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Brent

Audit Committee

Monday 29 September 2014 at 7.00 pm
Boardroom - Brent Brent Civic Centre, Engineers Way, Wembley, HA9 0FJ

Membership:

Members	**Substitute Members**
Mr Ewart (Chair)	Councillors:
	RS Patel, Krupa Sheth, Stopp and Thomas
Councillors: A Choudry Khan McLeish Van Kalwala Davidson	Councillors: Ms Shaw 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

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Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Ward affected:	**Contact Officer***:* Mick Bowden, Deputy Director of Finance
All Wards	Tel: 020 8937 1460 mick.bowden@brent.gov.uk

7 Internal audit progress report 2014/15 173 - 224

This report provides an update on progress against the internal audit plan for the period 1st April 2014 to 31st August 2014. The appendix to the report also summarises those reports from the 2013/14 plan which have been finalised since the last committee meeting. The report also provides a summary of counter fraud work for 2014/15.

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

8 Risk register 225 - 234

This report presents the council's current Corporate Risk Register.
An appendix to the register is also attached.

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

9 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.

10 Date of next meeting

The next scheduled meeting of the Audit Committee is scheduled to be held on 7 January 2015 at 7.00pm

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

Brent

LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE
Thursday 26 June 2014 at 7.00 pm

PRESENT: Mr Ewart (Chair), Councillor Khan (Vice-Chair) and Councillors A Choudry, Davidson and McLeish

Also present: Councillors S Choudhary, Filson and Pavey

Apologies for absence were received from: Councillor Van Kalwala

1. **Election of Vice Chair**

RESOLVED:

that Councillor Khan be elected as Vice Chair of the Committee for the municipal year 2014-15.

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

None declared at this meeting.

3. **Deputations**

None.

4. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 19 March 2014 be approved as an accurate record of the meeting.

5. **Matters arising**

None.

6. **KPMG - External audit progress report**

Members received a progress report from the Council's external auditor, KPMG which set out the summary of work performed by KPMG for the financial year 2013-14 and a summary of proposed work over the next quarter. Phil Johnstone, Director of KPMG informed members that following the detailed annual plan highlighting the key risks to the audit which KPMG presented to the Committee at its meeting in March, an interim audit visit involving audit testing on a number of controls, including those around journals and bank reconciliations was carried out in April 2014. He continued that in addition to seeking the views of the Chair of the Audit Committee on controls in place and any fraud or unlawful transactions, KPMG reviewed the Council's in year financial position and the 2014-15 budget in connection with the value for money conclusion. He concluded that from the interim work carried out, there was nothing that KPMG needed to raise with the Audit Committee.

In outlining the work over the next quarter, Phil Johnstone stated that KPMG would focus on the following: detailed planning and audit of the Council's 2013/14 financial statements including the Annual Governance Statement and Pension Fund; review of arrangements in place for securing economy, efficiency and effectiveness in the use of resources which would include reviewing the Council's medium term financial plan and in year financial performance; preparing the ISA 260 Report to the Audit Committee setting out the key findings of the audit; and starting the detailed audit work on housing benefit claim.

Members heard that the proposed audit fee would remain at £263,520 for the Council's audit, £21,000 for the Pension Fund and £29,998 (a reduction from £36,000) as a result of changes made the Audit Commission in respect of the Teachers' Pension Return and Council Tax benefit.

In response to a member's question, the Chief Finance Officer responded that under The Audit Commission Act 1998, local electors had rights to inspect or object to the Council's accounts as well as to ask questions of the auditor about the accounts.

RESOLVED:

(i) that the external audit progress report be noted;

(ii) that the Chief Finance Officer be requested to circulate audit report for 2013 and ISA 260 to all members of the Committee.

7. **Draft statement of accounts 2013-14**

Conrad Hall, Chief Finance Officer of the Council informed the Committee that 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. He continued that although the presentation of the draft accounts to the Committee was not part of the formal decision making process, it enabled members to gain an understanding of the financial statements and raise any issues at an early stage of the process. The statement of accounts attached in a prescribed format as an appendix to the Chief Finance Officer's report had been reviewed to ensure that the information was presented as concisely as possible.

Mick Bowden, Operational Director of Finance stated that the Council set its budget for 2013/14 on 25 February 2013 at £284.3m which included £7.3m of savings. He added that since 2010, the Council had made overall savings in excess of £70m which had been delivered through the One Council Programme and the Council's approach to improving services and efficiency. The Operational Director added that due to difficult financial outlook, the Council would need to continue to scrutinise how it provided services in the future so as to manage the challenges it faced in a planned and structured manner. Based on current projections it was estimated that the Council would need to identify saving of £53m by 2016/17 with a similar level of savings in the following two years.

