Report	Limited (Improved)	07/05/2014
Leasehold Management and Service Charges	12	12	12	Final Report	Substantial (Unchanged)	19/05/14
One Oracle Pre-Migration	0	10	10	Draft Report	Substantial	27/02/2014
Management and Follow up	20	18	18	Complete		
BHP Total	120	150	150			
Total	869*	1248	1236			

Table 1 – Planned Projects and Progress as at 13/06/2014
(*Original plan 1,200 days, balance of 331 represented by withdrawn audits)

3.5. A summary of delivery is shown below:

Delivery Status	
Total days in the plan	1248 days
Number of days delivered to date	1236 days
% of days delivered to date	99%
Days to be delivered (Work in Progress)	12
Total number of reports to be issued (excluding follow up reports and Committee reports)	83
Number of reports / certifications issued to date	81
% of draft and final reports issued to date	98%
Number of final reports issued	59
% of reports finalised	71%

Table 2 – Delivery Status as at 13/06/14

3.6. In relation to audit work replaced during the year, as set out at appendix 2, this represent approximately 25% of the original plan. No formal analysis has been undertaken on the reasons for this and no benchmarking information has been obtained to establish whether or not this is unusually high. There are a number of possible explanations:

- A number of system planned to be implemented in year did not go ahead as planned, such as one oracle;
- Management requesting deferral of audits for convenience, i.e. school bursar not on post;
- Coverage being achieved through other means, i.e. proactive anti-fraud work (i.e. GPC cards);
- Change in lead officer in service with different view of risk

4. Housing Benefit Fraud

4.1. Caseload information is set out in table three below. Please note that 'Referrals' refer to

cases received between 1st April 2013 and 31st March 2014; 'Investigated' and 'Closed' include cases where referrals were received in previous years but for which the investigations were completed in the current year. This means that 'Investigated' and 'Closed' cases will often be a higher figure than 'Referred' cases.

- 4.2. In summary, the team has completed full investigations into 109 cases and identified fraud in 67 of these. 26 individuals have been prosecuted and 20 have had an administrative penalty applied (of up to 30% of the value of the overpayment in addition to the overpayment). Overpayments are being recovered in these and 21 additional cases where no sanction was applied. The total value of HB/CTB fraud overpayments identified by the team is in excess of £1.1m.

HB Fraud	2013/14	20012/13
Referrals	596	666
Investigated	109	190
Fraud Found	67	121
Hit Rate	61%	64%
Caution	0	0
Admin Penalty	20	34
Prosecution	26	28
Total Sanctions	46	62
Court Summons issued but person has absconded	3	4
Overpayment Only	18	43
Value of HB/CTB fraud	£1,140,000	£1,786,000
Value of DWP fraud	£400,000	£666,000
Total value of fraud	£1,540,000	£2,452,000
Average HB/CTB Overpayment per fraud	£17,000	£14,800

I
Table 3 – HB / CTB Fraud 2013/2014

- 4.3. The reduction in cases investigated (-40%) is due to a number of factors including a reduction in staff dealing with HB fraud, more complex enquiries and fewer multiple claim frauds (i.e. a single investigation involving multiple claims with each claim considered as an investigation for case statistics).

Housing Tenancy Fraud

- 4.4. Caseload information is set out in table four below. In summary the team have completed 222 investigations and recovered 46 properties, primarily as a result of identifying unlawful sub-letting.

Housing Fraud	2013/14	2012/13
Referrals	216	206
Investigated	222	222
Fraud Found	49	59
Recovered Property	46	57
Application refused	0	1
Property Size reduced	3	1

Table 4 – Housing Fraud 2013/14

Blue Badge Fraud

- 4.5. The Investigation Team deal with forged/altered badge cases and some misuse cases. Statistics are shown below.

Blue Badge	2013/14	2012/13
Referrals	22	28
Investigated	30	23
Fraud / Irregularity	26	10
Prosecution	10	2
Warning/Caution	16	8

Table 5 – Blue Badge Fraud 2013/14

Other External Fraud

- 4.6. This category includes all other external fraud/irregularity cases excluding those identified in tables' three to five.

Internal	2013/14	2012/13
Referrals	22	37
Closed	31	17
Investigated	25	9
Fraud / Irregularity	6	2
Prosecution	1	0
Overpayment Only	5	0

Table 6 – Other External Fraud 2013/14

- 4.7. These cases included two relating to direct payments, one of which related to a fraud totalling £106,000 across two councils. This case was successfully prosecuted and was set for asset recovery, however the death of the fraudster whilst serving his sentence means that recovery is no longer deemed viable.

Internal Fraud

- 4.8. Internal fraud refers to fraud committed by employees, agency staff and staff in schools. For the purposes of this report, "fraud" includes instances of wilful theft, fraud, misappropriation and serious breach of financial regulations or corruption. Since the beginning of the financial year, 11 staff have been dismissed for the following reasons: Working and claiming benefit; working whilst off sick; false overtime claims (school); conflict of interest; illegal working and theft (contractor). Activity for the year to date is shown in table 7 below:

Internal	2013/14	2012/13
Referrals	55	47
Investigated	44	41
Fraud / Irregularity	16	18
Dismiss	11	5
Resign	2	10
Warning	2	2
No disciplinary action	1	1

Table 7 – Internal Fraud 2013/14

Single Fraud Investigation Service

- 4.9. The DWP have confirmed their intention to transfer housing benefit investigators from local government into the DWP. This will mean that the council will no longer have responsibility for Housing Benefit fraud. Brent has been advised that staff will transfer on 1st October 2014.

Audit Commission Publications

- 4.10. The Audit Commission has recently published two documents. The National Fraud Initiative: National Report June 2014 (<http://www.audit-commission.gov.uk/wp-content/uploads/2008/05/NFI-national-report-FINAL-11-June-2014.pdf>) provides an overview of the results of their most recent national data-matching exercise. This exercise matches various data sets from local authorities and other public bodies to identify potential fraudulent claims for benefits and housing and anomalies in payroll and creditor data. The last data match was undertaken in October 2012 and this report identifies that £144m in fraud has been identified as a result of the exercise with a further £59m from previous exercises being reported.
- 4.11. The council received 5,000 high priority matches. These are prioritised and investigated where appropriate. A number of investigations are currently ongoing. Results to date are summarised below:

Data Match	Number cases	Value of overpayment	National Totals
Pension payments continuing after death	5	£8,000	£76m
Staff working with no right to work	5	*£236,000	£10m
Payments to care homes continuing after death	3	£25,000	£2m
Duplicate Creditor Payments	1	£12,000	£5m
Total	14	£281,000	£203m

(*The Audit Commission value the overpayment as the total salary earned by the employee with no right to work)

- 4.12. The Audit Commission have also provided the council with a comparative analysis of Brent's results compared to the national survey of detected fraud in local government. A copy of this briefing has been sent separately to members. "Protecting the Public Purse Fraud Briefing 2013 Brent London Borough Council" sets out the council's individual results arising from the annual survey of fraud loss for 2012/13. This is the first year when individual extracts have been produced.
- 4.13. The key statistics from the report are summarised below:

Fraud Type	Brent	London Average
Housing Benefit Cases	121	153
Housing Benefit Overpayments	£1.8m	£0.9m
Average HB Fraud	£15,000	£6,000

Ctax Discount Cases	86	586
Ctax Discount Value	£89,000	£202,000
Average Ctax Discount removed	£1,000	£300
Social Tenancies Recovered	53	53
Blue Badge Fraud Cases	10	40
Internal Fraud Cases	9	10
Internal Fraud Value	£69,000	£302,000

- 4.14. The findings of this report reflect the policy decision to generally pursue a lower number of high value or more complex cases, resulting in fewer cases of HB and Council Tax fraud but with a higher value per case. The apparently low level of Blue Badge frauds may indicate that some authorities have reported upon all instances of identified misuse by their parking enforcement teams, whereas the council's return only included more serious cases dealt with by the Audit and Investigation Team.
- 4.15. Five London authorities have reported council tax discount fraud valued in excess of £0.5m. By comparison Brent's figures are relatively low at £86,000, relating to a proactive anti-fraud drive on irregular student council tax exemptions. Further research will be undertaken across London to establish the basis of these high returns.

5. Financial Implications

- 5.1. The total value of the audit contract with Mazars is £300,000 in the current year and is funded within the Audit and Investigations base budget. If the total number of audit days attributable to Mazars is less than the 905 days allocated, then the total amount paid will reduce accordingly.
- 5.2. Funding for Housing Benefit fraud is provided to the council via the main HB administration grant. The DWP have given no indication as to the amount of grant to be withdrawn following transfer of staff although have stated that grant will not be impacted in 2014/15.

6. Financial Implications

- 6.1. None

7. Legal Implications

- 7.1. None

8. Diversity Implications

- 8.1. None

9. Background Papers

1. Report from the Director of Finance and Corporate Services – Draft Internal Audit Plan 2013/14, Audit Committee 30th March 2013
2. Audit Commission – National Fraud Initiative: National Report June 2014

10. Contact Officer Details

Simon Lane, Head of Audit & Investigation, Eighth Floor West, Brent Civic Centre, Engineers Way, Wembley.
Telephone – 020 8937 1260

Conrad Hall
Chief Finance Officer

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**Internal Audit
Year End Progress 2013/14
London Borough of Brent
June 2014**

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Executive Summary

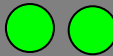



Introduction	<p>This report sets out a summary of the work completed against the 2013/14 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised.</p> <p>Those audits reported on at previous meetings have been removed, but reference can be made to the full list of assurance opinions in the cover report.</p>
Summary of Work Undertaken	<p>The Final Reports issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report:</p> <ul style="list-style-type: none">• NNDR• Council Tax• Housing Benefits• Gordon Brown Centre• S106• Community Infrastructure Levy (CIL)• Stop Smoking• Byron Court School• Manor School• Data Quality• Corporate Complaints• Freedom of Information• Tudor Gardens Residential Home• Network Infrastructure• Infostore• Telecoms and Mobile Devices• Remote Access• BHP Budget Management• BHP Residents Associations

- BHP Rent Arrears Management
- BHP Major Works Final Accounts CAM Estate (CW11045)
- BHP Major Works Final Accounts Lodge & Manor Court (CW12050)
- BHP Leasehold Management & Service Charges

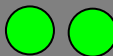



Summary of Assurance Opinions and Direction of Travel

A summary of the assurance opinions and direction of travel assessments is as follows, as compared to the previous two financial years.




Assurance Opinions (Council)

	Full 	Substantial 	Limited 	None 
2011/12	-	42% (22)	50% (26)	8% (4)
2012/13	4% (2)	61% (33)	31% (17)	4% (2)
2013/14	(0)	64% (27)	36% (15)	(0)

Assurance Opinions (Council & BHP)

	Full 	Substantial 	Limited 	None 
2013/14	2%(1)	61%(32)	37%(19)	(0)

Direction of Travel (Council)

	Improved 	Unchanged 	Deteriorated 
2011/12	5	4	2
2012/13	3	4	3
2013/14	4	10	2

Direction of Travel (Council & BHP)

	Improved	Unchanged	Deteriorated
2013/14	4	10	2

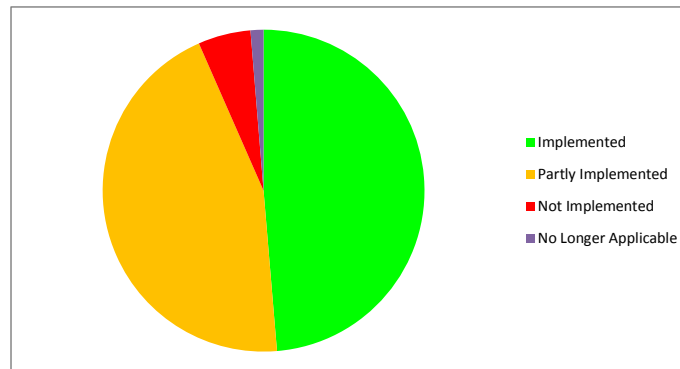
For the Committee’s reference, the definitions of the assurance opinions and direction of travel assessment are included at Appendix A.

Follow-Up of Previously Raised Recommendations

As part of our rolling programme, all recommendations are being followed-up with management, as and when the deadlines for implementation pass. This work is of high importance given that the Council’s risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee’s role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any priority 1 recommendations.

The current level of implementation is as per the chart on the following page. Of the recommendations followed-up, 95% had either been fully or partly implemented, or are no longer applicable due to changes in the scope of operations. Of the priority 1 recommendations, 89% had either been fully or partly implemented.







Implementation of Recommendations








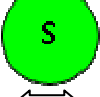




Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS

Only the assurance opinion and direction of travel is being reported on for those audits for which Substantial Assurance was given. The Committee's focus is directed to those audits which received a Limited Assurance opinion.

Audit	Assurance Opinion and Direction of Travel
General and Computer Audits	
NNDR	
Council Tax	
Housing Benefits	
Local Council Tax Support Scheme	
Gordon Brown Centre	
Stop Smoking	

Audit	Assurance Opinion and Direction of Travel
Tudor Gardens Residential Home	
Network Infrastructure	
Data Quality	
Remote Access	
Telecoms and Mobile Device	
SCHOOLS	
Manor School	
Harlesden	
BHP	
Rent Arrears Management	
Budget Management	

Audit	Assurance Opinion and Direction of Travel
Leasehold Management & Service Charges	

LIMITED ASSURANCE REPORTS – General Audits

For all Limited Assurance reports, we have included a brief rationale, together with details of any **priority 1** recommendations raised, including the agreed actions to be taken and deadlines for implementation. These are the key audits and recommendations which the Committee should be focusing on from a risk perspective. The only exception is for any BHP reports, for which the details are reported separately to the BHP Audit & Finance Sub-Committee.

S106

Section 106 agreements (s106) are legal agreements between local authorities and developers, which are usually linked to planning permissions. These are also sometimes known as planning gain, planning benefits, community benefits or planning obligations. S106 agreements are used when there is a requirement to mitigate the impact of a development and the impact itself cannot, due to legislative restrictions, be dealt with through the imposition of planning conditions on the permission. Where they are required, developers would normally be expected to complete any s106 agreement before permission can be issued.

The introduction of the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010, as amended, will result in significant changes to the way that developments contribute towards the provision of infrastructure required to support sustainable growth across the borough. Whilst previously contributions towards infrastructure were secured through s106 legal agreements, under a tariff, or standard, charging approach, in the future this approach will become less effective as a means of providing the necessary infrastructure due to restrictions on the pooling of contributions due to be introduced in April 2014. Instead, in the future, the Council will seek to secure contributions towards Infrastructure through the imposition of a Community Infrastructure Levy which will provide a more appropriate and flexible way of securing contributions towards infrastructure from new developments.

Despite these changes to infrastructure funding, s106 agreements will continue to provide a valuable means of securing other site specific mitigation required in order to make developments acceptable in planning terms.

The key issues identified relate to policies and procedures for the monitoring and enforcement of obligations and enforcement activity to chase up outstanding obligations.

At the time of the fieldwork, there were 20 cases (totalling £2,612,550, without RPI) where reminder letters had not been sent out even though the income was not received after 30 days. It should be noted that since this issue was raised, the Monitoring and Compliance Officer took steps to address the overdue contributions and as at 3rd April 2014, the total balance of payments not received after the 30 day deadline has reduced to £504,850 (without RPI). Whilst acknowledging the steps taken, the team should ensure that any overdue contributions are followed up promptly and regularly.

The Direction of Travel provides a comparison between the current assurance opinion and that of any previous internal



audit for which the scope and objectives were the same. In this, the arrow indicates that the assurance opinion has remained the same since 2009/10.

Two priority 1, ten priority 2, and two priority 3 recommendations were raised.

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Policies and procedures regarding the enforcement process for financial and non financial obligations should be put in place. This should include, but not be limited to:</p> <ul style="list-style-type: none"> • Officers responsible for undertaking enforcement activity; • Timeframes for issuing letters and subsequent follow up letters; • Frequency of monitoring action; and • Frequency of oversight from a second officer. <p>In addition, policies and procedures regarding the monitoring of non financial obligations should also be developed. This should include, but not be limited to:</p> <ul style="list-style-type: none"> • Officers responsible for monitoring obligations; • Criteria by which obligations are to be monitored against; • Evidence requirements to be provided to ensure obligations have been completed; • Frequency of monitoring; and • Frequency of oversight from a second officer. 	<p>Agreed.</p> <p>Agreed, policies and procedures will be prepared for approval by SMT or Members if necessary and flowcharts and guidance notes to cover the procedures will be published.</p> <p>Principal Project Officer August 2014</p>
<p>Enforcement action for financial obligations should be undertaken in a timely manner, and payments not received after 30 days should be followed up promptly. Enforcement actions taken by the Monitoring and Compliance Officer should be reviewed by a second officer, and the evidence of review should be recorded.</p> <p>The plan to implement a process of raising invoices on Oracle should</p>	<p>Agreed.</p> <p>The plan to use Oracle will be worked up with DRT for the current system, due to delays in the roll-out of the new system; this will require policy and procedure to be signed off by SMT and for guidance notes to be prepared. This will result in an invoice being issued with a date for payment</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>be taken forward as soon as possible. Once this process is implemented, overdue invoices will be followed up as part of the Council's corporate debt recovery process.</p> <p>All outstanding monies owed to the council should be vigorously pursued.</p>	<p>and thereafter non-compliance will be enforced using the established DRT processes. In the meantime, the request letter has been revised to clearly set out the payment date. The S106 MCO is continuing to pursue outstanding sums.</p> <p>Principal Project Officer Upon implementation of One Oracle.</p>

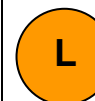
Community Infrastructure Levy

From July 2013, the financial obligations within S106 agreements are being managed through the Community Infrastructure Levy. S106 obligations are dealt with as non-financial obligations. It should be noted that approximately £3m in obligations remain under the s106 financial obligations arising from planning applications granted before the Community Infrastructure Levy was implemented in summer 2013. These financial obligations will only become due to the Council if the plans goes ahead and the obligation is triggered.

The key issues identified relate to the need for formal procedures and documented procedures to be put in place for the CIL process (administration of application, monitoring and enforcement of income, and allocation of CIL income), a lack of checks on calculations completed by case officers and letters and notices sent out to developers, a lack of mechanism to proactively monitor non triggered CIL charges, and the timeliness of enforcement action on overdue income.

Whilst raising a limited assurance opinion, it should be noted that CIL process is new and the officers responded positively to our recommendations and are now in the process of taking actions to address the issues identified during the audit.