Members heard that despite the current challenging environment all departments managed to maintain spending within their respective budgets, enabling the Council to achieve its target level of non-earmarked reserves (or general fund balances) at £12m. It was noted that the Pension Fund deficit was a long term liability which would 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.

The Chief Finance Officer then responded to members' questions about salaries for senior officers, compensation payments and redundancy costs and the level of reserves. He explained that the reserves set aside by the Council to meet redundancy costs were not spent. He continued that in his view the Council's level of reserves was prudent and was constantly being scrutinised. He undertook to bring to members' attention any concerns on the level of reserves. In bringing the discussion to a close, the Chair asked that a copy of pay scales be sent to all members of the Committee.

RESOLVED:

that the draft statement of accounts 2013/14 be noted.

8. **Treasury Management outturn 2013-2014**

Members considered a report that updated on Treasury Management activity and confirmed the Council's compliance with its Prudential Indicators for 2013/14. Mick Bowden, Operational Director of Finance explained that the successful identification, monitoring and control of risk were central to the Council's treasury management strategy due to its long term borrowing to support investment in its infrastructure as well as to invest in balances held for short periods.

He drew members' attention to the table in the report that summarised the Council's investment activity for 2013/14 from which it was noted that 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. The Operational Director continued that the approach taken to minimise net interest costs enabled the Council to reduce its capital financing requirement by £4.6m and provided ongoing annual contribution towards the savings needed in the Council's medium term financial strategy.

RESOLVED:

that the 2013/14 Treasury Management outturn report be noted.

9. **Internal audit final progress report**

The Committee considered a report that summarised the work of Internal Audit and Investigation Team and provided an update on progress since the previous report to this Committee on 19 March 2014. In outlining the key points, Simon Lane, Head of Audit and Investigations stated that 81 draft (both Mazars and in-house output) against a planned total of 83 individual projects, (representing 98% of the planned output) and 59 final reports (representing 71% of total projects), were issued. He continued that out of the final reports issued to date for which assurance opinions were relevant there had been 1 full; 31 substantial and 19 limited assurance opinions. He drew members' attention to the summary report setting out the completed audit work attached as appendix 1 to the report and progress achieved on various investigations by the team to date.

In respect of housing benefit fraud, Members heard that the team completed full investigations into 109 cases and identified fraud in 67 of them resulting in 26 individual prosecutions. In addition, 20 cases had administrative penalty (of up to 30% of the value of the overpayment in addition to the overpayment) applied. The team identified housing benefit (HB) and Council tax benefit overpayments in excess of £1.1m which were being recovered and 21 additional cases where no sanction was applied. He continued that there was an overall reduction in cases investigated (40%) due to a number of factors including a reduction in staff dealing with HB fraud, more complex enquiries and fewer multiple claim frauds. The team also completed 222 investigations into housing tenancy fraud and recovered 46 properties, primarily as a result of identifying unlawful sub-letting. On blue badge fraud, 30 cases were investigated and identified 26 cases of fraud/irregularity which resulted in 10 prosecutions.

Simon Lane updated the Committee that 44 cases of internal fraud involving staff were investigated which resulted in 10 dismissals. Other external fraud relating to a case involving direct payments across two councils was successfully prosecuted and was set for asset recovery, however the death of the fraudster whilst serving his sentence meant that recovery was no longer deemed viable.

Aktar Choudhury, Operational Director of Planning and Regeneration attended the meeting to update members on how his department progressed the recommendations made in the audit of Section 106 legal agreements (s106). He started by explaining that s106 was a legal agreement between local authorities and developers, which were usually linked to planning permissions. They were also sometimes known as planning gain, planning benefits, community benefits or planning obligations and were used when there was a requirement to mitigate the impact of a development and the impact itself. Where they were required, developers would normally be expected to complete any s106 agreement before permission can be issued. The Operational Director of Planning and Regeneration continued that the introduction of the Planning Act 2008 and the Community Infrastructure Levy (CIL) Regulations 2010, as amended, would result in significant changes to the way that developments contributed towards the provision of infrastructure required to support sustainable growth across the borough.

Instead, in the future, the Council would seek to secure contributions towards infrastructure through the imposition of a CIL. Despite the changes to infrastructure funding, s106 agreements would continue to provide a valuable means of securing other site specific mitigation required in order to make developments acceptable in planning terms.

In respect of the audit, the Operational Director stated that 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 thought the income was not received after 30 days. Members noted that since the issue was raised, the Monitoring and Compliance Officer had taken steps to address the overdue contributions and as at 3rd April 2014, the total balance of payments not received after the 30 day deadline had reduced to £504,850 (without RPI). He assured the Committee that the department would take forward the recommendations set out in the report.

In welcoming the report, the Committee asked that a breakdown of the Council's receipts for Section 106 legal agreements be made and circulated to all members.

RESOLVED

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

10. **Internal audit annual report 2013-14**

The Committee received a report from the Head of Internal Audit which presented a summary of the audit work undertaken during the year and set out his opinion on the overall adequacy and effectiveness of the Council's internal controls. Simon Lane, Head of Audit and Investigations stated that in his opinion, the controls in place in those areas reviewed were adequate and effective with the exception of those areas in which limited assurance reports had been issued (as set out in his report). He added that areas where weaknesses had been identified within internal audit reports were being addressed by management and followed up by Internal Audit.

In relation to risk management Simon Lane continued that although there were some weaknesses in the process, the council's significant risks had been recognised. Members were informed that for each audit where controls had been analysed, an assurance statement had been issued however, there had been deterioration in the balance between limited and substantial assurance across the council and BHP. The primary deterioration was in non-key financial systems across the council with IT systems, schools and BHP generally showing higher levels of assurance.

Members welcomed the report and requested the Head of Audit and Investigations to circulate the audit plan to all members of the Committee.

RESOLVED:

that the internal audit annual report be noted.

11. **Annual Governance Statement (AGS) 2013-14**

The Committee considered a report that set out the Annual Governance Statement (AGS) for 2013/14 as required by the Accounts and Audit Regulations 2011. The Council was required to produce the AGS as part of its published accounts which must be signed by the Chief Executive and Leader of the Council.

Conrad Hall, Chief Finance Officer drew members' attention to the significant governance issues which had been identified together with a summary of the actions taken to date, or being proposed to be taken to address them. The first governance issue was in respect of property management. The Chief Finance Officer clarified that an issue had arisen concerning the exercise of contractual rights within commercial leasehold agreements. This had resulted in additional rental liabilities being incurred for which various options to mitigate them were being considered. The second issue involved Freedom of Information (FOI) compliance. He explained that the Council had a statutory duty to respond to freedom of information requests within 20 working days however, the Council's processes for identifying, distributing and responding to FOI requests had 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.

Members heard that in late 2013/14 new processes were introduced to improve management information and accountability, thus allowing the council to strengthen its performance in this area in 2014/15. The Chief Finance Officer proposed over the coming year to take steps to address the above matters to further enhance the Council's governance arrangements. He added that the implementation of those arrangements would be monitored as part of the next annual review.

RESOLVED:

that the content of the Annual Governance Statement (AGS) be approved.

12. **Any other urgent business**

None.

13. **Date of next meeting**

It was noted that the next meeting would take place on 29 September 2014.

The meeting closed at 9.45 pm

D EWART
Chair

Brent	**Audit Committee** 29 September 2014 **Report from the Chief Finance Officer**
To Note	Wards affected: ALL

Statement of Accounts 2013/14 and External Auditor's Report

1.0 Summary

1.1 The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The basis for this consideration is the "report to those charged with governance" also referred to as the ISA260 report. The Council's external auditors, KPMG, produce the report following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provides the overall value for money conclusion for the year.

1.2 At the time of writing this report KPMG is in the process of completing the audit of the 2013/14 accounts and the ISA260 report, reflecting the current position, is attached as Appendix 1 to this report. Based on the current position KPMG intends to give unqualified opinions on the Council and Pension Fund accounts and a clear value for money conclusion.

1.3 Representatives from KPMG will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

2.0 Recommendations

The Committee is asked to:

2.1 Review the Annual Governance Report from KPMG and:

- consider the key issues and recommendations
- consider the corrected audit differences
- approve the statement of accounts
- approve the letter of representation to KPMG

3.0 Detail

Statement of Accounts

3.1 The draft statement of accounts for 2013/14 was presented to the Committee at its meeting on 26 June 2014. The audit of the accounts commenced in July.

3.2 The attached ISA260 report sets out the anticipated results of the audit with the key points being:

- Unqualified audit opinion
- Positive feedback on the accounts production and audit process
- the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources

3.3 As a result of the audit recommendations for future improvements have been identified and a number of adjustments to the accounts have been agreed by council officers and KPMG.

3.4 Although the values are significant none of the adjustments have any impact on the council's general fund position or financial standing. It should also be noted that the late issuance of government guidance regarding the treatment of the new business rates retention system has made the compilation of the Collection Fund accounts.

Publication of Statement of Accounts

3.5 The Council is required to publish the 2013/14 accounts by 30 September 2014. The statement of accounts attached as Appendix 2 to this report incorporates the changes agreed with KPMG to date. Once approved, the statement of accounts will be published on the Council's website.