Three priority 1 and five priority 2 recommendations were raised.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Formal policies and procedures should be adopted by the Area Planning team covering all key areas of the CIL process including the administration of applications, monitoring and enforcement of CIL. This should include, but not be limited to:</p> <ul style="list-style-type: none"> • Officers responsible for undertaking action; • Timeframes and frequency of undertaking action; • Timeframes and requirements of any follow up action where applicable; • The need of an independent review to confirm the completeness and validity of actions undertaken; and • Reference to key procedural and legislative requirements. <p>Policies and procedures should be approved by management and reviewed on an annual basis.</p>	<p>Agreed.</p> <p>Policy and procedure framework set out in Regulations and Guidance will be used as a basis and Brent specific elements (e.g. key responsibilities) will be agreed by SMT. Flowcharts and guidance notes to cover the procedures will be published.</p> <p>Principal Project Officer August 2014</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>A formal process should be put in place for the allocation, utilisation and monitoring of Brent CIL income. This should include, but not be limited to:</p> <ul style="list-style-type: none"> • Officers responsible for allocating income; • Allocation methods and prioritization, including bidding process; • The documentation required to be completed to show what income is to be spent on; • The documentation required as proof that income has been spent in line with the Area Planning team's requirements; • The need of confirmation that income has been transferred correctly; and • Monitoring of unallocated CIL income. <p>The income codes for Admin Fees (YG04) and Neighbourhood Fund Income (YG05) should be set up as soon as possible.</p>	<p>Agreed.</p> <p>A proposal for the policy and procedure for allocating and utilising will be put to the new administration as soon as possible (estimated August) and thereafter the administrative architecture of flowcharts and guidance notes will be prepared; this second part is a lower priority than some recommendations as current CIL receipts are insignificant.</p> <p>Principal Project Officer Policy and procedure: August 2014 Flowcharts: Oct 2014</p>
<p>Interest should be charged in line with the demand notice for all cases where payment is received after the payment deadline.</p> <p>Where the commencement dates are not recorded in the commencement of development notice, the developer should be contacted to confirm the correct commencement date.</p>	<p>Agreed.</p> <p>Where the Council is not notified of the commencement date it is necessary to deem a commencement date based on the evidence available. This date can be appealed by the Owner. Interest is charged from the date payment is due and this will vary depending on whether the Developer has followed the CIL procedure. A guidance note will be agreed by SMT to set our approach for deeming commencement and it will be investigated whether the Acolaid software can be used to calculate the interest or if the Debt Recovery Team can calculate when the invoicing plan is instigated.</p> <p>Principal Project Officer</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
	August 2014

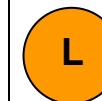
Corporate Complaints

The Council's Corporate Complaints Policy was revised in April 2012 and the process was reduced from a 3 stage to a 2 stage process as follows.

- Stage 1 – Local Resolution Stage where the complaint is investigated by the department concerned;
- Stage 2 – The Final Review Stage where further investigation is undertaken by the Complaints Service Team on behalf of the Chief Executive.

The key issues identified were as follows: responses to both corporate and statutory complaints are not always sent within the prescribed timeframes; no evidence of plans of action recommended by the Chief Executive being implemented or followed up; responses not always signed off by the Head of Service or a senior officer; complaints not promptly assigned for investigation; complainants not always contacted as part of the process of investigation; Complaint Investigation Plan not always completed and approved by Head of Service; action not taken to address poor performance; no procedures for escalating overdue responses; and not all documentation pertaining to complaints could be found on iCasework.

10 Priority 1 and 5 Priority 2 recommendations were raised.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Local Resolution (Stage 1) responses should be sent within 20 working days of receipt of the complaint. Final Review (Stage 2) response should be sent within 30 working days of receipt of the request for a review. Where there are likely to be delays in responding to complaints, the complainant should be notified and updated on the progress of their complaint and provided with reasons for the delay in responding. Individual departments should be required to review their quarterly performance monitoring information and investigate the complaints for which target dates were not met.</p>	<p>All Agreed.</p> <p>From February 2014, weekly reports from iCasework are now sent to individual departments highlighting complaints that are overdue and nearly overdue. Advance reminders are also sent to responsible officers for complaints that are nearly overdue.</p> <p>Complaints Service Manager December 2014</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>All departments should be reminded that where actions have been recommended by the Chief Executive following the completion of Stage 2 complaints, the action plans should be completed by the relevant department and a signed copy returned to the Corporate Complaints Team together with any relevant evidence. Follow-up action should be taken by the Corporate Complaints Team where departments fail to complete and return action plans issued by the Chief Executive</p>	<p>Agreed.</p> <p>Actions recommended by the Chief Executive will now be sent to relevant departments via iCasework. Follow-up action will be taken via iCasework and monitored via iCasework. Memo from the Chief Executive detailing the action plan will also be sent to relevant departments in paper form.</p> <p>Complaints Service Manager December 2014</p>
<p>All complaint responses should be reviewed and signed off either the Head of Service or a senior officer prior to their being sent out. All relevant staff should be reminded that copies of responses sent to complainants should be uploaded on iCasework.</p>	<p>Agreed.</p> <p>Reminders will be sent to departments for responses to be reviewed and signed off by either the Head of Service or a senior officer.</p> <p>Reminders will be sent to relevant officers to upload responses onto iCasework.</p> <p>Complaints Service Manager December 2014</p>
<p>All relevant staff should be formally reminded that acknowledgement letters/e-mails should be uploaded onto iCasework and that acknowledgement or refusal letters for Stage 2 complaints should be sent out within 5 working days of receipt.</p>	<p>Agreed.</p> <p>iCasework has the functionality to send acknowledgement letters. Relevant officers will be trained to use iCasework to send acknowledgement letters.</p> <p>Complaints Service Manager</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
	December 2014
<p>The Complaints Service Manager should send a reminder to all departments about the importance of Local Resolution (i.e. Stage1) complaints being promptly assigned for investigation. The timeframe within which complaints should be assigned to relevant officers should be clearly defined and adhered to. Plans to introduce a complaints clearing house system as identified as a priority in the 2012/13 annual report on complaints should be implemented without delay.</p>	<p>Agreed.</p> <p>Complaints Service Manager December 2014</p>
<p>Investigating officers should be reminded that it is best practice to contact the complainant as part of the process of investigating their complaints.</p>	<p>Agreed.</p> <p>Investigating officers will be reminded to contact the complainant as part of the process of investigating a compliant.</p> <p>Complaints Service Manager December 2014</p>
<p>A Complaint Investigation Plan (CIP) should be completed in accordance with complaints procedures.</p> <p>The Complaint Investigation Plan should be approved by the relevant Head of Service.</p>	<p>Agreed.</p> <p>CIPs' have been in place for 2 years. Reminders will be issued to departments that a CIP should be completed for all complaints and that they should be approved by relevant Head of Service as indicated in procedures.</p> <p>Complaints Service Manager December 2014</p>
<p>Where performance targets for complaints are not being achieved, management should be required to provide an explanation and indicate the actions to be taken to address poor performance.</p>	<p>Agreed.</p> <p>Complaints Service Manager</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
Regular performance monitoring reports (bi-annual or quarterly) should be produced and presented to the Corporate Management Team for review and action	December 2014
<p>Operational Directors should be reminded of the need to regularly monitor the status of complaints in the weekly reports sent by the Corporate Complaints Team so that potentially overdue and overdue complaints are promptly actioned.</p> <p>The Corporate Complaints Team should implement procedures for escalating potentially overdue or overdue responses to the relevant Head of Service; operational director or department director for action.</p> <p>All departments should be reminded to take appropriate action to address the delays in responding to complaints within the prescribed timeframes</p>	<p>Agreed.</p> <p>The Corporate Complaints Team will now require individual departments to provide a response where complaints are not being responded to within the prescribed timescales.</p> <p>Complaints Service Manager December 2014</p>
BHP should use the Council's Complaints system (iCasework) for the administration and management of complaints.	<p>Agreed.</p> <p>Complaints Service Manager December 2014</p>

Freedom of Information

The Freedom of Information (FOI) Act 2000 gives the public a general right of access to all types of 'recorded' information held by 'public authorities' (which includes local authorities). The purpose of the Act is essentially to make public bodies more open and accountable. The Act does this in 2 ways:

- Public authorities are obliged to publish certain information about their activities;
- Members of the public are entitled to request for information from public authorities.

The key issues identified were follows: concerns about the adequacy of current case management system and resourcing issues; some FOI requests not responded to within statutory timescales; risks in respect of FOI not identified; lack of management reporting and performance monitoring; inconsistencies in the sign off of responses across departments; correspondence and information maintained "off system" resulting in poor audit trail.

5 Priority 1 and 9 Priority 2 recommendations were raised.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Management should consider whether it would be appropriate for the current FOI case management system to be upgraded in view of its limited functionality. Should the decision be taken to upgrade the system, consideration should be given to the possibility of integrating the management of the Internal Review process as part of any new systems upgrade.</p>	<p>All Agreed. The Corporate Management Team in February 2014 approved the finance for an upgrade to the most up to date version of iCasework for Freedom of Information administration. This should address the recommendation indicated here and in others areas of the report.</p> <p>Complaints Service Manager September 2014</p>
<p>Management should give consideration to the actions necessary to ensure that FOI requests are responded to promptly and in accordance with statutory timeframes. Where there are likely to be delays in responding to FOI requests, the relevant applicants' should</p>	<p>Agreed. Operational Directors across each department will be responsible for ensuring that FOI requests are responded</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>be notified and updated on the progress of their requests and provided with reasons for the delay in responding.</p>	<p>to within the statutory timescales effective from 1st July 2014.</p> <p>FOI Officers send now send email reminders to the relevant lead officer for FOI in each department with a list of FOIs' due in the next three days so that they can be actioned.</p> <p>Since March 2014 all departmental Strategic Directors have been sent a report indicating requests that are overdue, due and about to be overdue using a colour coding. They are required to review these reports and take appropriate action to ensure that FOI requests are promptly dealt with.</p> <p>The Corporate Management Team are also now being provided with monthly FOI performance information.</p> <p>Complaints Service Manager / All Operational Directors July 2014</p>
<p>FOI procedures on the conduct of Internal Reviews should be updated to reflect the changes agreed by the Corporate Management Team in 2010 i.e. that they should be completed within 20 days of receipt (40 days for complex cases) of an appeal or complaint. Internal Reviews should be completed within the timeframe indicated in the Council's FOI Appeals and Complaints procedures. Where there is likely to be a delay in the completion of the internal review the applicant should also be kept informed and updated on the progress of the review.</p>	<p>Agreed.</p> <p>Complaints Service Manager August 2014</p>
<p>The programme of escalations agreed by the Corporate Management Team and implemented in January 2013 should be reactivated and consideration should be given to moving to a tighter escalation</p>	<p>Agreed.</p> <p>Effective from 1st July 2014, operational directors within each department will be responsible for dealing with FOI</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
programme in future.	<p>requests. They will be responsible for ensuring that overdue requests are escalated to the appropriate officers.</p> <p>As indicated in the response to Recommendation 2 above, since March 2014 all departmental Strategic Directors have been sent a report indicating requests that are overdue, due and about to be overdue using a colour coding. They are required to review these reports and take appropriate action to ensure that FOI requests are promptly dealt with.</p> <p>In addition to the above, FOI officers now send email reminders to the lead officer responsible for FOI within each department with details of FOIs' due within the next three days so that they can be actioned.</p> <p>Complaints Service Manager / All Operational Directors July 2014</p>
The production of departmental monthly performance monitoring reports on FOI requests which were previously sent to departmental directors should be re-instated. Regular performance monitoring reports should be produced and presented to the Corporate Management Team for review and action.	<p>Implemented.</p> <p>March 2014</p>

LIMITED ASSURANCE REPORTS – Computer Audit

Infostore

The Infostore application (Infostore) is an Electronic Document Management System (EDMS), which utilises the Microsoft SharePoint 2010 platform. Infostore is the result of the SharePoint 2010 Implementation Project (the Project) and was developed internally. Infostore is an internally managed and supported system.

The objective of the Project was the replacement of the Council's shared network drives with a solution that used the SharePoint 2010 platform. The solution was to be in place as part of the Council's migration to the Civic Centre and a budget of £150,000 was funded from the One Council budget. Following a challenging pilot roll out of Infostore, a decision was taken to amend the primary objective of the Project and to deploy Infostore to run parallel with the existing shared network drives rather than replacing these.

A key weakness has been identified in relation to the compliance with organisational standards; user requirements; security; backup and recovery and business benefits realisation.

Five priority 2 recommendations were raised and these were agreed by management.



LIMITED/NIL ASSURANCE REPORTS – School

Byron Court

Four priority 1; eleven priority 2 and four priority 3 recommendations were raised as a result of this audit. All of our recommendations were agreed for implementation by the School.



LIMITED/NIL ASSURANCE REPORTS – BHP

Residents Associations

Five priority 1 and five priority 2 recommendations were raised as a result of this audit. All of our recommendations were agreed for implementation by BHP. Details of issues will be reported to BHP Audit Committee.



Repairs & Maintenance

Four priority 1 and three priority 2 recommendations were raised as a result of this audit. All of our recommendations were agreed for implementation by BHP. Details of issues will be reported to BHP Audit Committee.



Major Works Final Accounts – CAM Estate (CW11045)

Three priority 1 and two priority 2 recommendations were raised as a result of this audit. All of our recommendations were agreed for implementation by BHP. Details of issues will be reported to BHP Audit Committee.



Non Assurance Work

Verification of 2012/13 Appointeeship and Deputyship Transactions	
Objective and Scope	<p>The overall objective of this work was to carry out following sample tests on transactions processed through a sample of client accounts and report on any exceptions found:</p> <ul style="list-style-type: none"> • For a sample of expenditures relating to 10 Appointeeship and 10 Deputyship clients, test whether they are supported with a valid invoice/payment instruction; • For the same sample as above, we will also seek to assess whether they were recorded accurately on the relevant system (Quicken for Deputyship and ResFunds for Appointeeship); • For a sample of income due to 10 Appointeeship and 10 Deputyship clients, test whether they have been received in line with remittance advice/official letter/payment notification; • For the same sample above, we will also seek to assess whether the income received were recorded accurately on the relevant system; and • Assess whether 2012/13 closing balances are supported and agree balances indicated on bank statements. <p>This was not a full system audit as the process for administering the client money has changed during 2013/14 and a separate work was completed on the new process during 2013/14 (Softbox Implementation). A further full system audit is planned for 2014/15.</p>
Conclusion	<p>Overall, we were able to confirm that the majority of income and expenditure transactions are supported with evidence. However, there were some weaknesses found in respect of retention of documents; and sign off of year end statements.</p> <p>Two recommendations have been raised as a result of this work.</p>
Recommendations	<p>Recommendation 1:</p> <p>Risk: Where evidence such as approved invoice, approved payment instruction, or official confirmation regarding income are not retained, there is an increased risk that the Council may be unable to demonstrate the validity of the transactions processed on the clients' accounts. In addition, the Council's stewardship of the clients' accounts may be called into question and the Council may be accused of maladministration, and there is an increased risk of damage to the Council's reputation.</p> <p>Recommendation: Staff should be reminded of the need to retain evidence of payment/income for all transactions relating to the clients' money. The cause for the missing files should be determined and</p>

addressed. Document management protocol should be developed to indicate the types of evidence required, where the evidence should be retained, and naming conventions on the file names. See Recommendation 1 in the Action Plan.

Management Response: Agreed. All documents will be saved under clients name onto our “S” drive under client finances folder. Each document will be saved with appropriate naming convention, procedures to be written and shared with staff to make them aware.

Responsibility: Client Affairs Team Leader

Deadline: 1 July 2014

Recommendation 2:

Risk: Where approved year end statements are not retained, there is an increased risk that the Council may be unable to demonstrate the validity and accuracy of the balances recorded on the accounts. Where reconciliation is not completed between the bank balance and the statement balance and the discrepancies are not resolved, there is an increased risk that anomalies may exist and these may not be corrected.

Recommendation: Year end balances should be signed off by an authorised officer and a copy of the sign off document should be retained. A reconciliation should be undertaken between the bank balance and the signed off balance and the reasons for any discrepancies should be confirmed. In addition, the discrepancies relating to the deputyship account balances between the 2011/12 signed off closing balance and the 2012/13 opening bank balance should be investigated. See Recommendation 2 in the Action Plan.

Management Response: Agreed. 1) A Year End Statements folder will be created on the “S” Drive under client finances. In addition if there are any discrepancies copies of any communication shall be kept in this folder and the head of Direct Services & Senior Finance Analyst will be notified immediately.

2) The year end balances will be signed off by CAT Team Manager/Head of Direct Services & Senior Finance Analyst

2011/12 closing balance will be signed off and 2012/13 opening bank balance will be investigated

Responsibility: Client Affairs Team Leader

Deadline: 1)1 July 2014, 2)31 August 2014

Follow-Up of Previously Raised Recommendations

The table below provides a summary of the findings from the follow-up work completed since the last meeting, excluding any BHP recommendations.

Our approach is explained within the Executive Summary. Recommendations are classified as either Implemented (I); Partly Implemented (PI); Not Implemented (NI); or in some cases no longer applicable (N/A), for example if there has been a change in the systems used.

For any recommendations found to have only been partly implemented or not implemented at all, further actions have been raised with management. As such, we have included all recommendations followed-up to date, including Draft Follow-Up Reports, as well as those that have been finalised. Where the reports have been finalised, the further actions have been agreed with management, including revised deadlines and responsible officers. For those at Draft stage, we are awaiting responses from management. All agreed further actions will be added to our rolling follow-up programme as explained in the Executive Summary to this report.





The table includes a column to highlight any priority 1 recommendations which were found not to have been fully implemented. Please note that we have not replicated the full recommendation, only the general issue to which they relate.