3.6 Once the audit has been completed a Letter of Representation needs to be signed prior to KPMG issuing an audit opinion. A draft letter, setting out confirmation from the Council regarding the financial statements and information provided as part of the audit process, is attached as Appendix 3

4.0 Financial Implications

4.1 There have been some adjustments to the Statement of Accounts during the course of the audit. None of these have impacted on the financial position of the Council.

5.0 Legal Implications

5.1 No specific implications.

6.0 Diversity Implications

6.1 No specific implications

7.0 Staffing Implications

7.1 No specific implications.

8.0 Background Information

Accounts and Audit Regulations 2011
Draft Accounts to Audit Committee – 26 June 2014

9.0 Contact Officer

Mick Bowden 020 8937 1460
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KPMG

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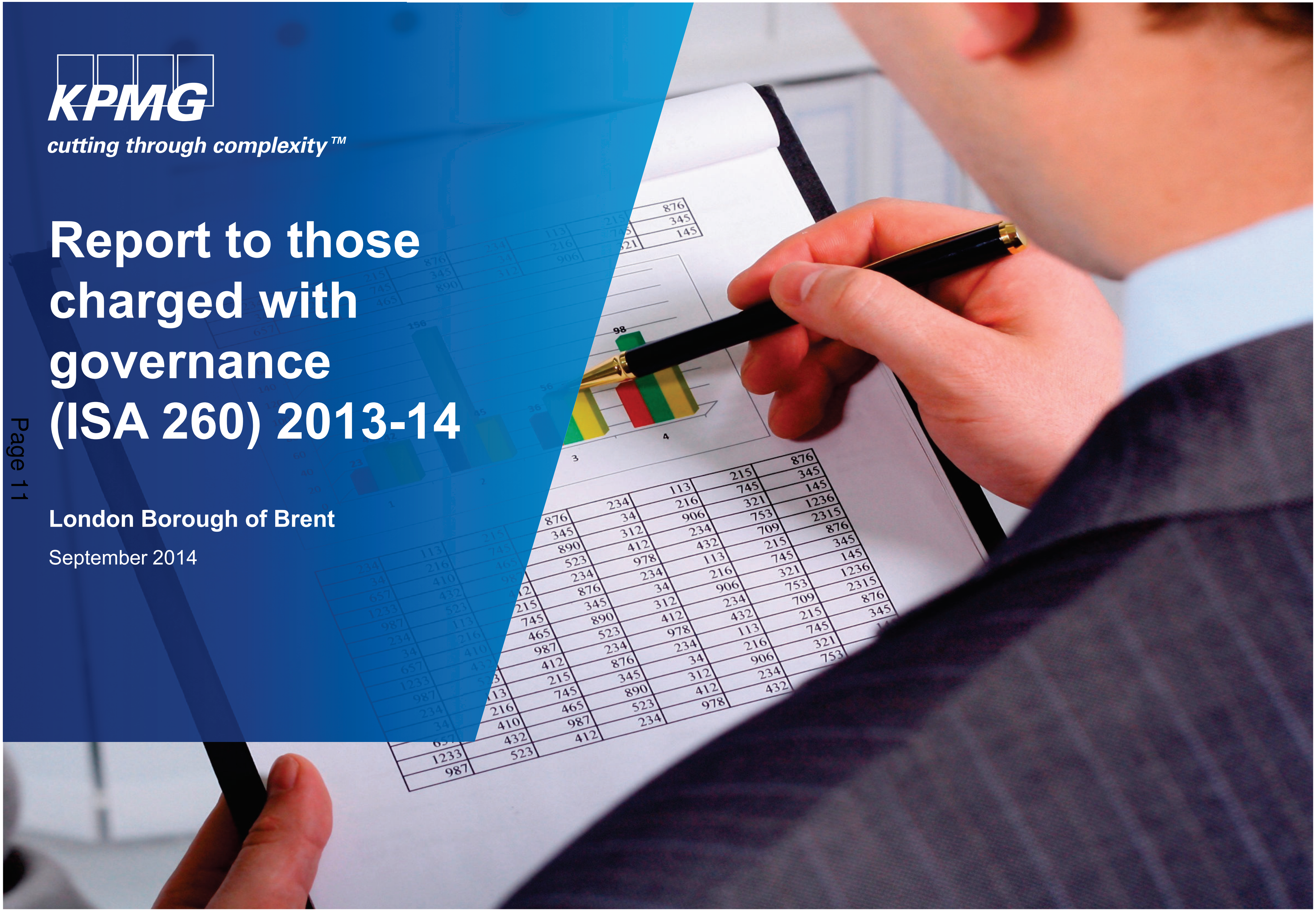
Report to those charged with governance (ISA 260) 2013-14