Audit Title	Priority 1			Priority 2			Priority 3			Total				Priority 1 Recommendations not implemented
	I	PI	NI	I	PI	NI	I	PI	NI	I	PI	NI	N/A	
Harlesden Primary School	4	1	1	4	3	0	0	0	0	8	4	1	1	A lack of evidence in respect of obtaining quotes for ICT contract. A recommendation has been re-raised.
Mora School	4	2	0	7	8	0	0	0	0	11	10	0	0	
Leopold School	4	3	0	5	3	0	0	3	0	9	9	0	0	
Torah Temimah School	5	8	3	4	3	0	0	0	0	9	11	3	0	Bank Mandate, Recording of Income, and Leadership Pay. Recommendations have been re-raised.
	17	14	4	20	17	0	0	3	0	37	34	4	1	

Appendix A – Definitions

Audit Opinions




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
	None	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance grading provided are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

	Improved since the last audit visit. Position of the arrow indicates previous status.
	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Recommendation Priorities

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the Audit Committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Simon Lane – Head of Audit & Investigations	✉ simon.lane@brent.gov.uk
Aina Uduehi – Audit Manager	☎ 020 8937 1260
	✉ aina.uduehi@brent.gov.uk
	☎ 020 8937 1495

Mazars Public Sector Internal Audit Limited	Contact Details
Mark Towler – Director	✉ miyako.graham@brent.gov.uk
Miyako Graham – Senior Audit Manager	☎ 020 8937 1491
Shahab Hussein – Computer Audit Sector Manager	

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Audits on the original agreed plan and withdrawn during the year

Withdrawn Audits	Plan Days	
GPC Cards	20	Withdrawn by A&I due to in depth cross council testing and system recommendations by investigation team following fraud enquiry
Accounts Payable	15	Removed from 2014/15 plan due to Oracle delay
Accounts Receivable	15	Removed from 2014/15 plan due to Oracle delay
General Ledger	15	Removed from 2014/15 plan due to Oracle delay
Malorees Infants	10	Deferred to 2014/15 at request of school
Michael Sobell Sinai	10	Deferred to 14/15 at request of school
Copland	10	Removed from plan due to academy proposals
Frameworki (migration from various miscellaneous systems)	20	Due Q1 but replaced with two separate projects in light of system developments
Troubled Families Programme Systems	15	Not done due to systems issues being picked up as a result of certification work
Single Commissioning Unit (Children and Adult Social Services)	5	Withdrawn as the project has not progressed
Safeguarding	15	Audit now not undertaken due to the implementation of new systems. Will now be undertaken in 2014/15. Replaced by Tudor Gardens (Residential Care).
Sexual Health Contracts	10	Transferred to Contingency as to be covered as part of Public Health Audits - Grants to Voluntary Organisations
Highways Maintenance	15	Deferred to 14/15 by A&I
Parking	20	Withdrawn. Now included in 14/15 Plan.
Ward Working	15	Due Q1 but replaced with Grants to Voluntary Organisations in Q4
Payments to Public Health Contracts	10	Replaced with Grants to Voluntary Organisations (Public Health)
Street Lighting PFI	5	Ill defined scope by management, project withdrawn by A&I during course of audit
Vale Farm Contract	10	Due Q3, but withdrawn due to change in responsibility for contract management, now with LB Ealing. Needs different scope in 14/15.
Payroll systems audit	20	Deferred to 2014/15 due to delay in implementation of oracle (substantive transaction testing undertaken)
Procurement	15	Deferred to 2014/15 due to delay in implementation of oracle
Civic Centre Project - Final Accounts	15	Deferred to 14/15 (Final Account not due in 2013/14)
Oracle - Post Implementation	8	Withdrawn as One Oracle is not due to go live in 2013/14
I Pads Security and Management *	8	Included in Telecommunications audit
V5 (BHP)	10	Replaced with One Oracle Pre-migration audit
Treasury Management & Investment (BHP)	8	Replaced with Budget Management
Financial Management (BHP)	12	Replaced with Key Financial Systems Transactions Testing
Total Days	331	

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Protecting the Public Purse Fraud Briefing 2013 Brent London Borough Council



Agenda

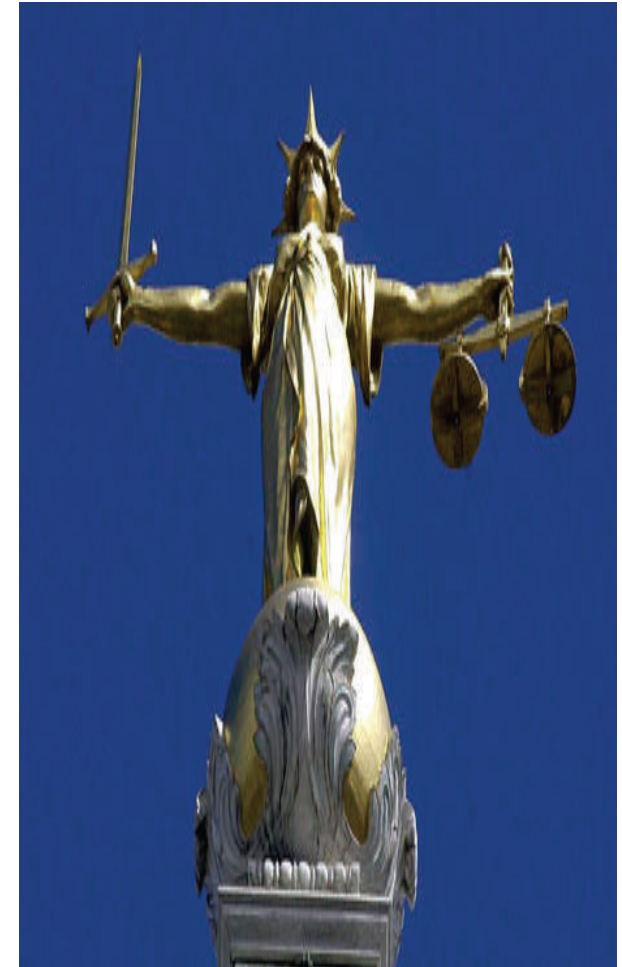
- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013* report – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

And do not forget

- Checklist for those charged with governance (Appendix 2 of PPP 2013)*
- Questions councillors may want to ask/consider (Appendix 3 of PPP 2013)*

Introduction

- Fraud costs local government in England over £2 billion per year (*source: National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud

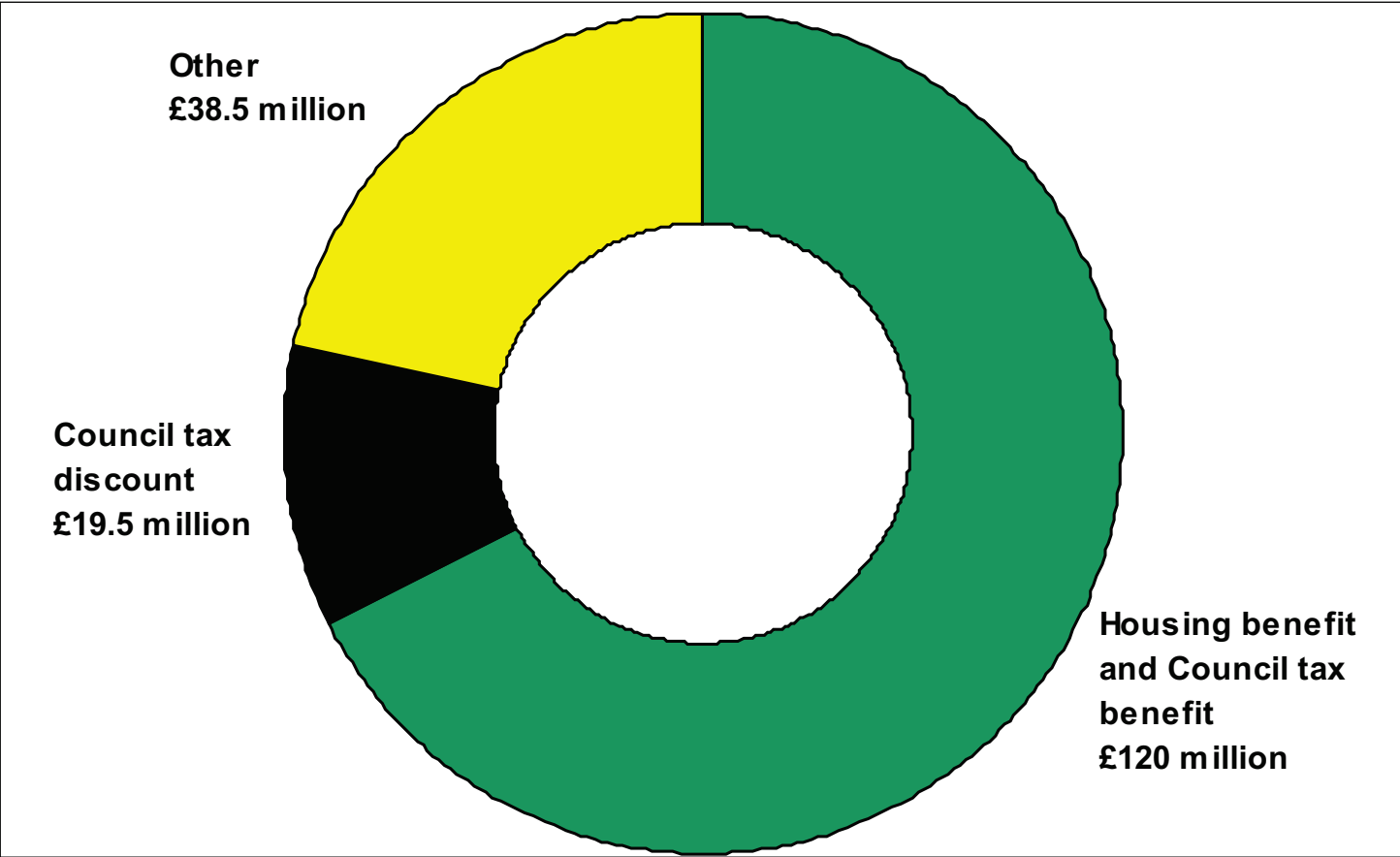


Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

National Picture 2012/13

Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%



Interpreting fraud detection results

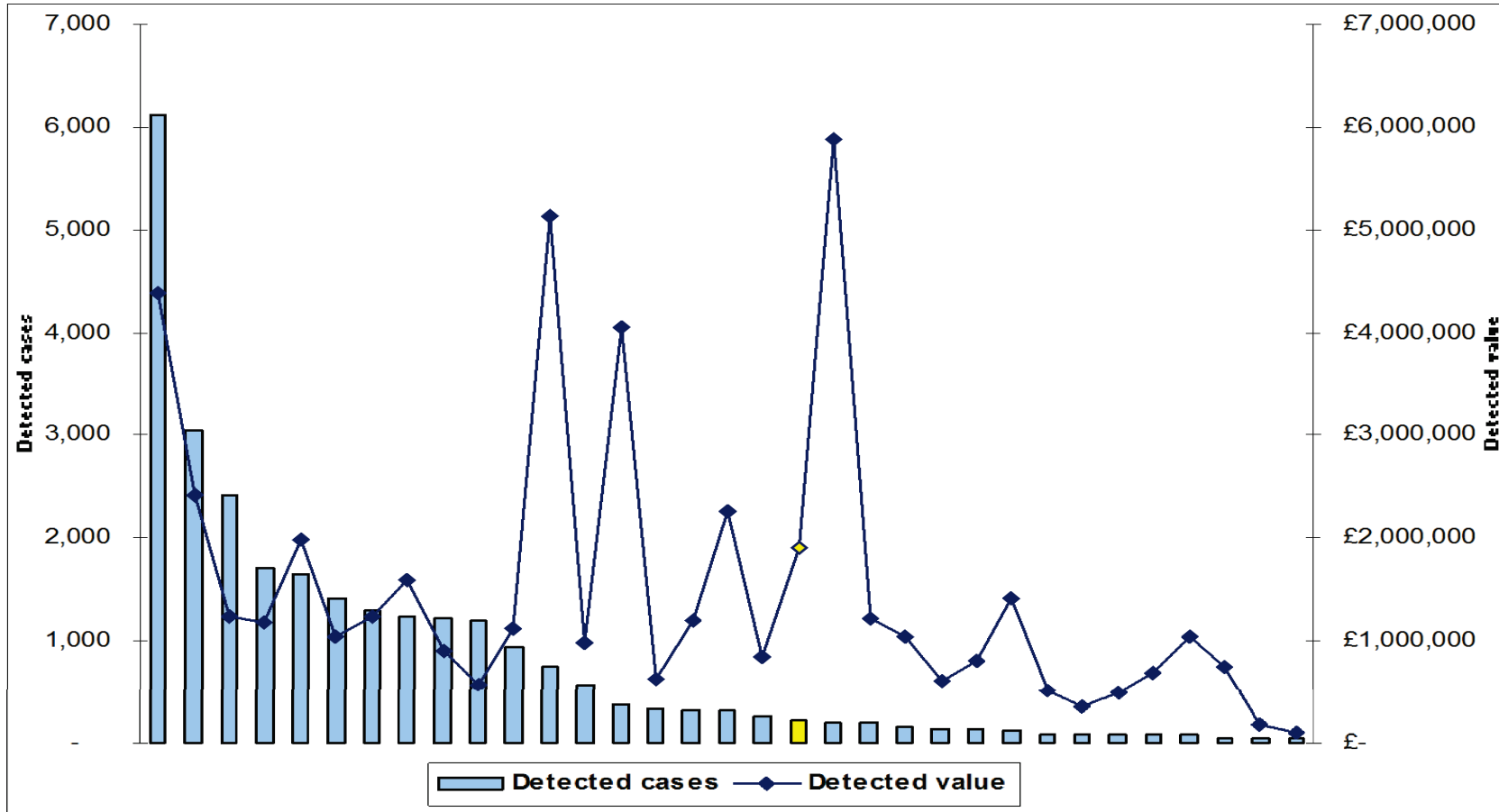
- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in yellow in the graphs that follow

The local picture

How your council compares to other London Boroughs

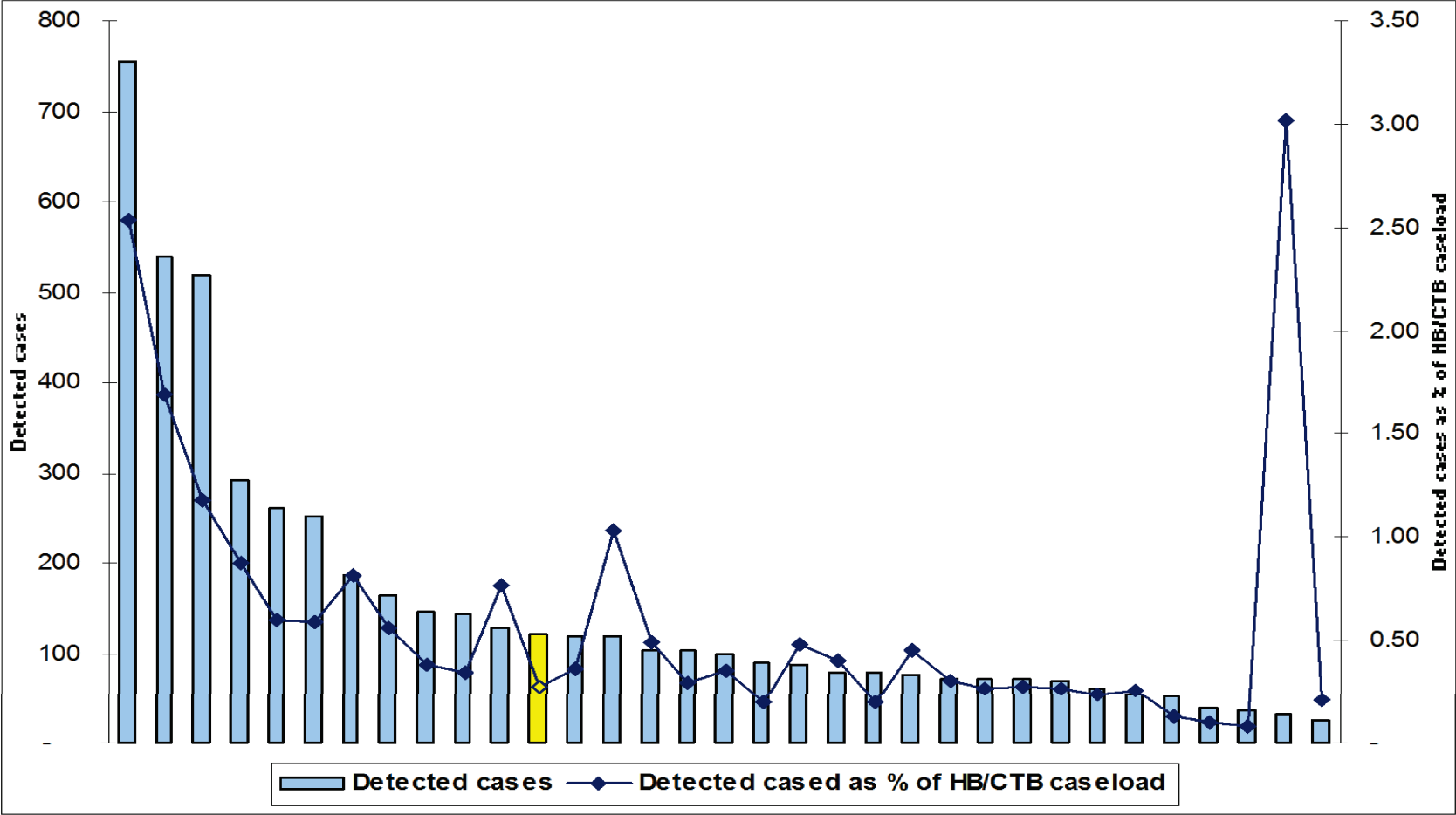
Total detected cases and value 2012/13 (excluding social housing fraud)



Brent detected: 223 cases, valued at £1,915,191

London Boroughs 2012/13
Housing benefit (HB) and Council tax benefit (CTB) fraud
Detected cases and detected cases as a percentage of HB/CTB caseload

Page 204



Brent detected: 121 cases, valued at £1,786,117

London average: 153 cases, valued at £874,394

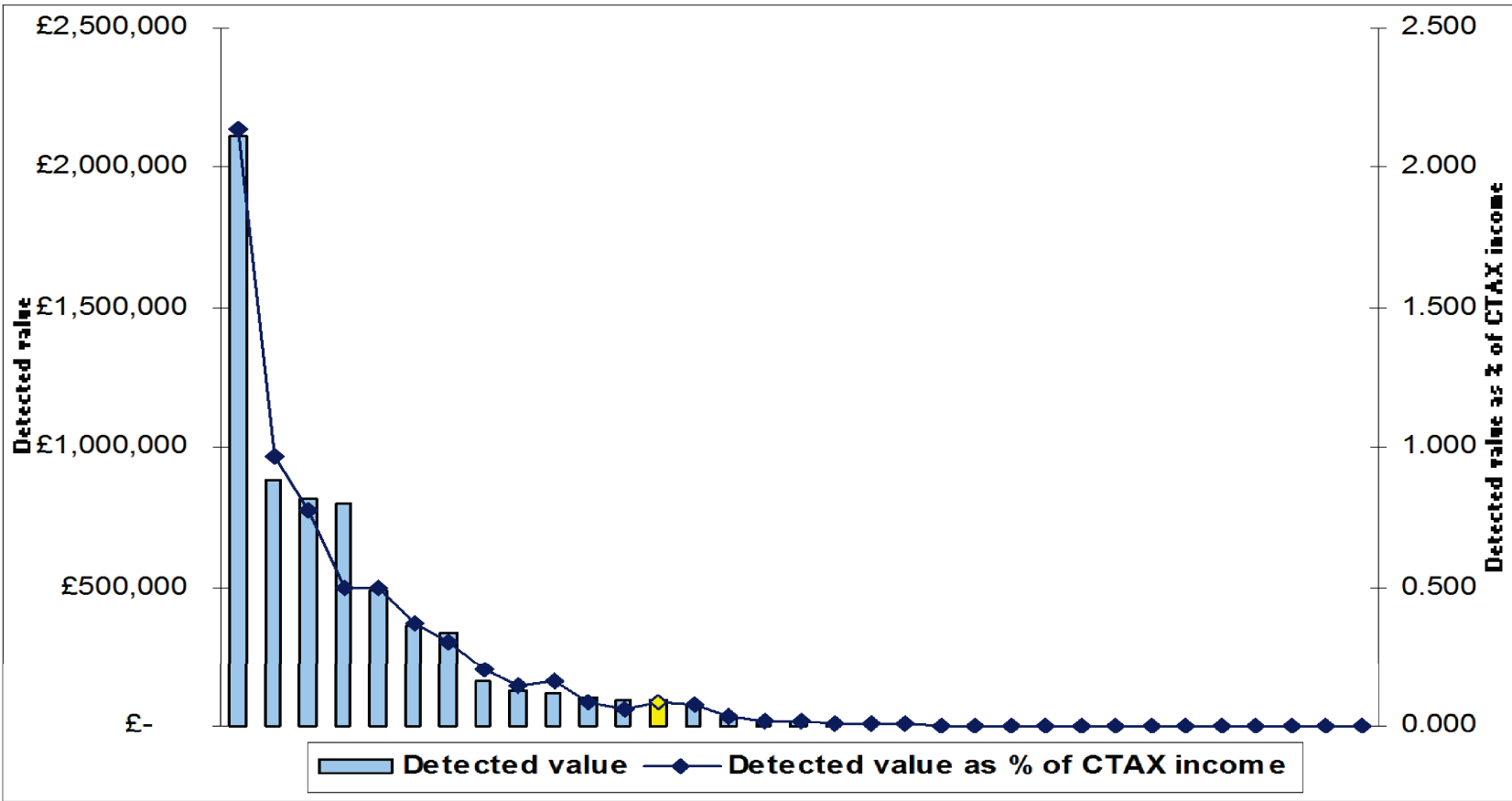


London Boroughs 2012/13

Council tax (CTAX) discount fraud

Detected value and detected value as a percentage of council tax income

Page 205



Brent detected: 86 cases, valued at £89,000

London average: 586 cases, valued at £201,451

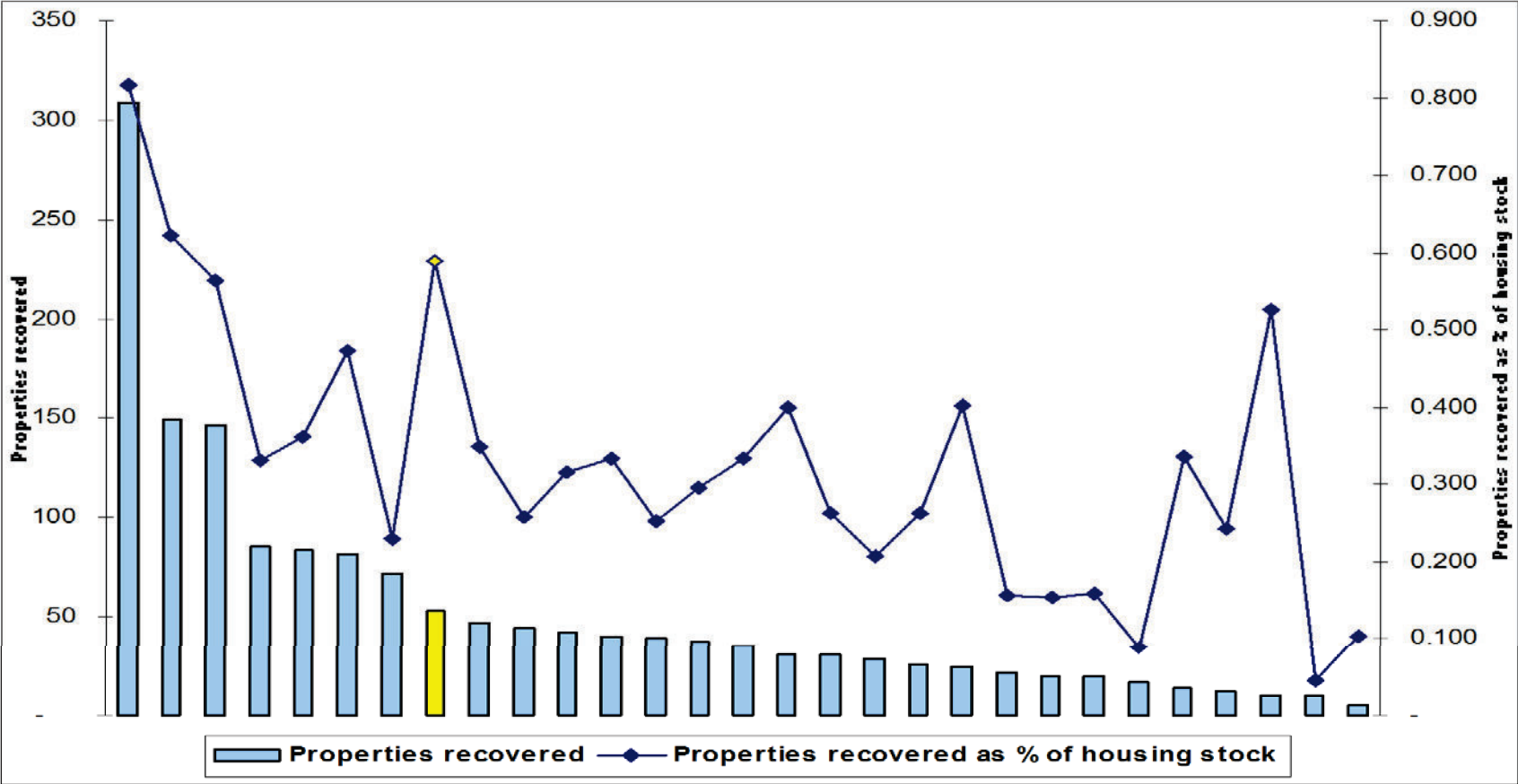


London Boroughs with housing stock 2012/13

Social housing fraud

Properties recovered and properties recovered as a percentage of housing stock

Page 206



Brent recovered: 53 properties

London average: 53 properties

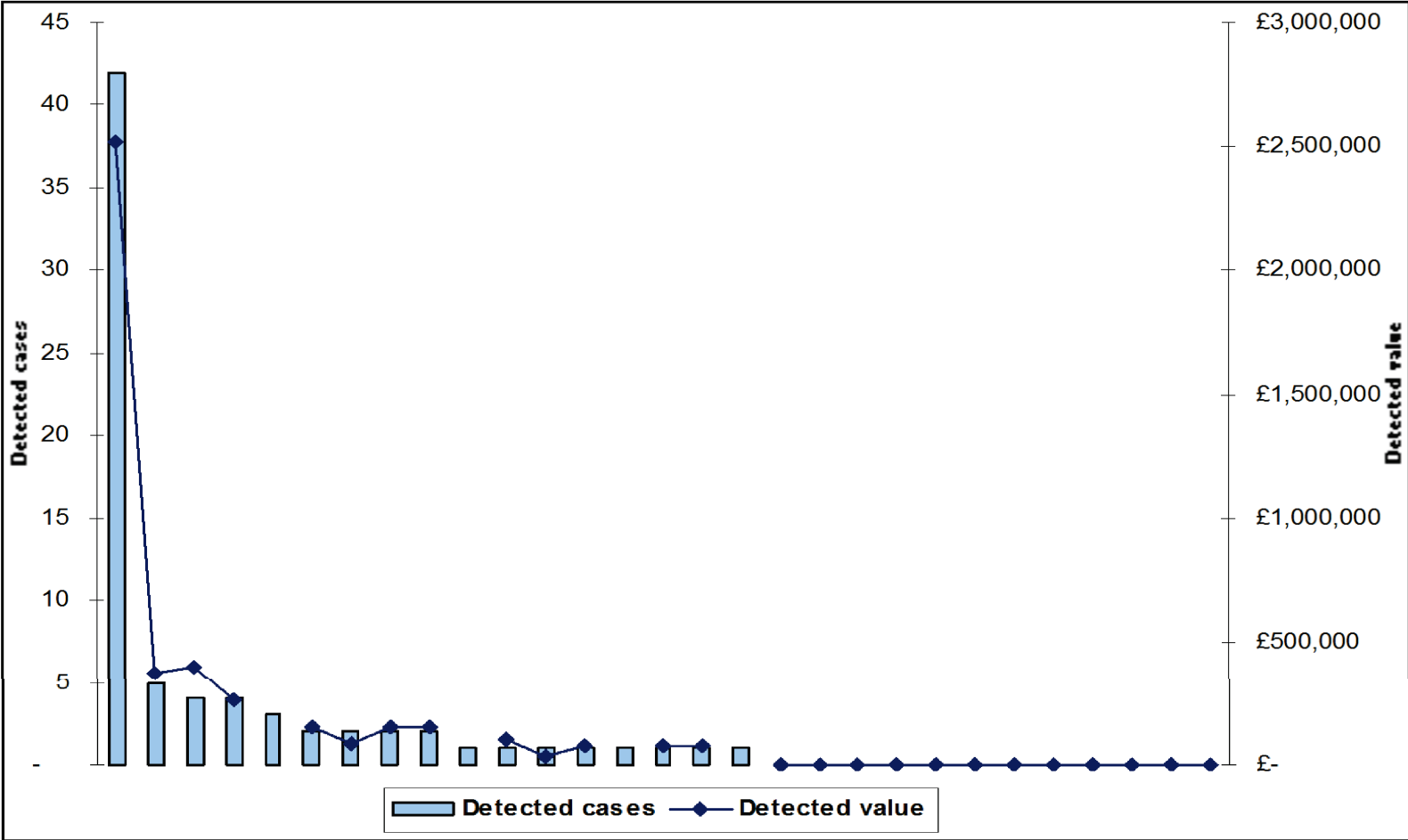


London Boroughs with housing stock 2012/13

Right to buy fraud

Detected cases and detected value

Page 207



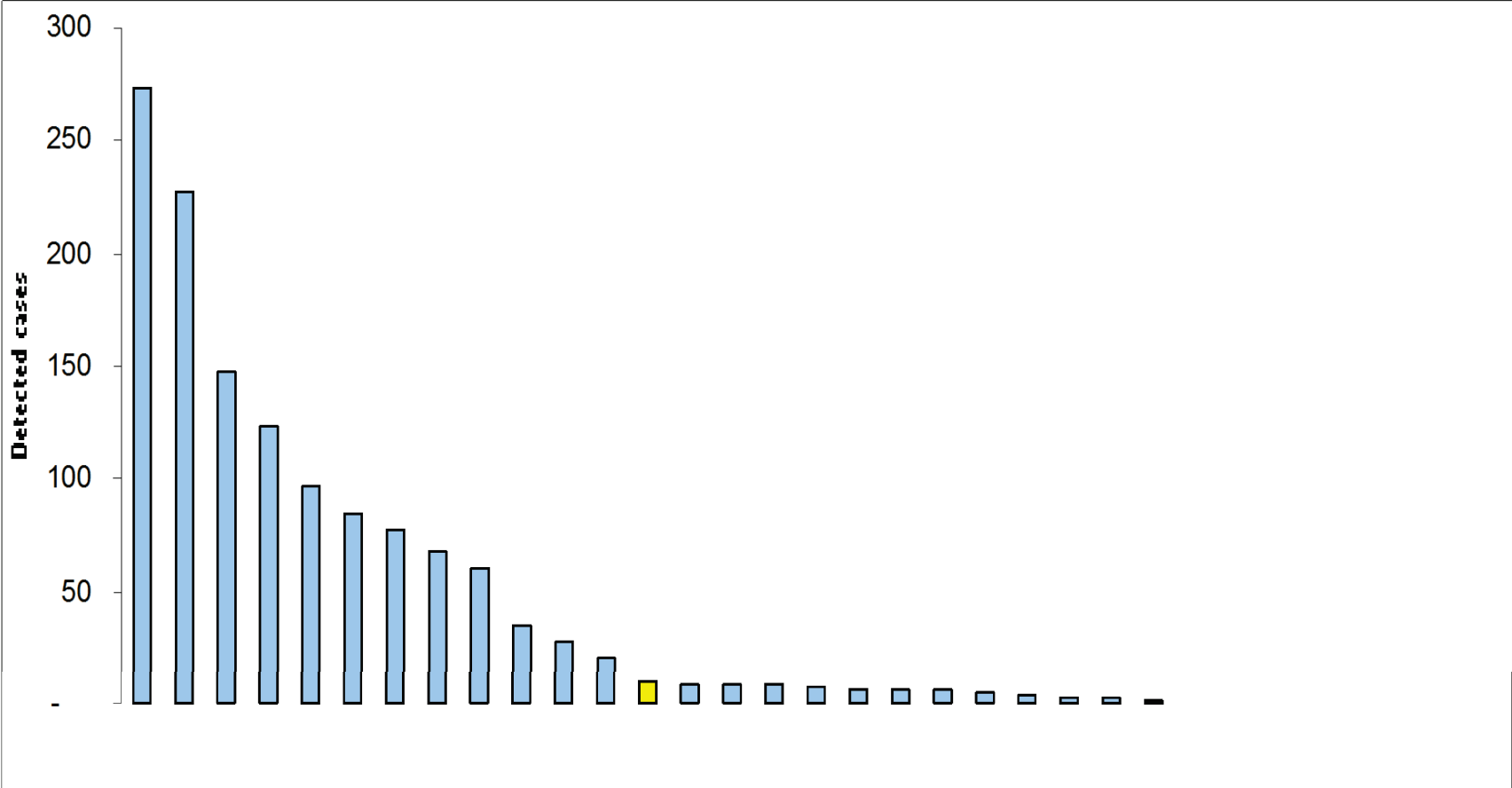
Brent detected: no cases

London average: 2 cases, valued at £134,976



London Boroughs 2012/13 Disabled parking (Blue Badge) fraud Detected cases

Page 208



Brent detected: 10 cases

London average: 40 cases



Brent London Borough Council


Other frauds

- Procurement: no cases
(Ave per London Borough: 1 case valued at £11,695)
- Insurance: no cases
(Ave per London Borough: 1 case valued at £35,274)
- Social care: 1 case, valued at £26,774
(Ave per London Borough: 2 cases valued at £10,067)
- Economic & Third sector: no cases
(Ave per London Borough: 1 case valued at £16,846)
- Internal fraud: 9 cases, valued at £69,300
(Ave per London Borough: 10 cases valued at £302,255)

*Correctly recording fraud levels is a central element in assessing fraud risk
It is best practice to record the financial value of each detected case*

Any questions?



 Brent	Audit Committee 26 June 2014 Report from the Chief Finance Officer
For Information Wards Affected: ALL	
Internal Audit Annual Report 2013/14	

1. Summary

- 1.1. This report is the annual report from the Head of Internal Audit. The report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the audit work undertaken during the year.

2. Recommendation

- 2.1. The Audit Committee note the content of the report.

3. Detail

- 3.1. The Accounts and Audit Regulations 2011¹, as amended, require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. The role of internal audit is to provide an independent and objective opinion on the control environment within the Council. Internal audit work is undertaken in accordance with the Public Sector Internal Audit Standards² (PSIAS). These require the Head of Audit to:

- Deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The annual report must incorporate: the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Opinion of the Head of Audit and Investigation

- 3.2. *“I have considered all of the work conducted by internal audit staff, the council’s audit contractor, Mazars Public Sector Internal Audit Ltd and fraud investigation staff for the year ended 31 March 2014 and work undertaken post year end. This includes oversight of all internal audit reports and fraud investigations and personal conduct of specific projects across the Council, schools and BHP. In my opinion, with the exception of those areas in which limited assurance reports have been issued (as set out below); the controls in place in those areas reviewed are adequate and effective. Where weaknesses have been identified within internal audit reports, these are being addressed by management and followed up by Internal Audit.*

The significant number of limited assurance reports is cause for concern and, whilst the key financial systems remain sound, may indicate a general weakening in the control environment.

The framework for governance is set out in the annual governance statement and, in my view, this is an accurate description of the governance arrangements and appropriate issues have been disclosed. I have reviewed departmental certificates of assurance and am satisfied that these are properly stated.

In relation to risk management, I have had oversight of the risk management process and, although there are some weaknesses in the process, the council’s significant risks have been recognised.





Summary of Work Undertaken - Audit

- 3.3. The 2013/14 Audit Plan was approved by the Audit Committee on 30th March 2013³. The plan allocated 1248 audit days across all areas of the council’s operation including schools and Brent Housing Partnership.
- 3.4. A number of changes to the plan were made during the year as set out in the Final Internal Audit Progress Report 2013/14⁴. Although the plan is for the 2013/14 financial year, inevitably audit work which commences in the final quarter of the year may not be completed by 31st of March and, hence, the actual audit year runs to the end of May. The plan has been delivered with the exception of two reports, which are due to be issued in early June 2014.
- 3.8. Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.
- 3.5. For each audit where controls have been analysed, an assurance statement is issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:

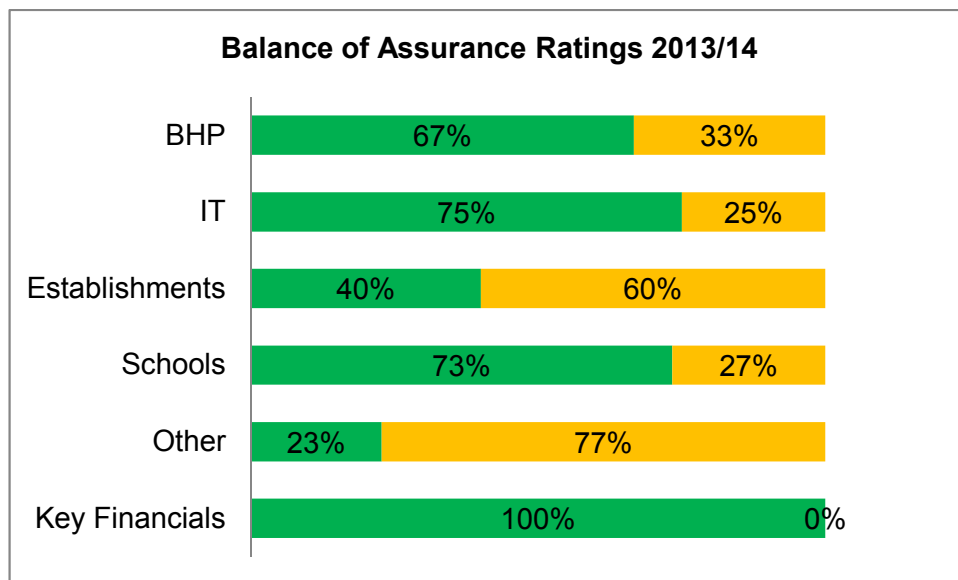
Full Assurance	There is a sound system of control designed to achieve the client’s objectives. The control processes tested are being consistently applied.
Substantial Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the client’s objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client’s objectives at risk.