London Borough of Brent

September 2014

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Phil Johnstone, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

Section one

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for both the Authority and its Pension Fund; and**
- **our assessment of the Authority's arrangements to secure value for money in its use of resources.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at London Borough of Brent ('the Authority') in relation to the Authority's 2013-14 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- the work to support our 2013-14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013-14*, presented to you in March 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and July to September 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013-14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013-14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013-14 financial statements of the Authority and the Fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages for the Authority and the Pension Fund. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We also expect to report that the wording of your Annual Governance Statement accords with our understanding. We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2014.
Audit adjustments	We identified one material adjustment of £28.7 million to the primary financial statements which related to the valuation of additions to Council dwellings . We also identified five other non trivial audit adjustments that the Authority adjusted for and a small number of trivial presentational adjustments mainly to the notes to the accounts. There is no impact on the General Fund balance. We have included a full list of significant audit adjustments at Appendix 2.
Key financial statements audit risks	We have worked with officers throughout the year to discuss the significant audit risk area identified arising from the Local Government Pension Scheme for Brent (the Pension Fund) undergoing a triennial valuation. The Authority addressed the issues appropriately. We also considered the standard audit risk of management override of controls and our audit testing of journal entries, accounting estimates and significant transactions outside the normal course of business or that are otherwise unusual, did not identify any issues.
Accounts production and audit process	The Authority changed the format of the financial statements this year to help make them easier for interested parties to read. We welcome this approach by officers which shows considerable thought and in our view has succeeded in its aim to make the accounts more easily readable. We also found that the financial statements were prepared to a good standard, working papers were ready for the start of the audit and officers dealt efficiently with audit queries.
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems. We have made two recommendations in relation to strengthening the Authority's control environment both relating to Plant, Property and Equipment..

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ■ Minor queries on debtors and creditors; and ■ Final overall review and closure procedures by the Director. Before we can issue our opinion we require a signed management representation letter, which covers the financial statements of both the Authority and the Pension Fund. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's and the Pension Fund's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.
Audit Certificate	We are in the process of completing the work on the Whole of Government Accounts which we anticipate completing by 30 September 2014. We have not received any objections to the accounts from local electors and anticipate issuing our audit certificate by 30 September 2014.

Financial statements - Proposed opinion and audit differences

The Authority made one material adjustment to the draft financial statements that was identified during the audit. **We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements**

We have identified no issues in the course of the audit of the Pension Fund that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

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Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 29 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We identified one material misstatements to the primary financial statements relating to the valuation of additions to Council dwellings which resulted in reductions in the value of Council dwellings of £30 million.

There were five other key audit differences that the Authority adjusted for relating to:

- Accounting for the Collection Fund surplus;
- Accounting for Council Tax income;
- Classification of investments;
- Reversal of incorrectly impairing Plant and Equipment in the Civic Centre; and
- Classification of Property, Plant and Equipment.

There was no impact on the General Fund surplus and full details are included in Appendix 2

In addition, we identified a small number of presentational adjustments required to ensure that the financial statements are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013-14 ('the Code').* We understand that the Authority will be addressing theses where it considers it appropriate.

Pension fund audit

Our audit of the Pension Fund financial statements did not identify any material misstatements.

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts by the Audit Committee on 29 September 2014.

There were no significant audit differences although we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code*. We understand that the Pension Fund will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Pension Fund Annual Report

We have reviewed the Pension Fund Annual Report and confirmed that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified audit opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

Financial statements - Key financial statements audit risks

We have worked with officers throughout the year to discuss significant risk areas.

The Authority addressed the issues appropriately.

In our External Audit Plan 2013-14, presented to you in March 2014, we identified the significant risks affecting the Authority's and the Pension Fund's 2013-14 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority. We have indicated in each case whether these relate to the audit of the Authority's financial statements or those of the Fund.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Significant audit risk	Issue	Findings
LGPS Triennial Valuation	During the year, the Local Government Pension Scheme for Brent (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013-14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014-15 and 2015-16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the financial statements.	We reviewed the controls the Authority has in place to review the data received from the actuary and found them to be satisfactory. We reviewed the controls in place to provide data to the actuary and agreed key figures back to the systems and reports from which it was derived. We have not identified any issues to report.

Financial statements - Accounts production and audit process

The Authority has good processes in place for the production of the financial statements.

The financial statements were ready for audit a week in advance of the deadline.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting processes in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	The Authority changed the layout of the financial statements this year to help make them easier for interested parties to read. We received the draft accounts on 23 June 2014, a week earlier than last year.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2014 and discussed with officers, set out our working paper requirements for the audit. The quality of working papers provided met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers dealt efficiently with audit queries.
Pension fund audit	The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Element	Commentary
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by PWC on the financial statements of Brent Housing Partnership Limited. There are no specific matters to report pertaining to the group audit.

Prior year recommendations

There were no audit recommendations made in our *ISA 260 Report 2012-13*.

Financial statements - Organisational control environment

Your organisational control environment is effective overall.

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Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Key findings

We found that your organisational control environment is effective overall.

Other matters

There are two other matters that we wish to bring to your attention with regards to Plant, Property and Equipment.

Council dwellings

The Authority has assumed that the amount spent on capital works for Council dwellings increases the market value by a similar amount (after taking account of the Social Housing Discount). Our experience is this is not always the case. We recommend the Authority's surveyor reviews the amount spent and calculates the increase in market value of Council dwellings as a result of this as part of the closedown process for 2014-15. The total amount of capital additions to Council dwellings that should be subject to this review is approximately £10 million It would require a detailed valuation to quantify the exact amount of any change in value, but we are satisfied that Council dwellings included within Property, Plant and Equipment are not materially mis- stated for 2013-14 as a result of this review not being completed.

Civic centre

The Civic Centre was valued by an professional valuer and in line with proper accounting treatment the different components of the building were valued eg roof, structure, lifts as the estimated useful lives of these components differ. The Authority however did not split the Civic Centre into components in the fixed asset register but recorded it as one asset which was to be depreciated over 42 years. While there is only a trivial £8,000 difference on depreciation this year, the individual components need to be clearly recorded on the fixed asset register to ensure any future revaluations or impairments and additions to the property can be clearly allocated in line with proper accounting standards.

Financial statements - Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's and the Pension Fund's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of London Borough of Brent and Brent Pension Fund for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and London Borough of Brent and Brent Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Authority for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013 -14 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

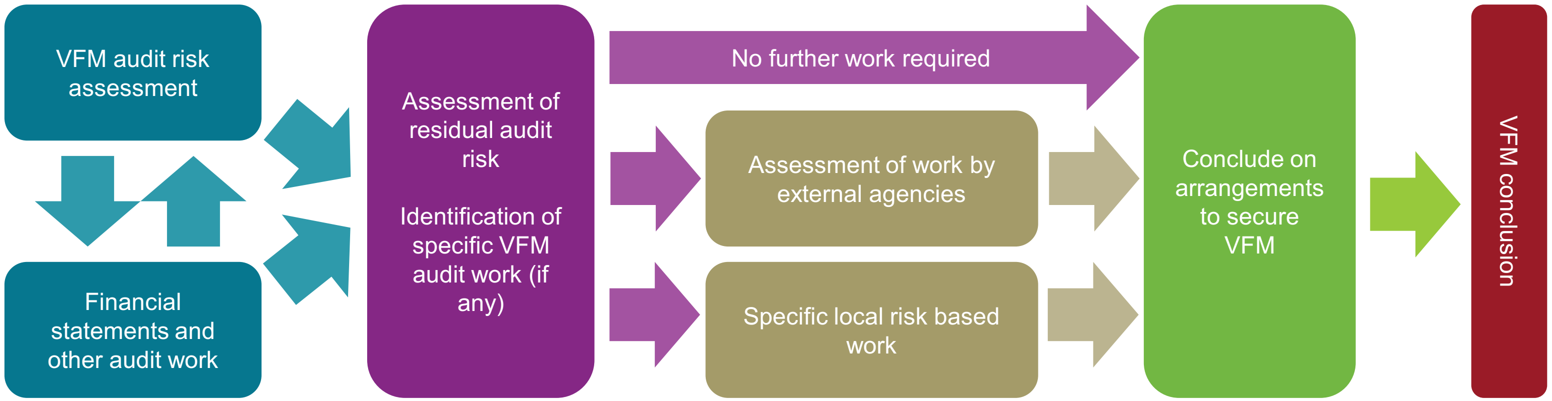
Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❸	**Revaluation of Council dwellings additions** The Authority has assumed the amount spent on capital works on Council dwellings increases the market value by a similar amount (after taking account of the Social Housing Discount). Our experience is that the market value of a dwelling increases less than the amount spent on capital works. **Recommendation** We recommend the Authority's surveyor reviews the amount spent and calculates the increase in market value of Council dwellings as a result of this as part of the closedown process for 2014-15.	An assessment of capital works in 2014-15 will be undertaken. This will provide the basis of the change in market value used for the valuation in the statement of accounts. March 2015 Operational Director - Finance

Appendix 1: Key issues and recommendations (continued)

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	3	**Fixed Asset Register** The Authority used a professional valuer to value the new Civic Centre. Valuations were allocated to the various components of the buildings, all of which had different estimated useful lives. However, the Civic Centre was included in the fixed asset register as one item and is being depreciated over 42 years. **Recommendation** The components of the Civic Centre should be separately included in the fixed asset register and depreciated over their respective estimated useful lives.	The components of the civic centre will be separately included in the Council's asset register in line with its accounting policies. March 2015 Operational Director – Finance

Appendix 2: Audit difference

This appendix sets out the significant audit difference.