Limited Assurance	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic controls leaves the processes/systems open to error or abuse.

3.6. There has been deterioration in the balance between limited and substantial assurance across the council and BHP as set out below.

	Full 	Substantial 	Limited 	None 
2010/11	0%	58%	39%	3%
2011/12	1%	40%	52%	6%
2012/13	2%	64%	32%	3%
2013/14	1%	56%	43%	0%

3.7. The primary deterioration is in non-key financial systems across the council with IT systems, schools and BHP generally showing higher levels of assurance. It should be noted that all of the main financial systems were given a substantial rating. The position is summarised below.



3.8. The following table indicates the audits completed and relevant levels of assurance (where applicable) during the 2013-14 financial year:

Key Financials	
Accounts Payable, Receivable and General Ledger	Substantial
Payroll	Substantial
Council Tax	Substantial

National Non Domestic Rates (NNDR)	Substantial
Housing Benefits / Discretionary Payments	Substantial
Local Council Support Scheme (formerly Council Tax Benefit)	Substantial
Pension Fund Investments	Substantial
Other Council Systems	
Disclosure & Barring (formerly CRB checks)	Substantial
Data Quality	Substantial
Grants to Voluntary Organisations	Substantial
Public Health Contract Management (Stop Smoking)	Substantial
Members expenses and allowances	Substantial
Frameworkki purchasing	Limited
Recycling & Waste	Limited
Capital Projects (contract audits) - Bronte House Disposal	Limited
Soft Box - Migration of Data on Abacus to Frameworkki	Limited
Homelessness and Temporary Accommodation/ Housing Allocations	Limited
Business Continuity Planning & Emergency Planning	Limited
Insurance	Limited
S106	Limited
Community Infrastructure Levy	Limited
Complaints	Limited
Freedom of Information	Limited
Placements	Limited
Nurseries	Limited
Transitions Team (14-25 year old)	Limited
Carers Audit	Limited
Corporate Income Collection Arrangement	Limited
Sickness & Absence Management	Limited
Schools	
Mount Stewart Junior	Substantial

Our Lady of Grace Infants	Substantial
Our Lady of Grace Juniors	Substantial
Harlesden Primary School	Substantial
Manor Day	Substantial
Braintcroft	Substantial
Donnington	Substantial
Fryent	Substantial
Kingsbury Green	Substantial
Our Lady of Lourdes	Substantial
Northview	Substantial
Woodfield	Limited
Christchurch	Limited
Byron Court	Limited
Mount Stewart Infants	Limited
Establishments	
Tudor Gardens	Substantial
Gordon Brown Education Centre	Substantial
Kingsbury Resource Centre	Limited
John Billam Resource Centre	Limited
New Millennium Day Care Centre	Limited
IT	
Telecommunications	Substantial
Network Infrastructure	Substantial
Academy	Substantial
Oracle - Pre Implementation	Substantial
View 360	Substantial
Remote Access	Substantial
Migration of Appointeeship and Deputyship (Abacus, ResFunds, Quicken)	Limited
Infostore - Apps Sharepoint Implementation	Limited

BHP	
Gas Safety	Full
Housing Rents	Substantial
Major Works Contracts (2)	Substantial
Key Financial Systems Transactions Testing - AR/AP/GL	Substantial
Key Financial Systems Transactions Testing - Payroll	Substantial
Rent Arrears Management	Substantial
Budget Management	Substantial
Management of Non Brent Properties	Substantial
Leasehold Management and Service Charges	Substantial
One Oracle Pre-Migration	Substantial
Housing Repairs and Maintenance	Limited
Major Works Contracts (1)	Limited
Voids and Disrepair	Limited
Fire Safety	Limited
Resident Involvement	Limited

3.9. In addition to assurance work, the following projects were also completed. Although they contain no assurance rating the work has informed the overall opinion.

Troubled Families Grant Claim Certification - Families Worked with June 2013	Grant Certification
Troubled Families Grant Claim Certification - Families Worked with August 2013	Grant Certification
Troubled Families Grant Claim Certification - Payment By Results August 2013	Grant Certification
Troubled Families Grant Claim Certification - Payment By Results October 2013	Grant Certification
Troubled Families Grant Claims January 2014	Grant Certification
Capital Grant Funding for 2 year olds	Non Assurance
Appointeeship account balances verification	Non Assurance
NNDR Strategy	Non Assurance

Summary of Work Undertaken - Fraud

- 3.10. Fraud affecting the council can be split between internal, committed by staff, or external, committed by third parties. As with all other large institutions in both the public and private sector, the council suffers from both.
- 3.11. The team has conducted both reactive and proactive work during the year. Reactive investigation work during the year is summarised out in the earlier report on the agenda⁴.
- 3.12. In relation to external fraud the team identified fraud in 67 housing/council tax benefit cases with a value of £1.14m in overpaid benefit. This type of fraud is a national issue and does not indicate any specific weaknesses in the control environment. The team also recovered 43 council properties which had been sublet (a further three properties were recovered on behalf of registered housing providers). Again, sub-letting fraud is has been identified as a national problem and this does not indicate any specific control weaknesses within the council.
- 3.13. In relation to internal fraud/irregularity there were 44 investigations completed during the year. Fraud or irregularity was established in 16 of these cases resulting in 11 dismissals at disciplinary, 2 resignations, 2 warnings and 1 case where no disciplinary action was taken. These cases are summarised below:

Fraud / Irregularity	Number	Dismissed	Resigned	Warning	No Action
Illegal Working	5	4	1		
Conflict of Interest	2	2			
Wilful Breach of Financial Regulations	3		1	1	1
False benefit claim	2	1		1	
False overtime claim	1	1			
Theft of cash	2	2			
False sickness	1	1			
Total	16	11	2	2	1

- 3.14. Whilst the number of staff identified as having no right to work is of concern, the HR team have recently undertaken a council wide identity verification exercise for existing staff and have tightened procedures for new starters.
- 3.15. One case related to the movement of significant expenditure between accounting years. This impacted upon the 2011/12 and 2012/13 accounts and was reported in last year's Annual Governance Statement. It is reported here as the case was formally closed by the team in early 2013/14. The control failure had no impact upon the 2013/14 accounts and appropriate measures have been taken by management to improve the system.

Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 3.16. The Accounts and Audit Regulations 2011¹, require the Council to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices. The guidance accompanying the Accounts and Audit Regulations specifies that proper practices are those contained within the PSIAS.
- 3.17. Elements of the standard are reflected in the Terms of Reference for Internal Audit which have previously been approved by this committee at its meeting on 29th September 2010⁵. The standards are set out in the table below together with an

assessment of compliance and any actions for improvement.

Standard	Compliance	Area of Improvement and action plan
<p>1000 Purpose, Authority and Responsibility The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the <i>Definition of Internal Auditing</i>, the <i>Code of Ethics</i> and the <i>Standards</i>. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.</p>	<p>The terms of reference previously agreed by committee set out the purpose, authority and responsibility for internal audit. Authority is also established within financial regulations.</p>	<p>The TORs are more than three years old and require refreshing to ensure alignment with the PSIAS, relevance to the current organisation and to reflect the requirements of the Chief Finance Officer.</p> <p>Head of Audit and Investigation to produce draft terms of reference by September 2014</p>
<p>1100 Independence and Objectivity The internal audit activity must be independent and internal auditors must be objective in performing their work.</p>	<p>The Head of Audit and Investigation is free to report independently to the Chief Executive, Chair of Audit Committee and the Audit Committee. Established in job description and reporting lines.</p>	
<p>1200 Proficiency and Due Professional Care Engagements must be performed with proficiency and due professional care.</p>	<p>All in-house audit staff are suitably qualified or qualified by experience. Contractor staff have the appropriate level of qualification and supervision. All assignments undergo a quality assurance process, including sign off by professionally qualified staff. The Head of Audit and Investigation is CIPFA qualified.</p>	
<p>1300 Quality Assurance and Improvement Programme The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p>	<p>Ongoing monitoring is conducted via supervision of individual assignments and oversight of the work of the team is undertaken by the audit committee. There is a requirement for an external review once every five years and there is a review to be scheduled as part of a programme across London. The Head of Audit and Investigation is due to undertake a review of</p>	<p>There is a need to agree the external review date for Brent. The process will need to be signed off by Committee. The Head of Audit and Investigation will report to committee in relation to the review.</p> <p>Head of Audit and Investigation January 2015</p>

	Haringey in 2014/15.	
2000 Managing the Internal Audit Activity The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.	Head of Audit and Investigation maintains oversight of all internal audit work and the outsourced contract. Audit plans and individual briefs are agreed with directors in advance to ensure the service adds value.	
2100 Nature of Work The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.	Internal Audit work is based on an assessment of risk across the organisation and the outputs inform the annual governance statement. The Head of Audit and Investigation advises on relevant governance issues. A systematic approach is taken through planning, use of tested audit techniques, testing schedules etc.	
2200 Engagement Planning Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.	An annual plan is agreed by committee and each assignment has a brief agreed by the relevant director. Resource allocation is monitored during the year.	
2300 Performing the Engagement Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.	Audit files and working papers are maintained for all assignments. Evidence is retained where appropriate. Testing is designed to meet the objectives of the audit.	
2400 Communicating Results Internal auditors must communicate the results of engagements.	Reports are prepared at the end of each assignment and provided to management. Summaries of key recommendations are provided to the audit committee.	
2500 Monitoring Progress The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	Reports are followed up on a periodic basis.	The tracking of recommendations is recognised as a weakness and steps need to be taken to formalise a tracking process with Departmental Management Teams. A recommendation tracker is to be presented to DMTs on a quarterly basis. Head of Audit and

		Investigation June 2014
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4. Financial Implications

4.1. None

5. Legal Implications

5.1. None

6. Diversity Implications

6.1. None

7. Background Papers

1. Accounts and Audit Regulations 2011
2. Public Sector Internal Audit Standards – CIPFA / IIA
3. Report from the Director of Finance and Corporate Services – Draft Internal Audit Plan 2013/14, *Audit Committee - 30th March 2013*
4. Report from the Chief Finance Officer – Final Internal Audit Progress Report 2013/14, *Audit Committee – 26th June 2014*
5. Report from the Director of Finance and Corporate Resources – Internal Audit Terms of Reference and Strategy, *Audit Committee – 29th September 2010*

8. Contact Officer Details

Simon Lane, Head of Audit & Investigations, Room 1, Town Hall Annexe.
Telephone – 020 8937 1260

Conrad Hall
Chief Finance Officer

 Brent	Audit Committee 26 June 2014 Report from the Chief Finance Officer
For Action Wards Affected: ALL	
Annual Governance Statement	

1. Summary

- 1.1 This report sets out the Annual Governance Statement (AGS) for 2013/14 as required by the Accounts and Audit Regulations 2011¹.

2 Recommendation

- 2.1 The Audit Committee to consider the content of the AGS as set out in appendix 1.
- 2.2 The committee approve the content or, if required, set out those issues it wishes to be considered by the Chief Executive and Leader prior to signature.

2. Detail

- 2.1. The council is required to produce an Annual Governance Statement (AGS) as part of its published accounts. The statement must be signed by the Chief Executive and Leader of the Council.
- 2.2. Regulation 4 of the Accounts and Audit Regulations 2011 (and previously 2006) requires the Council to review its system of internal control, to have those findings considered by the Audit Committee and to publish an Annual Governance Statement to accompany the accounts.
- 2.3. CIPFA produced a framework document in 2007² setting out how local authorities could comply with the requirements of a review and production of the AGS and, in 2012, issued an update (the addendum) to the framework together with an associated guidance note. In summary, the AGS is a public statement setting out how the authority is governed and manages its

operations and identifies any significant failures or weaknesses in governance.

- 2.4. The guidance determines that the AGS should be, "...high level, strategic and written in an open and readable style...focused on outcomes and value for money and relate to the authority's vision for the area." The guidance also requires that the AGS sets out the key elements of the governance framework and that the review of the governance arrangements needs to make, "...appropriate reference to these elements".
- 2.5. The review of the governance framework for 2013/14 has been undertaken with input from the Director of Legal and Procurement, Director of Human Resources, Assistant Director of Corporate Policy, PMO Manager and the Acting Director of Finance. Officers from the Consultation Team have assisted with the elements concerning community engagement.
- 2.6. The review of the governance framework for 2013/14 has been undertaken with input from the Director of Legal and Procurement, Director of Human Resources, Head of Policy and Scrutiny, Chief Finance Officer and Assistant Chief Executive.
- 2.7. For 2013/14, each Strategic Director and CMT Member has been required to sign a certificate of assurance for their own area of responsibility. Copies of these certificates are attached at part 3. The purpose of these certificates is to provide assurance to the council, Chief Executive and Leader about governance arrangements at a departmental level.
- 2.8. In order to have assurance about the governance framework, it is important to define what constitutes a significant internal control issue and, therefore, a significant governance issue. The CIPFA guidance suggests that the identification of significant control issues can be achieved by considering the following factors:
 - The issue has seriously prejudiced or prevented the achievement of a principal objective.
 - The need to seek additional funding or divert funding to resolve the issue.
 - The issue has had a material impact on the accounts.
 - The issue has attracted significant public interest or has damaged the reputation of the organisation.
 - The issue has resulted in formal action being taken by the CFO or Monitoring Officer.
- 2.9. Items for inclusion within the list of significant governance issues were considered by the Chief Finance Officer, Head of Audit and Investigation, Assistant Chief Executive and Director of Legal and Procurement at a meeting

in early May 2014. In addition, Directors were asked to identify any significant governance issues as part of signing their certificate of assurance. Within these certificates, directors were asked to highlight any significant governance issues.

2.10. Additional assurance for the AGS is gathered from a number of sources across the Council. The Chief Executive and Leader will need to consider the work of different parts of the Council, including the Executive (now Cabinet), Monitoring Officer, Chief Finance Officer and the Audit Committee in reaching a conclusion about the effectiveness of the control environment.

2.11. The key assurance mechanisms applied to maintain and review the effectiveness of the governance framework are identified in the AGS. In the main, these can be relied upon as working effectively. The evidence for this is based on activity and documentation reviewed during the year and includes but is not limited to:

- Reports to Full Council, the Executive (now Cabinet), Overview and Scrutiny, Audit Committee and the Standards Committee
- The annual report of the Monitoring Officer
- The Head of Audit annual report
- Minutes of the Corporate Management Team and Strategic Finance Group
- One Council Programme Board
- Certificates of Assurance from Corporate and Service Area Directors
- Internal Audit Reports
- The Risk Management Process
- The Borough Plan.

3. Financial Implications

3.1. None

4. Legal Implications

4.1. Regulation 4(2) of the Accounts and Audit Regulations 2011 requires the Council to review its system of internal control and Regulation 4(3) requires the preparation of a statement on that review in accordance with “proper practice”. Following the review, an Annual Governance Statement (AGS) must be approved and accompany the statement of accounts.

5. Diversity Implications

5.1. None

6. Background Papers

1. Accounts and Audit Regulations 2011
2. CIPFA, SOLACE (2007), *Delivering Good Governance in Local Government*.
3. CIPFA, (2012), *Delivering Good Governance in Local Government: Framework (Addendum)*
4. London Borough of Brent (2013). *Constitution*.
<http://www.brent.gov.uk/constitution.nsf/>

7. Contact Officer Details

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Telephone – 020 8937 1260

Conrad Hall
Chief Finance Officer

Draft Annual Governance Statement 2012/13

1 Scope of responsibility

- 1.1 The Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Council's code is contained in part 7 of the council's Constitution and can be found on our website at <http://www.brent.gov.uk/your-council/about-brent-council/council-structure-how-we-work/our-constitution/>
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3 The governance framework

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are set out over the following pages against the six core principles upon which the CIPFA/SOLACE Framework is based. The six core principles being as follows:
1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 3. Promoting values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 5. Developing the capacity and capability of members and officers to be effective; and
 6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 Each of these core principles are broken down into a number of supporting principles and these are used by the Council on an annual basis to review and summarise the key elements of the overall governance framework, as well as to identify specific actions needed to address any weaknesses and/or to achieve further improvement in the year ahead. The arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.
- 3.3 The tables set out over the following pages provide an overview of the key elements of the governance arrangements against the six core principles.

Key Elements of a good governance framework	The Council's Framework
<p>1. Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users</p> <p>Page 227</p>	<p>The Council has a Borough Plan, 'Brent – Our Future', for the four year period of 2010-2014. This document includes both the corporate objectives of the Council and our shared partnerships priorities. A revised plan for the period 2013/14 has been agreed by both the Executive and Full Council.</p> <p>The Plan references other key relevant documents, including the following:</p> <ul style="list-style-type: none"> • Local Development Framework; • Climate Change Strategy; • Housing Strategy; • Sports and Physical Activity Strategy; • Cultural Strategy; • Health and Wellbeing Strategy; • Engagement Strategy; and • One Council Programme. • Children and Young Peoples Plan • Child Poverty Strategy .