It is our understanding that these will be adjusted.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We have not identified any uncorrected audit differences. We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences – Authority and Pension Fund

The table below highlights key corrected audit differences to the Authority's primary financial statements. There are no corrected audit differences to the Pension Fund accounts.

77	Impact					Basis of audit difference
No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
1	Dr HRA income – upward revaluation of assets £28.8 million	Cr HRA - movement on the HRA statement £28.8 million	Cr PPE - Council dwellings £28.8 million		Dr Capital Adjustment Account £28.8 million	The reduction in value of Council dwellings as a result of the Social Housing Discount factor being applied to additions to Council dwelling.
2	Cr Council Tax Income £3.0 million Dr Cost of services income £4.4 million	Cr GF – movement on the General Fund statement £1.4 million		Cr Creditors - £1.4 million	Dr Earmarked reserves – Collection Fund £6.2 million Cr Collection Fund Adjustment Account - £4.8 million	Incorrect treatment of the Collection Fund surplus and for Council Tax income to be accounted for in the Comprehensive Income and Expenditure Account on an accruals basis.

Appendices

Appendix 2: Audit difference

This appendix sets out the significant audit difference.

It is our understanding that this will be adjusted.

Corrected audit differences – Authority and Pension Fund

The table below highlights key corrected audit differences to the Authority's primary financial statements. There are no corrected audit differences to the Pension Fund accounts. There were also a number of minor adjustments and presentational issues to address on both the Authority and Pension Fund financial statements..

	Impact					
No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	Basis of audit difference
3			Dr Long term investments £5 million Cr Short term investments £5 million			Long term investment classified as a short term investment
4	Cr Cost of services expenditure – central services £3.1 million	Dr Movement on the General Fund statement £3.1 million	Dr Property, Plant and equipment £3.1 million		Cr Capital Adjustment Account £3.1 million	Plant and Equipment incorrectly impaired relating to the Civic Centre
5			Dr PPE – Assets under construction £16 million Cr Other Land and Buildings £16 million			Plant, Property and Equipment incorrectly disclosed
	Dr £27.1 million	**Cr £27.1 million**	**Cr £25.7 million**	**Cr £1.4 million**	**Dr £27.1 million**	**Total impact of corrected audit differences**

In the Collection Fund the Non Domestic Rates: payments to preceptors was adjusted by £5.1 million. This had a negligible impact of £77,000 on the Comprehensive Income and Expenditure Account as the Authority's share of the deficit had been mainly accounted for.

In the Group accounts, in addition to the adjustments referred to above, there was an increase of £1.6 million to net cost of services and a £1.6 million reduction to usable reserves. This was due to an adjustment being made to Brent Housing Partnership Limited accounts.

Appendix 3: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

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Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 3: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of London Borough of Brent and Brent Pension Fund for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and London Borough of Brent and Brent Pension Fund , its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

KPMG

cutting through complexity™

LONDON BOROUGH OF BRENT

STATEMENT OF ACCOUNTS

2013/14

Contents

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: 30 Sept 2014…………………………………………….

CONRAD HALL
Chief Finance Officer

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	21,784	26,258	2,292
Transfer to general fund	0	0	0	75	75	75
Total Budget Requirement	284,297	(831,231)	1,083,593	31,919	284,280	(17)
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)	(78,424)	0	0	(78,424)	0
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**	**(284,280)**	0	0	**(284,280)**	**17**

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 £278m.

The main reasons for this difference are as follows:

- Actuarial gains on pension assets and liabilities (£205m)
- Revaluations of Plant, Property and Equipment (£30m)
- 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.