Key Elements of a good governance framework	The Council's Framework
	<ul style="list-style-type: none"> • People Strategy <p>The priorities of the Borough Plan are regularly set out in The Brent Magazine, its website, press releases and targeted campaigns.</p> <p>Service priorities are extensively consulted on with users and other relevant stakeholders. Service Plans are presented annually to Lead Members prior to finalisation.</p>
<p>2. Reviewing the authority's vision and its implications for the authority's governance arrangements</p>	<p>Implementation of the Borough Plan is monitored by the Executive.</p> <p>Implementation of Service Plans is monitored throughout the year by Corporate Management Team (CMT) and Departmental Management Teams (DMTs) using a range of embedded systems and processes including quarterly performance monitoring.</p> <p>Progress against the administration's priorities is also reported to the Executive and Overview and Scrutiny Committees.</p>
<p>3. Translating the vision into objectives for the authority and its partnerships.</p>	<p>The Council's Policy Team is responsible for supporting local partnership arrangement, known as Partners for Brent. The team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private and voluntary sector organisations.</p> <p>Local partners collaborate within Brent through our Local Strategic Partnership (LSP) to deliver the vision set out in the Borough Plan 2013/14.</p> <p>The LSP includes partners from all sectors and consists of an LSP Strategic Forum, LSP Executive and Thematic Partnerships.</p> <p>The LSP's focus is to understand how to ensure the best outcomes for residents by aligning the work undertaken by different organisations in the borough and engaging people effectively in change.</p> <p>At service area level, objectives of partnerships are documented in the Service Plans and within contract documentation.</p>

Key Elements of a good governance framework	The Council's Framework
<p>4. Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 229</p>	<p>The Council has a Performance Management Framework, as overseen by the Corporate Performance Team and delivered via departmental performance officers working with the corporate team which seeks to strategically align all the Council's performance monitoring and reporting activity.</p> <p>Sitting under the Borough Plan the service planning framework serves as the cornerstone of the Council's approach to performance management. Each DMT is responsible for monitoring performance against their Service Plan and for reporting performance to CMT through regular scorecards to the High Level Monitoring Meeting with the Chief Executive and the Leader of the Council. Performance is also routinely discussed with the relevant Lead Member at Directors briefings.</p> <p>Key groups within the overall framework include:</p> <ul style="list-style-type: none"> • Executive – agree proposals and challenge and question lead members and directors; • CMT – challenge the performance of the Council as a whole and has overall responsibility for achieving corporate objectives; • One Council Overview and Scrutiny Committee, Partnerships and Place, Overview and Scrutiny Committee, Budget & Finance Committee and the Children and Families Scrutiny Committee. Provide a political challenge and scrutiny in relation to decisions taken by the executive • LSP – challenges delivery around key partnerships; • High Level Monitoring Group – chaired by the Chief Executive and attended by the Leader of the Council examines specific performance issues, providing on-going challenge, support and direction and tracking of improvements; • Strategic Finance Group – examines budget and activity information to assess value for money; and • One Council Programme Board – oversees the progress and achievements against the One Council Programme. <p>During 2013/14, the One Council Programme Board measured progress against its targets via fortnightly meetings. The One Council Programme Management Office (PMO) monitors the robust project and programme methodology that has been established to ensure the delivery of change projects and realisation of benefits. In June 2013, the responsibilities of the OC Programme Board were reconfigured. The CMT/OC Strategic Programme Board is chaired by the interim Chief Executive and this board is largely focussed on OC projects reporting directly into the programme (cross-council projects, partnership projects and some departmental projects). The OC Programme Delivery Board, chaired by the Strategic Director for Environment & Neighbourhoods focuses on OC projects in portfolios, Red RAG projects and programme-wide matters. The CMT/OC Strategic</p>

<p>Key Elements of a good governance framework</p>	<p>The Council's Framework</p>
<p>Page 230</p>	<p>Programme Board and OC Programme Delivery Board are held on alternate cycles.</p> <p>This framework includes the preparation of sound business cases for all projects within the programme and identification of future financial and non-financial benefits. The regular fortnightly monitoring of project plans enables effective management of delivery, identification of risk and tracking of both financial and non-financial benefits.</p> <p>The Corporate Management Team now sits as the OC Programme Board every 4 weeks to review progress at a strategic level and a report to the Policy Co-ordination Group is presented each quarter. The Strategic Director of Environment & Neighbourhoods and PMO Manager meet each month with the Leader and Deputy Leader to up-date them on programme delivery and achievement of the savings targets.</p> <p>The 'PerformancePlus' system is now fully operational across the Council and a standard service planning template and guidance was refreshed in 2013 with a focus upon delivering the Improvement and Efficiency objectives.</p> <p>An integrated quarterly Performance and Finance monitoring report is now produced. This is reviewed by the Executive, CMT and the Performance & Finance Select Committee</p>
<p>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements</p>	<p>Article 2 of the Constitution describes the role of Members of the Council, the Executive, Mayor, Full Council and Overview and Scrutiny.</p> <p>Delegation arrangements are set out in the constitution</p> <p>Up to date job descriptions are in place for Senior Officers.</p> <p>Monitoring Officer Advice Notes give advice to Members on decision making and standards of conduct. Further details with regards to London Councils' positive assessment of these are set out against Core Principle 5.</p> <p>Local Democracy and Standards Web pages are updated regularly.</p> <p>All Executive decisions and key decisions by officers are recorded and published.</p> <p>Roles and responsibilities are covered in the Constitution.</p> <p>Member access to information rules are covered in part 7 of the Constitution and in the Access to Information protocol.</p>

<p>Key Elements of a good governance framework</p>	<p>The Council's Framework</p>
	<p>Published Pay Strategy agreed annually by Full Council.</p>
<p>6. Ensuring effective arrangements are in place for the discharge of the monitoring officer function</p>	<p>Covered in the Constitution and job descriptions. All reports have to be cleared by the Borough Solicitor who attends all Leader's briefings and meetings of the Executive and full Council. A lawyer also attends all other committee meetings and is responsible for issuing the, monitoring officer advice notes and legal bulletins.</p>
<p>Page 231 7 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</p>	<p>The Borough Plan 2013/14 sets out the aim to <i>'Support and promote greater participation if residents in decision-making, through democratic processes and council meetings'</i>. A Brent-wide Engagement Strategy was agreed in 2010/11 setting out the <i>'ambition of the council and partners to inform, consult, engage and involve our communities in all aspects of service provision from design through to delivery'</i>.</p> <p>There are a range of ways in which the local community and other key stakeholders are consulted. Key ones include:</p> <ul style="list-style-type: none"> • The Brent Magazine is regularly distributed to households, promoting Council policy and initiatives, and providing information on available services and consultation events. • Surveys of residents' are undertaken to evaluate resident satisfaction with the area and with council services. Two surveys were undertaken during 2012, 'What People Read' and a 'Reputation Tracker Survey'. A survey for waste and street cleaning services was undertaken in 2013 to establish baseline data against which the public realm contract can be performance managed. Additional recruitment to the Citizens' Panel was achieved through these surveys. The Council is embarking on a major Budget Consultation project using external consultants, Community Research • The Ward Working initiative focuses on members working within their communities to collectively address local priorities and improve the way services are delivered on a neighbourhood level. • The Council's website is another key point of engagement, both with regards to publicising and communicating key information, as well as providing residents with the opportunity to access services via web technology. We are in the process of re-designing the website around customer's needs so it is easier to use.

<p>Key Elements of a good governance framework</p>	<p>The Council's Framework</p>
<p>Page 232</p>	<ul style="list-style-type: none"> • There are five Brent Connects Area Forums, each chaired by a councillor, with meetings open to all members of the public. At each meeting, there is also a 'Soapbox slot' for residents to express their views and concerns about issues that affects them directly or indirectly. Outcomes of formal consultation are fed back through the Consultation Portal website. • A young person's website, 'bmyvoice', was launched in March 2010, specifically for engaging and communicating with Brent's younger residents. • The Brent Local Involvement Network (LINK) has now been superseded by Local HealthWatch. • Staff are kept informed through Brent Manager, e sight lite and the intranet. Additional workshops / meetings are also run as appropriate for example on moving to the Civic Centre. In addition we have a number of snapshot surveys taking place to evaluate staff understanding of the council's overall aims. • The Borough Plan 2013/14 stresses that we will ensure that local services engage with local communities more effectively about the services and issues which are important to them'. We are working towards achieving 'Excellence' level of the national equalities framework by 2014. Staff are kept informed through managers' briefing and the intranet. Additional workshops / meetings are also run as appropriate for example on moving to the Civic Centre. A new e-newsletter for staff was launched during 2012/13. In addition there were a number of snapshot surveys taking place to evaluate staff understanding of the council's overall aims.
<p>8. Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the</p>	<p>The term 'partnership' is defined in the Constitution and a partnership map has been established.</p> <p>Protocols and guidelines for the operation of joint working have been agreed by the LSP and covers roles and responsibilities, protocols for financial administration and staff management.</p> <p>Guidance on the legal status of partnerships is provided by the Borough Solicitor as appropriate.</p> <p>The members of the Partners for Brent Executive have agreed terms of reference and roles as part of their governance arrangements. These establish the expected values and behaviours for effective partnership working. These include a commitment to addressing inequality, focusing on preventative actions and achieving value for money through greater collaboration.</p> <p>The corporate policy team is working closely with representatives of the voluntary sector to develop principles for collaboration with the voluntary and community sectors.</p>

Key Elements of a good governance framework	The Council's Framework
authority's overall governance arrangements.	
<p>9. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.</p> <p>Page 233</p>	<p>Member Code of Conduct set out in constitution together with other codes.</p> <p>The Code of Conduct for Officers was updated and re-issued in 2010. Other codes, including the IT Usage Policy, Data and Information Security and Harassment Policy are all held on the intranet and are subject to regular review. Some of these are mandatory for all staff.</p> <p>A new fraud and bribery policy was issued in July 2013.</p> <p>Staff are made aware of their responsibilities through general communications, such as Esight lite, manager briefings and at corporate induction.</p> <p>Register of member interests and gifts and hospitality.</p> <p>The Conflict of Interest Policy for staff provides clear guidance regarding contractual and other potential conflicts.</p> <p>The council has a Standards Committee to deal with member conduct issues. The Committee is politically balanced and consists of five members and an independent co-opted member. Two separate independent individuals are involved in dealing with complaints against members. The Committee has an annual work programme and is supported by the Borough Solicitor.</p>
10. Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness	<p>The Executive is responsible for the implementation of policy and ensuring the effectiveness of service</p> <p>Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Executive receives a briefing (Leader's Briefing) two weeks prior to the Executive meeting when members can ask detailed technical questions of officers.</p> <p>All reports must be reviewed and signed-off by the Chief Financial Officer and the Director of Legal and Procurement and contain clear financial and legal advice to help members arrive at decisions.</p> <p>Senior Legal and Finance officers are available to give clear and robust advice.</p>

Key Elements of a good governance framework	The Council's Framework
<p>of data quality.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 234</p>	<p>Scrutiny is responsible for monitoring the performance of the Executive. The Overview and Scrutiny Committee receive regular up-dates on the delivery of the One Council programme and performance monitoring. Periodic reports are also presented to the Budget & Finance Committee. The programme of member led task groups enable non executive members to consider matters of concern to local communities and make recommendations for action to the Executive.</p> <p>Overview and Scrutiny Chairs are given an opportunity to report back to every full Council meeting. Call in arrangements in the Constitution allow Overview and Scrutiny to review decisions made by the Executive.</p> <p>Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for Full Council, most are made by the Executive or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual Members.</p> <p>In accordance with the Local government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process including call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.</p> <p>Decision making meetings of the Executive are open to the public.</p> <p>Copies of reports and decisions are available on the internet and through the One Stop Shop and Libraries.</p>
<p>11.Undertaking the core functions of an audit committee, as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i></p>	<p>The Council has an Audit Committee which meets four times during the year. The terms of reference are set out in the Constitution. The Committee exists to consider the work of internal audit and its effectiveness; to consider reports from the external auditors; to monitor the effectiveness of the governance and risk management framework and to review the accounts.</p> <p>The committee has an independent chair. Appointments are made on a two year fixed term basis.</p>

Key Elements of a good governance framework	The Council's Framework
<p>12. Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 235</p>	<ul style="list-style-type: none"> • The Executive / Council consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects; • The Executive and Corporate Management Team review corporate risks through regular monitoring reports. • The Strategic Finance Group review high level finance risks through regular monitoring reports. Key areas are identified and reviewed across each of the service areas on a monthly basis by the Strategic Finance Group. In each case the risk is assessed in terms of the minimum and maximum impact from a monetary perspective. In addition, an indication is provided as to whether the risk has been included in the year-end forecast for each Service Area, thereby providing a link between risk management and budget monitoring. • Risks within the One Council programme are fully documented within the reporting framework of the programme. These are reported to the Programme Board and a risk log is maintained. These are project risks and are not separately identified within the Risk Register. Operational risk arising from the One Council change programme feed into departmental registers; and • Risks are identified within Service Plans and considered on a quarterly basis as part of the performance management framework. Key operational risks are reported through to the Corporate Management Team.
<p>13. Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained</p>	<p>The council has an anti-fraud and bribery policy publicised to all staff and the public. The council has an independent investigations team which is resourced appropriately.</p>
<p>14. Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority</p>	<p>The council has a whistleblowing code and arrangements for the investigation of appropriate cases.</p>

Key Elements of a good governance framework	The Council's Framework
have access.	
<p>15.Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful</p> <p>Page 236</p>	<p>Legal Implications are present in all committee reports and regular law updates are provided by the monitoring officer. Standing orders and financial regulations are in place and adherence to these is reviewed by Finance Officers and the Internal Audit Team.</p>
<p>Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training</p>	<p>The Council runs a Member development programme which is reported to the Standards Committee annually. The Borough Solicitor provides training to new and existing Members on decision making and standards of conduct.</p> <p>A comprehensive induction programme was delivered for members following the local elections in May 2010. This included both general induction and service specific sessions. Further member development events were subsequently held during the course of the year, and 34 councillors formulated and agreed individual Personal Development Plans (PDPs).</p> <p>Going forward, the member development programme will continue to be focused on both key issues and specific needs identified through the PDPs. In addition, the Council is in the process of purchasing an e-learning package which will link into the Political Skills Framework tool purchased in conjunction with Harrow Council.</p> <p>It remains a key policy of the Council to provide all new staff with an informative induction that explains the structure and work of the Council and the relationships between different parts of the organisation. It is also an important way of ensuring new staff understand the values of the organisation and the part they will play in supporting the achievements of its goals.</p> <p>We have introduced a policy framework to include individual, managerial local and corporate induction. All new entrants are expected to attend a course within their first three months of being in the Council.</p>

Key Elements of a good governance framework	The Council's Framework
	<p>The induction process marks a key part of the relationship between the Council and all new starters.</p> <p>New starters are set up with e-learning accounts to complete the mandatory e-learning modules and also to complete a personal and/or any local induction programmes.</p> <p>The programmes are fundamental in setting standards and influencing patterns of behaviour conducive to working well with partners, colleagues and delivering excellent customer services.</p> <p>The key objectives of the corporate induction programme are for delegates to:</p> <ul style="list-style-type: none"> • understand the organisation's aims, values and the standards of behaviour and performance expected; • have an opportunity to identify and resolve at an early stage any concerns, issues or queries they may have relating to their employment; and • feel engaged and enthusiastic about working at Brent. <p>Within the new management induction the key objectives are for delegates to:</p> <ul style="list-style-type: none"> • understand the key roles and responsibilities (core standards and expectations) of the Brent Manager and the Management competencies • understand how to find management information on the intranet, useful contacts, peer support; mentoring and the learning and development management offer • opportunity to complete a self-assessment of behaviours, skills and knowledge to determine strengths and opportunities and devise an individual development plan • opportunity for networking. <p>During the induction process, officers are introduced to key personnel and statutory roles. On an individual level, each officer has a job description and person specification, which clarifies their role and identifies the knowledge, skills and competences required to undertake that role successfully.</p> <p>Each year, officers have an annual appraisal containing developmental objectives and plans linked to providing them with any required support to</p>

Key Elements of a good governance framework	The Council's Framework
Page 238	<p>enable continuous professional development, to bridge any skills or knowledge gaps and also to support the achievement of statutory goals and to meet Service Plans.</p> <p>The Council's Corporate Learning and Development policy, plans and service offers are based on corporate, strategic and service needs and also individual needs identified in team plans and individual appraisals.</p> <p>Statutory officers are encouraged to maintain their continuing professional development ,including, participating in and attending external forums to maximise their learning and to development, to keep abreast of good practice and to network and share learning to improve service delivery.</p> <p>Our People strategy 2010-14 highlights workforce development gaps and plans for building capacity and capability in the Council's Workforce. The workforce development plan highlights actions and success criteria around six people priorities and addresses the needs of statutory officers as appropriate. The six priority areas are as follows:</p> <ul style="list-style-type: none"> • develop strong leadership via the new Brent management model; • streamline and re-configure the organisation on One Council principles; • support effective change management that delivers timely results; • build an agile and efficient workforce that adapts easily to change; • close skills and resources gaps by developing and reskilling staff; and • attract, retain and develop highly motivated, diverse and talented people. <p>The introduction of the Performance and Talent Management system has enabled managers to better assess key competencies; development plans and to check on progress against the objectives which have been set for staff. This technological solution enables management information to be more easily extracted and monitoring of appraisals will be more dynamic and achievements monitored in real time.</p> <p>The Staffing and Structure project began the process of introducing generic management job descriptions which will embed corporate expectations and a common understanding of the management role. This is now being extended to cover business support roles and standardising job titles.</p> <p>The Learning & Development Plan and service offering reflect the skills and knowledge required to deliver the Corporate Strategy and is reviewed on an</p>

Key Elements of a good governance framework	The Council's Framework
	<p>annual basis to ensure continuing improvement and alignment to the goals of the Council. Individuals are encouraged to develop through their annual appraisal, six monthly reviews and regular one-to-ones which focus on improving performance and achievement of corporate/departmental objectives.</p> <p>A new appraisal system has been developed based on the competency framework which includes providing a customer focussed service, and leadership and influencing skills. The corporate training offering also offers courses on customer care and working with partners.</p> <p>As indicated above, the Council has an annual corporate Learning & Development programme based on strategic objectives including the Council's performance improvement priorities. A national performance management training programme has recently been piloted for staff in conjunction with the corporate Policy and Performance team.</p> <p>A review of the Learning and Development function has been undertaken to ensure it is equipped to meet the changing shape of the organisation.</p> <p>The Council was assessed for Investors in People in March 2013 and has retained its silver award. It is now aiming to achieve gold at the end of 2014.</p>
<p>Page 239</p> <p>Enhancing the accountability for service delivery and effectiveness of other public service providers</p>	<p>Council policy and services are set out to residents via The Brent Magazine produced ten times per year, the council website and wider media.</p> <p>Neighbourhood Bulletins are produced for each of the 21 wards twice a year to directly communicate response to issues raised by local residents.</p> <p>The Brent Consultation Board, established 2009, scrutinises and evaluates all major consultation projects. This includes ensuring that all consultation activity meets current corporate consultation quality and legal standards with regard to information, publicity, methodology, equalities issues and reporting back.</p> <p>Most meetings are held in public. Some parts of meetings are held in private when exempt or confidential information might be discussed. This is subject to the agreement of the members present.</p> <p>Brent has 5 Area Forums, (now rebranded as Brent Connects Area Forums). Each forum meets four times per year at locations across the borough. Brent Connects Area forums offer the public and stakeholders opportunities to engage with elected councillors, council officers and managers and our partner organisations – as well as participating in the borough's consultation activity.</p> <p>In addition:</p> <p>There are 5 Service User Forums, (now rebranded as Brent Connects – User Forums), which cover Pensioners, Equalities, Voluntary Sector Liaison, Private Sector Housing and Disabilities.</p>

Key Elements of a good governance framework	The Council's Framework
	<p>A Brent Citizens' Panel, consisting of 2,000 + locally recruited resident stakeholders, is in operation.</p> <p>The Youth Parliament has been operating since March 2007 and provides an opportunity for children and young people to present their views to the Council. The Youth Parliament worked on the development of the 'bmyvoice' website that was launched in March 2010.</p>
18. Ensuring effective management of change and transformation	<p>The Council's managing change policy includes guidance on staff and trade union consultation. The role of the line manager in people management has been documented and is shortly to be published which includes guidance on engagement. The content of this is being incorporated into the Council's new people management courses</p>
19. Ensuring effective arrangements are in place for the discharge of the head of paid service function	<p>During the year the Council's permanent Chief Executive left the Council. An experienced interim Chief Executive was appointed and at its meeting on 24 June 2013, Full Council agreed to commence the recruitment of a permanent Chief Executive after the May 2014 elections to provide continuity at a time of considerable change for the authority.</p>
20. Ensuring the authority's financial management arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local</i>	<p>During the financial year, the Council's permanent Chief Financial Officer (CFO) left the Council. As an interim measure, the Deputy Director of Finance acted as the CFO and provided stability and continuity.</p> <p>Otherwise, the main arrangements as set out in the CIPFA statement were adhered to.</p> <p>The CFO is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. All Executive reports have to be cleared by the CFO who attends all Leader's briefings and meetings of the Executive and full Council.</p>

Key Elements of a good governance framework	The Council's Framework
<p><i>Government (2010) and, where they do not, explain why and how they deliver the same impact</i></p>	
<p>21. Ensuring the authority's assurance arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Head of Internal Audit (2010)</i> and, where they do not, explain why and how they deliver the same impact</p>	<p>The Head of Audit and Investigations (HAI) reports to the Director of Finance and has a dotted line to the Chief Executive. He is able to report independently to the Audit Committee and Chair as appropriate and has direct access to all Chief Officers and Directors across the organisation.</p> <p>Principle 1: The HAI advises on the annual governance review and plays a key role in reviewing governance arrangements with other executive directors. They provide advice on control systems and risks through routing audit reports, investigations and through reviewing risk registers and advising the CMT.</p> <p>Principle 2: The Internal Audit Terms of Reference, strategy and charter are clearly set out and an annual opinion is provided based on evidence from internal audit reports and investigations concluded.</p> <p>Principle 3: The HAI is of sufficient seniority within the organisation and has unfettered reporting rights and access to information.</p> <p>Principle 4: The HAI leads and directs the internal audit function which has sufficient resources to deliver a plan which is proportionate to the size and risks within the organisation. The plan is delivered primarily through an outsourced contract which has agreed standards of service delivery which conform to professional standards.</p> <p>Principle 5: The HAI is a professionally qualified accountant (CIPFA) with 23 years post qualification experience in audit. The post holder also holds an MSc in counter fraud and has the Counter Fraud Manager accredited qualification.</p>

4 Review of Effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Internal Audit & Investigation's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:

The Council

- Monitors performance against corporate strategy objectives by producing an annual report setting an annual budget and medium term financial plan;
- Receives an annual budget report which summarises the financial position and the transactions for the year and considers the annual performance plan; and
- Has a Constitution which sets out the decision making processes and structure, delegated authorities, standing orders and financial regulations. These underpin the internal control framework.

The Executive

- Makes key decisions in accordance with the Budget and Policy Framework;
- Conducts joint planning sessions with the Corporate Management Team to consider the council's policy priorities and its linkages with the medium term financial strategy; and
- Meets regularly with the Corporate Management Team to develop policy and to receive operational and financial performance information.

The Audit Committee

- Met four times during 2012/13 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter;
- Maintains an overview of the Council's Constitution in respect of contract standing orders and financial regulations;
- Monitors the effective development and operation of risk management and corporate governance in the Council;

Reviews the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council; and

- Considers the Treasury Management Strategy and the Annual Investment Strategy. It also reviews treasury management activity during the year

The Standards Committee

- Receives reports from the Council's Monitoring Officer on issues concerning member conduct and would consider reports referred from the Monitoring Officer which require investigation and/or determination.

The Call-In Committee

- Is held if a decision of the Executive is called in for scrutiny.

Overview & Scrutiny Committee

- There are seven Overview and Scrutiny Committees, which cover:-
 - Budget and Finance Overview and Scrutiny Committee
 - Call In Overview and Scrutiny Committee
 - Children and Young People Overview and Scrutiny Committee
 - Health Partnerships Overview and Scrutiny Committee
 - North West London Joint Health Overview and Scrutiny Committee
 - One Council Overview and Scrutiny Committee
 - Partnership and Place Overview and Scrutiny Committee

Audit & Investigation

- Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Produce an Annual Audit Report including the Head of Audit's annual opinion on the Council's internal controls; and
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Operational and Strategic Directors. Recommendations for improvement are made in each report. Each significant audit report is followed up after a suitable period and any failure to implement recommendations is noted and reported back to the relevant director, the chief executive and the Audit Committee.

External Audit

- The Deputy Director of Finance & Corporate Services and the Council's external auditors meet on a monthly basis to share information and, as appropriate, raise any concerns regarding the internal control environment. These meetings may become more frequent during the closing of the accounts process when any material weaknesses or issues would be raised.

- 4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas addressed and those to be specifically addressed with new actions are outlined below.

5 Significant Governance Issues

- 5.1 Set out below are a number of significant governance issues which have been identified, together with a summary of the actions taken to date, or which are being proposed for 2013/14 to deal with these.

- 5.2 We have included an indication as to the progress made against those issues raised in the 2011/12 Annual Governance Statement.

- One of the key objectives of the One Council programme is the need to achieve significant savings over the period 2010-2014/15. In 2012/13, the One Council Programme delivered £54.6m per annum budget savings. The forecast for 2013/14 is an additional £10.2m and a further £11.6m in 2014/15. By 2014/15 the Programme is expected to achieve £76.4m of on-going budget savings and cost avoidance measures contributing to the majority of the Council's savings over the life of the programme. The main risks areas for the delivery of savings in 2014/15 are with the Restructure project, Procurement savings, Public Realm contract savings and Working with Families savings. These areas of risk will continue to be actively monitored by the Programme Boards and Project Management Office.
- The One Council Programme is the flagship programme for delivering complex organisational change, efficient and effective services and significant budget reductions. Two senior managers who have played key roles in the governance and delivery of the Programme have left Brent so there is a risk that this will impact on the capacity and capability to direct and govern the programme. As a consequence of their departure, the Programme Management Office has slightly reduced capacity and there is a risk that this may impact on the Project Management Office's ability to undertake project assurance and support project delivery. The governance of the Programme has been reconfigured to mitigate these risks. This includes the interim Chief Executive taking over the Programme Sponsor role and CMT becoming the Strategic Programme Board. The supporting Programme Delivery Board includes members of the original Programme Board and therefore retains knowledge, continuity and governance expertise. The resourcing and skills development requirements for the remainder of the Programme are being kept under review by the CMT Strategic Programme Board and Programme delivery Board.

- Based on future projections of funding, further fundamental changes to services are inevitable over the forthcoming years requiring decisions about what the council continues to deliver, what it stops delivering and how it delivers its services. Such significant change requires proper consultation with stakeholders and full equalities impact analysis and the council is committed to meeting its obligations in this regard. The council has proven robust arrangements in place with regard to policy decision making, equalities assessments and consultation. Discussions are currently taking place at CMT, DMTs and the One Council Programme Boards on how to manage the significant changes and funding gap facing Brent from 2014 onwards in a planned and rational way.
- The provision of school places continues to be a key issue for the Council as the number of young people requiring education in the Borough continues to rise. New places, both temporary and permanent, have been provided to meet this demand but this only just keeps pace, with no margin for error in projections. Additional funding has been secured to expand existing schools. This will help mitigate the problem but will fall well short of sums needed to meet total future demand, particularly in the secondary sector and in special education.
- The impact of a number of reforms to welfare benefits are likely to impact more heavily in Brent than in any other London Borough with a consequent impact upon the need for support from various council services, such as temporary accommodation, children's and adult's services and customer services. Reductions to Housing Benefit for claimants with "spare" bedrooms living in Social Rented accommodation, and the introduction of a local Council Tax Support scheme to replace the previous national scheme, commenced from April 2013. Rent collection and Council Tax payments from claimants have remained relatively stable following this change, though sustaining increased payments may prove more of a challenge for some claimants as time progresses.
- The government's Overall Benefit Cap will be implemented from August 2013 and will have significant impact on approximately 2000 claimants in Brent, many of whom will lose all or the majority of their Housing Benefit. The Council is attempting to mitigate this impact by encouraging employment and alternative housing options, but there is likely to be a significant increase in homelessness, and a reduction in landlords letting to benefit claimants, over the ensuing months. Beyond 2013 the national rollout of Universal Credit will present further challenges for claimants, landlords and local authorities, relating to the making claims predominantly online, monthly budgeting requirements, and the introduction of direct rent payments to claimants rather than landlords.
- The Council is undertaking a review of non permanent staffing arrangements which will see a reduction in spend on agency and consultant staff and a reduced reliance on them. A new agency contract has been let and Reed has incentives built into the contract to ensure a reduced dependency on agency workers. A new HR contract manager has been appointed to drive down

agency spend and negotiate preferential rates.

- During the year, an issue was identified regarding the under reporting of expenditure in 2011/12 within the placements budget within Children and Families. This resulted in a one off, unexpected, charge to the revenue budget for 2012/13 of £1m. This highlighted failure to adhere to proper accounting practices and is being addressed through improved systems. The increased budget pressure has been addressed via the use of reserves within the eservice area and from other under utilised budgets.

5.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Councillor Muhammed Butt
Leader of the Council

Christine Gilbert
Interim Chief Executive

Dated:

The Annual Governance Statement 2013/14 Draft Annual Governance Statement

1 Scope of responsibility

- 1.1 The Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Council's code is contained in part 7 of the council's Constitution and can be found on our website at <http://www.brent.gov.uk/your-council/about-brent-council/council-structure-how-we-work/our-constitution/>
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.2 The governance framework has been in place for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

3 The governance framework

- 3.1 The Borough Plan sets out the council's vision for the area, this is underpinned by a Corporate Plan which identifies the key tasks from which team plans and individual objectives are set. The council has recently achieved the Investors In People silver accreditation which demonstrates its commitment to best practice in staff development and learning.
- 3.2 The key elements of the systems and processes that comprise the Council's governance arrangements are set out over the following pages against the six core principles upon which the CIPFA/SOLACE Framework is based. The six core

principles being as follows:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 3. Promoting values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 5. Developing the capacity and capability of members and officers to be effective; and
 6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.3 Each of these core principles are broken down into a number of supporting principles and these are considered by the Council on an annual basis to review and summarise the key elements of the overall governance framework, as well as to identify specific actions needed to address any weaknesses and/or to achieve further improvement in the year ahead. The arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.
- 3.4 The tables set out over the following pages provide an overview of the key elements of the governance arrangements against the six core principles.

Key Elements of a good governance framework	The Council's Framework
<p>1. Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 249</p>	<p>The Council has a Borough Plan for the year period of 2013 to December 2014 agreed by the then Executive (now Cabinet) and Full Council. This document includes the corporate objectives of the Council and our shared partnerships priorities with other public agencies. The delivery of the Borough Plan is supported by a detailed Corporate Plan setting out key activities and milestones. Progress against the milestones is monitored on a quarterly basis and reported to the Corporate Management Team. A revised Borough Plan will be developed in collaboration with residents and partners over the summer of 2014 to cover the period 2014 – 2019. This will be subject to annual review and revision.</p> <p>The Borough Plan references other key relevant documents, including the following:</p> <ul style="list-style-type: none"> • Local Development Framework; • Climate Change Strategy; • Housing Strategy; • Sports and Physical Activity Strategy; • Cultural Strategy; • Health and Wellbeing Strategy; • Engagement Strategy; and • One Council Programme. • Children and Young Peoples Plan • Child Poverty Strategy . <p>The priorities of the Borough Plan are regularly set out in The Brent Magazine, its website, press releases and targeted campaigns.</p> <p>Service priorities are extensively consulted on with users and other relevant stakeholders. Departmental Service Plans are discussed annually with Lead Members prior to finalisation.</p>

Key Elements of a good governance framework	The Council's Framework
	The Corporate Plan feeds into team plans and individual objectives.
2. Reviewing the authority's vision and its implications for the authority's governance arrangements	<p>Implementation of the Borough Plan was monitored by the Executive (now Cabinet).</p> <p>Implementation of Service Plans is monitored throughout the year by Corporate Management Team (CMT) and Departmental Management Teams (DMTs) using a range of embedded systems and processes including quarterly performance monitoring.</p> <p>Progress against the administration's priorities is also reported to the Executive (now Cabinet) and Overview and Scrutiny Committees.</p>
<p>Page 250</p> <p>Translating the vision into objectives for the authority and its partnerships.</p>	<p>The Assistant Chief Executive's Service is responsible for supporting local partnership arrangements, known as Partners for Brent. The team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private and voluntary sector organisations.</p> <p>Local partners collaborate within Brent through our Local Strategic Partnership (LSP) to deliver the vision set out in the Borough Plan 2013/14.</p> <p>The LSP includes partners from all sectors and consists of an LSP Executive (now Cabinet) and Five Thematic Partnerships.</p> <p>The LSP's focus is to understand how to ensure the best outcomes for residents by aligning the work undertaken by different organisations in the borough and engaging people effectively in change.</p> <p>At service area level, objectives of partnerships are documented in the Service Plans and within contract documentation. They are then reflected in staff's individual objectives.</p>
4. Measuring the quality of services for users, for ensuring they are delivered in accordance with	<p>The Council has a Performance Management Framework, as overseen by the Performance Team, within the Assistant Chief Executive's Service. The team works with DMTs to strategically align all the Council's performance monitoring and reporting activity.</p> <p>Sitting under the Borough Plan the service planning framework serves as the cornerstone of the Council's approach to performance management. Each DMT is responsible for monitoring performance against their Service Plan and for reporting performance to CMT as appropriate Performance is also routinely discussed with the relevant Lead Member and reported to the Executive (now Cabinet) and Scrutiny.</p>

Key Elements of a good governance framework	The Council's Framework
the authority's objectives and for ensuring that they represent the best use of resources and value for money	<p>Performance is also monitored through individual plans and the appraisal process.</p> <p>Key groups within the overall framework include:</p> <ul style="list-style-type: none"> • Executive (now Cabinet) – agree proposals and challenge and question lead members and directors; • CMT – challenge the performance of the Council as a whole and has overall responsibility for achieving corporate objectives; • One Council Overview and Scrutiny Committee which provide a political challenge and scrutiny in relation to decisions taken by the executive (now Cabinet). Performance reports are received by the Committee, where there are areas of concern Directors and Lead Members are questioned by the Committee. Member led task groups can undertake more detailed investigation of areas of persistent underperformance or where concerns have been raised by local residents. • LSP – challenges delivery around key partnerships; and • One Council Programme Board – oversees the progress and achievements against the One Council Programme. <p>During 2013/14, the One Council Programme Board measured progress against its targets via fortnightly meetings. The One Council Programme Management Office (PMO) monitors the robust project and programme methodology that has been established to ensure the delivery of change projects and realisation of benefits. The OC Programme Delivery Board, is chaired by the Assistant Chief Executive and focuses on OC projects in portfolios, Red RAG projects and programme-wide matters. This framework includes the preparation of sound business cases for all projects within the programme and identification of future financial and non-financial benefits. The regular fortnightly monitoring of project plans enables effective management of delivery, identification of risk and tracking of both financial and non-financial benefits. Concept papers for new projects to enter the programme are agreed by CMT prior to detailed business cases being developed and quality assured by the OC Programme Board.</p> <p>The Assistant Chief Executive and PMO Manager meet each month with the Leader and Deputy Leader to up-date them on programme delivery and achievement of the savings targets.</p> <p>The council's IT systems for collection of performance data, 'inphases' is currently being upgraded and refreshed with the new set of corporate and service specific performance measures. A standard service planning template and guidance was refreshed in 2014 with a focus upon delivering the Corporate and Borough Plan objectives.</p> <p>During 2013/14 an integrated quarterly Performance and Finance monitoring report is produced each quarter. This is reviewed by the Executive (now Cabinet) and One Council Overview and Scrutiny Committee.</p>

Key Elements of a good governance framework	The Council's Framework
<p>5. Defining and documenting the roles and responsibilities of the executive (now Cabinet), non-executive (now Cabinet), scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements</p>	<p>Article 2 of the Constitution describes the role of Members of the Council, the Executive (now Cabinet) (now Cabinet), Mayor, Full Council and Overview and Scrutiny.</p> <p>Delegation arrangements are set out in the constitution and Officer delegation documents are held electronically by the Director of Legal and procurement</p> <p>Up to date job descriptions are in place for Senior Officers.</p> <p>Monitoring Officer Advice Notes give advice to Members on decision making and standards of conduct. Further details with regards to London Councils' positive assessment of these are set out against Core Principle 5.</p> <p>Local Democracy and Standards Web pages are updated regularly.</p> <p>All Cabinet decisions and key decisions by officers are recorded and published.</p> <p>Roles and responsibilities are covered in the Constitution.</p> <p>Member access to information rules are covered in part 7 of the Constitution and in the Access to Information protocol.</p> <p>Published Pay Strategy agreed annually by Full Council.</p>
<p>6. Ensuring effective arrangements are in place for the discharge of the monitoring officer function</p>	<p>Covered in the Constitution and job descriptions. All reports have to be cleared by the Director of Legal and Procurement who attends all Leader's briefings and meetings of the Executive (now Cabinet) and full Council. A lawyer also attends all other committee meetings. The Director of Legal and Procurement is responsible for issuing the monitoring officer advice notes and legal bulletins.</p>

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Key Elements of a good governance framework	The Council's Framework
<p>7. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 253</p>	<p>The Borough Plan 2013/14 sets out the aim to <i>'Support and promote greater participation if residents in decision-making, through democratic processes and council meetings'</i>. A review of our engagement arrangements is currently taking place and will bring forward proposals to the Executive (now Cabinet) in August 2014.</p> <p>There are a range of ways in which the local community and other key stakeholders are consulted. Key ones include:</p> <ul style="list-style-type: none"> • The Brent Magazine is regularly distributed to households, promoting Council policy and initiatives, and providing information on available services and consultation events. • Surveys of residents' are undertaken to evaluate resident satisfaction with the area and with council services. Two surveys were undertaken during 2012, 'What People Read' and a 'Reputation Tracker Survey'. A survey for waste and street cleaning services was undertaken in 2013 to establish baseline data against which the public realm contract can be performance managed. Additional recruitment to the Citizens' Panel was achieved through these surveys. The Council undertook a major Budget Consultation project using external consultants, Community Research, workshops and an interactive tool and over 600 people took part in the consultation. • The Ward Working initiative focuses on members working within their communities to collectively address local priorities and improve the way services are delivered on a neighbourhood level. • The Council's website is another key point of engagement, both with regards to publicising and communicating key information, as well as providing residents with the opportunity to access services via web technology. We are in the process of re-designing the website around customers' needs so it is easier to use. • There are five Brent Connects Area Forums, each chaired by a councillor, with meetings open to all members of the public. At each meeting, there is also a 'Soapbox slot' for residents to express their views and concerns about issues that affects them directly or indirectly. Outcomes of formal consultation are fed back through the Consultation Portal website. • A young persons' website, 'bmyvoice', was launched in March 2010, specifically for engaging and communicating with Brent's younger residents. • The Brent Local Involvement Network (LINK) has now been superseded by Local HealthWatch. • Staff are kept informed through Brent Manager, e sight lite and the intranet. Additional workshops / meetings are also run as appropriate for example on moving to the Civic Centre. In addition we have a number of snapshot surveys taking place to evaluate staff understanding of the council's overall aims.

Key Elements of a good governance framework	The Council's Framework
	<ul style="list-style-type: none"> • The Chief Executive writes a fortnightly blog for staff. • The Leader writes a regular blog which will become monthly in 2014/15. • The Borough Plan 2013/14 stresses that we will ensure that local services engage with local communities more effectively about the services and issues which are important to them'. We are working towards achieving 'Excellence' level of the national equalities framework by 2014. Staff are kept informed through managers' briefing and the intranet. A new e-newsletter for staff was launched during 2012/13. In addition there were a number of snapshot surveys taking place to evaluate staff understanding of the council's overall aims.
<p>8. Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.</p> <p>Page 254</p>	<p>The term 'partnership' is defined in the Constitution and a partnership map has been established.</p> <p>Protocols and guidelines for the operation of joint working have been agreed by the LSP and covers roles and responsibilities, protocols for financial administration and staff management.</p> <p>Guidance on the legal status of partnerships is provided by the Borough Solicitor as appropriate.</p> <p>The members of the Partners for Brent Executive (now Cabinet) have agreed terms of reference and roles as part of their governance arrangements. These establish the expected values and behaviours for effective partnership working. These include a commitment to addressing inequality, focusing on preventative actions and achieving value for money through greater collaboration.</p> <p>The corporate policy team is working closely with representatives of the voluntary sector to develop principles for collaboration with the voluntary and community sectors.</p>

Key Elements of a good governance framework	The Council's Framework
<p>9. Developing, communicating and embedding codes of conduct defining behaviour for members and staff</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 255</p>	<p>Member Code of Conduct set out in constitution together with other codes these have been reviewed and the updated codes of Conduct have been agreed by the Standards Committee..</p> <p>The Code of Conduct for Officers was updated and re-issued in 2010. Other codes include the IT Usage Policy, Data and Information Security and Grievance Policy, Disciplinary Policy, Capability Policy and Probation Policy are all held on the intranet and are subject to regular review. HR policies are mandatory for all staff.</p> <p>A new antifraud and bribery policy was issued in July 2013.</p> <p>Staff are made aware of their responsibilities through general communications, such as Esight lite, manager briefings and at corporate induction.</p> <p>Register of member interests and gifts and hospitality.</p> <p>The Conflict of Interest Policy for staff provides clear guidance regarding contractual and other potential conflicts.</p> <p>Gifts and Hospitality policy for staff.</p> <p>The council has a Standards Committee to deal with member conduct issues. The Committee is politically balanced and consists of five members and an independent co-opted member. Two separate independent individuals are involved in dealing with complaints against members. The Committee has an annual work programme and is supported by the Borough Solicitor.</p>
<p>10. Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.</p>	<p>The Executive (now Cabinet) is responsible for the implementation of policy and ensuring the effectiveness of service</p> <p>Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Executive (now Cabinet) receives a briefing (Leader's Briefing) two weeks prior to the Executive (now Cabinet) meeting when members can ask detailed technical questions of officers.</p> <p>All reports must be reviewed and signed-off by the Chief Finance Officer and the Director of Legal and Procurement and contain clear financial and legal advice to help members arrive at decisions.</p> <p>Senior Legal and Finance officers are available to give clear and robust advice.</p> <p>Scrutiny is responsible for monitoring the performance of the Executive (now Cabinet). The Overview and Scrutiny Committee receive regular up-dates</p>

<p>Key Elements of a good governance framework</p>	<p>The Council's Framework</p>
<p>Page 256</p>	<p>on the delivery of the One Council programme and performance monitoring. Periodic reports are also presented to the Budget & Finance Committee. The programme of member led task groups enable non executive (now Cabinet) members to consider matters of concern to local communities and make recommendations for action to the Executive (now Cabinet).</p> <p>Overview and Scrutiny Chairs are given an opportunity to report back to every full Council meeting. Call in arrangements in the Constitution allow Overview and Scrutiny to review decisions made by the Executive (now Cabinet).</p> <p>Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive (now Cabinet)) model of decision making. Although some decisions are reserved for Full Council, most are made by the Executive (now Cabinet) or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual Members.</p> <p>In accordance with the Local government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive (now Cabinet). These mechanisms involve the Overview and Scrutiny process including call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.</p> <p>Decision making meetings of the Executive (now Cabinet) are open to the public.</p> <p>Copies of reports and decisions are available on the internet and through the One Stop Shop and Libraries.</p>
<p>11.Undertaking the core functions of an audit committee, as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i></p>	<p>The Council has an Audit Committee which meets four times during the year. The terms of reference are set out in the Constitution. The Committee exists to consider the work of internal audit and its effectiveness; to consider reports from the external auditors; to monitor the effectiveness of the governance and risk management framework and to review the accounts.</p> <p>The committee has an independent chair. Appointments are made on a two year fixed term basis.</p>

Key Elements of a good governance framework	The Council's Framework
12. Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	<ul style="list-style-type: none"> • The Executive (now Cabinet) / Council consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. • The Corporate Management Team review corporate risks through regular monitoring reports. • Risks within the One Council programme are fully documented within the reporting framework of the programme. These are reported to the Programme Board and a risk log is maintained. These are project risks and are not separately identified within the Risk Register. Operational risk arising from the One Council change programme feed into departmental registers; and • Risks are identified within Service Plans and considered on a regular basis within departmental management teams and key operational risks are reported through to the Corporate Management Team.
<p>Page 257</p> <p>Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained</p>	<p>The council has a new anti-fraud and bribery policy (2013) publicised to all staff and the public. The council has an independent investigations team which is resourced appropriately.</p>
14. Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access.	<p>The council has a whistleblowing policy which was revised in 2014 and arrangements for the investigation of appropriate cases.</p>

Key Elements of a good governance framework	The Council's Framework
15.Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	Legal Implications are present in all committee reports and regular law updates are provided by the monitoring officer. Standing orders and financial regulations are in place and adherence to these is reviewed by Finance Officers and the Internal Audit Team.
16. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	<p>The Council runs a Member development programme which is reported to the Standards Committee annually. The member development charter was awarded in 2014.</p> <p>The Borough Solicitor provides training to new and existing Members on decision making and standards of conduct.</p> <p>A comprehensive induction programme was delivered for members following the local elections in May 2010. This included general induction and service specific sessions. Further member development events were subsequently held during the course of the year, and 34 councillors formulated and agreed individual Personal Development Plans (PDPs).</p> <p>Going forward, the member development programme will continue to be focused on both key issues and specific needs identified through the PDPs. In addition, the Council is in the process of purchasing an e-learning package which will link into the Political Skills Framework tool purchased in conjunction with Harrow Council.</p> <p>It remains a key policy of the Council to provide all new staff with an informative induction that explains the structure and work of the council and the relationships between different parts of the organisation. It is also an important way of ensuring new staff understand the values of the organisation and the part they will play in supporting the achievements of its goals. A tailored induction programme is also provided for all council apprentices and national graduates.</p> <p>We have introduced a policy framework to include individual, managerial local and corporate induction. All new entrants are expected to attend a course within their first three months of being in the Council.</p> <p>The induction process marks a key part of the relationship between the Council and all new starters.</p> <p>New starters are set up with e-learning accounts to complete the essential (mandatory) e-learning modules and also to complete a personal and/or any</p>

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Key Elements of a good governance framework	The Council's Framework
	<p>local induction programmes. There is also a mandatory Manager Essential programme for new managers to Brent and newly appointed managers within Brent.</p> <p>The programmes are fundamental in setting standards and influencing patterns of behaviour conducive to working well with partners, colleagues and delivering excellent customer services.</p> <p>The key objectives of the corporate induction programme are for delegates to:</p> <ul style="list-style-type: none"> • understand the organisation's aims, values and the standards of behaviour and performance expected; • have an opportunity to identify and resolve at an early stage any concerns, issues or queries they may have relating to their employment; and • feel engaged and enthusiastic about working at Brent. <p>Within the new manager essential programme the key objectives are for delegates to understand the key roles and responsibilities (core standards and expectations) of the Brent Manager and the Management competencies</p> <ul style="list-style-type: none"> • During the induction process, officers are introduced to key personnel and statutory roles. The Chief Executive attends all corporate induction sessions. • On an individual level, each officer has a job description and person specification, which clarifies their role and identifies the knowledge, skills and competences required to undertake that role successfully. <p>Each year, officers have an annual performance appraisal containing developmental objectives and plans linked to providing them with any required support to enable continuous professional development, to bridge any skills or knowledge gaps and also to support the achievement of the council's objectives.</p> <p>The Council's Corporate Learning and Development policy, plans and service offers are based on corporate, strategic and service needs and also individual needs identified in team plans and individual appraisals.</p> <p>Statutory officers are encouraged to maintain their continuing professional development ,including, participating in and attending external forums to maximise their learning and to development, to keep abreast of good practice and to network and share learning to improve service delivery.</p> <p>Our HR Strategy 2014-17 outlines the priority areas the council will focus on in respect of workforce capacity and capability. The five strategic aims are:</p>

Key Elements of a good governance framework	The Council's Framework
Page 260	<ol style="list-style-type: none"> 1. Achieving organisational effectiveness and strong performance management to ensure an excellent service is provided to customers and residents; 2. Recruiting, retaining and rewarding a diverse, highly skilled, flexible and motivated workforce; 3. Valuing diversity, reducing inequalities and responding to the diverse needs of the community; 4. Developing high performing managers and talented staff; 5. Building the professionalism and skills of the workforce to support One Council projects and deliver high quality services. <p>The Performance and Talent Management system has enabled managers to better assess key competencies; development plans and to check on progress against the objectives which have been set for staff. This technological solution enables management information to be more easily extracted.</p> <p>The Council has an annual corporate Learning & Development offer which supports council priorities, as identified through the newly developed Planning & Evaluation Framework.</p> <p>A review of the Learning and Development function has been undertaken to ensure it is equipped to meet the changing shape of the organisation.</p> <p>The Council was assessed for Investors in People in March 2013 and again in March 2014 and has retained its silver award. It is now aiming to achieve gold during 2014/15.</p>
17. Enhancing the accountability for service delivery and effectiveness of other public service providers	<p>Council policy and services are set out to residents via The Brent Magazine produced ten times per year, the council website and wider media.</p> <p>Neighbourhood Bulletins are produced for each of the 21 wards twice a year to directly communicate response to issues raised by local residents.</p> <p>Most meetings are held in public. Some parts of meetings are held in private when exempt or confidential information might be discussed. This is subject to the agreement of the members present.</p> <p>Brent has 5 Area Forums, (now rebranded as Brent Connects Area Forums). Each forum meets four times per year at locations across the borough. Brent Connects Area forums offer the public and stakeholders opportunities to engage with elected councillors, council officers and managers and our partner organisations – as well as participating in the borough's consultation activity.</p> <p>In addition:</p> <p>There are 5 Service User Forums, (now rebranded as Brent Connects – User Forums), which cover Pensioners, Equalities, Voluntary Sector Liaison,</p>

<p>Key Elements of a good governance framework</p>	<p>The Council's Framework</p>
	<p>Private Sector Housing and Disabilities.</p> <p>A Brent Citizens' Panel, consisting of 2,000 + locally recruited resident stakeholders, is in operation.</p> <p>The Youth Parliament has been operating since March 2007 and provides an opportunity for children and young people to present their views to the Council. The Youth Parliament worked on the development of the 'bmyvoice' website that was launched in March 2010.</p>
<p>18. Ensuring effective management of change and transformation</p>	<p>The council's business transformation process is driven by the One Council Programme. This programme is intended to deliver improvements and efficiency across all service areas through a series of projects. The Corporate Management Team oversees the programme and each project has a sponsor and project manager. Projects are controlled using a project management framework, utilising project plans and risk logs with regular reporting to the board.</p> <p>In relation to organisational change the council's managing change policy includes guidance on staff and trade union consultation. Human Resources proactively supports all change programmes within the council.</p>
<p>19. Ensuring effective arrangements are in place for the discharge of the head of paid service function</p>	<p>During the previous year the Council's permanent Chief Executive left the Council. An experienced interim Chief Executive was appointed in November 2012 and has been in post for the whole of 2013/14.</p>
<p>20. Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA</p>	<p>The arrangements as set out in the CIPFA statement were adhered to.</p> <p>The CFO is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. All Executive (now Cabinet) reports have to be cleared by the CFO who attends all Leader's briefings and meetings of the Executive (now Cabinet) and full Council.</p>

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Key Elements of a good governance framework	The Council's Framework
<p><i>Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact</i></p>	
<p>21. Ensuring the authority's assurance arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Head of Internal Audit (2010)</i> and, where they do not, explain why and how they deliver the same impact</p>	<p>The Head of Audit and Investigations (HAI) reports to the Chief Finance Officer and has a dotted line to the Chief Executive. He is able to report independently to the Audit Committee and Chair as appropriate and has direct access to all Chief Officers and Directors across the organisation.</p> <p>The arrangements as set out in the CIPFA statement were adhered to.</p>

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4 Review of Effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Internal Audit & Investigation's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:

The Council

- Monitors performance against corporate strategy objectives by producing an annual report setting an annual budget and medium term financial plan;
- Receives an annual budget report which summarises the financial position and the transactions for the year and considers the annual performance plan; and
- Has a Constitution which sets out the decision making processes and structure, delegated authorities, standing orders and financial regulations. These underpin the internal control framework.

The Executive (now Cabinet)

- Makes key decisions in accordance with the Budget and Policy Framework;
- Conducts joint planning sessions with the Corporate Management Team to consider the council's policy priorities and its linkages with the medium term financial strategy; and
- Meets regularly with the Corporate Management Team to develop policy and to receive operational and financial performance information.

The Audit Committee

- Met four times during 2013/14 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter;
- Monitors the effective development and operation of risk management;
- Reviews the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council; and
- Considers the Treasury Management Strategy and the Annual Investment Strategy. It also reviews treasury management activity during the year

The Standards Committee

- Receives reports from the Council's Monitoring Officer on issues concerning member conduct and would consider reports referred from the Monitoring Officer which require investigation and/or determination

The Call-In Committee

- Is held if a decision of the Executive (now Cabinet) is called in for scrutiny.

Overview & Scrutiny Committee

- There were seven Overview and Scrutiny Committees during 2013/14, which covered
- Budget and Finance Overview and Scrutiny Committee

- Call In Overview and Scrutiny Committee
- Children and Young People Overview and Scrutiny Committee
- Health Partnerships Overview and Scrutiny Committee
- North West London Joint Health Overview and Scrutiny Committee
- One Council Overview and Scrutiny Committee
- Partnership and Place Overview and Scrutiny Committee

- **Audit & Investigation**
- Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Produce an Annual Audit Report including the Head of Audit's annual opinion on the Council's internal controls; and
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Operational and Strategic Directors. Recommendations for improvement are made in each report. Each significant audit report is followed up after a suitable period and any failure to implement recommendations is noted and reported back to the relevant director, the Chief Executive and the Audit Committee.

- **External Audit**
- The Chief Finance Officer and the Council's external auditors meet regularly to share information and, as appropriate, raise any concerns regarding the internal control environment. These meetings may become more frequent during the closing of the accounts process when any material weaknesses or issues would be raised.

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas addressed and those to be specifically addressed with new actions are outlined below.

5 Significant Governance Issues

5.1 Set out below are the significant governance issues which have been identified, together with a summary of the actions taken to date, or which are being proposed for 2013/14 to deal with these.

- **Property Management.** An issue has arisen concerning the exercise of contractual rights within commercial leasehold agreements. This has resulted in additional rental liabilities being incurred. Various options are being considered to address how these liabilities might be mitigated.
- **FOI compliance.** The council has a statutory duty to respond to freedom of information requests within 20 working days. The council's processes for identifying, distributing and responding to FOI requests have not kept pace with the significant growth in the number of requests received. Consequently the council did not consistently meet the 20 day deadline for responding to FOI requests. In late 2013/14 new processes were introduced to improve management information and accountability, allowing the council to strengthen its performance in this area in 2014/15.

5.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Mohammed Butt
Leader of the Council

Christine Gilbert
Interim Chief Executive

Dated:

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