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	1,346,026	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	5,100	
42,346	Long Term Debtors		54,008	
1,371,882	**Long Term Assets**		**1,410,283**	
46,336	Short Term Investments	26	70,226	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**		**192,988**	
(10,509)	Short Term Borrowing		(8,577)	Liabilities
(81,517)	Short Term Creditors	7	(92,692)	
(2,885)	Provisions		(4,001)	
(94,911)	**Current Liabilities**		**(105,270)**	
(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**		**407,187**	
12,060	General Fund		12,135	Reserves
9,198	Capital Receipts		46,173	
88,427	Earmarked Reserves	10	106,228	
115,285	Other Usable Reserves		118,367	
(96,240)	Unusable Reserves		124,284	
128,730	**Total Reserves**		**407,187**	

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**	**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	6,579			43,345					49,924	0	49,924
Other comprehensive income & expenditure									0	**228,535**	228,535
Total comprehensive income & expenditure	**6,899**	**0**	**0**	**43,345**	**0**	**0**	**0**	**0**	**50,244**	**228,535**	**278,459**
Adjustments between accounting basis & funding basis under regulations	17,367			(41,566)		36,975	(1,639)	(3,126)	8,011	(8,011)	0
Net increase/decrease before transfers to earmarked reserves	**23,946**	**0**	**0**	**1,779**	**0**	**36,975**	**(1,639)**	**(3,126)**	**57,935**	**220,524**	**278,459**
Transfers to/from earmarked reserves	(23,870)	5,991	17,813	(3,416)	(12)	0	3,494	0	0	0	0
Increase/decrease in 2013/14	**76**	**5,991**	**17,813**	**(1,637)**	**(12)**	**36,975**	**1,855**	**(3,126)**	**57,935**	**220,524**	**278,459**
Balance as at 31 March 2014	**12,136**	**17,636**	**104,404**	**950**	**1,825**	**46,173**	**12,714**	**87,067**	**282,905**	**124,282**	**407,187**

Comprehensive Income and Expenditure Statement

2012/13 (restated) Gross Expenditure £'000	2012/13 (restated) Gross Income £'000	2012/13 (restated) Net Expenditure £'000		2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000	Note
50,686	(43,993)	6,693	Central services to the public	29,442	(11,991)	17,451	
19,444	(3,777)	15,667	Cultural and related services	21,153	(4,853)	16,300	
35,105	(6,810)	28,295	Environmental and regulatory services	39,286	(6,056)	33,230	
6,370	(2,832)	3,538	Planning	7,773	(3,735)	4,039	
44,923	(2,566)	42,357	Children’s social care	49,160	(7,818)	41,342	
306,312	(273,652)	32,660	Education and children's services	311,200	(270,383)	40,817	
53,120	(32,603)	20,517	Highways and transport services	49,116	(25,215)	23,901	
38,805	(70,613)	(31,808)	Local authority housing (HRA)	40,598	(92,075)	(51,477)	
410,421	(394,449)	15,972	Other housing services	424,188	(404,636)	19,552	
100,978	(26,281)	74,697	Adult social care	115,740	(25,754)	89,985	
3,717	(36)	3,681	Corporate and democratic core	7,098	(954)	6,143	
2,018	(47)	1,971	Non distributed costs	1,095	(224)	871	
1,071,899	**(857,659)**	**214,240**	**Cost of Services**	**1,095,847**	**(853,690)**	**242,157**	
0	0	0	Services transferred from the NHS - Public Health	18,151	(18,620)	(469)	16
1,071,899	**(857,659)**	**214,240**	**Cost of continuing and acquired services**	**1,113,997**	**(872,310)**	**241,687**	
		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			(337,032)	14
		(56,122)	**(Surplus) or Deficit on Provision of Services**			(49,924)	
		(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**			**(278,459)**	

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 (restated) £'000		2013/14 £'000	Note
56,122	Net surplus or (deficit) on the provision of services	49,924	
89,918	Adjustments for non-cash movements	96,515	
(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**	**3**

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**	**473,372**	**202,704**	**47,230**	**4,072**	**141,277**	**1,443,826**	**89,889**	**6,530**
Additions	16,048	21,787	11,271	6,801	41	26,231	**82,179**	293	1,802
Depreciation written out	0	(6,113)	0	0	0	0	**(6,113)**	0	0
Revaluation (Revaluation Reserve)	0	23,366	0	47	0	0	**23,413**	171	0
Revaluation (Surplus/Deficit on the Provision of Services)	38,597	(37,067)	0	0	0	0	**1,530**	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	136,737	0	0	0	(136,737)	**0**	0	0
At 31 March 2014	**609,009**	**578,128**	**213,975**	**51,050**	**4,113**	**30,771**	**1,487,046**	**92,310**	**8,332**
Accumulated Depreciation/Amortisation and Impairment									
At 1 April 2013	**(18,821)**	**(33,781)**	**(41,431)**	**(27,243)**	**(87)**	**0**	**(121,363)**	**(10,144)**	**(2,803)**
Depreciation/ amortisation	(10,558)	(12,045)	(5,273)	(7,841)	(22)	0	**(35,739)**	(3,067)	(2,048)
Depreciation written out	0	6,113	0	0	0	0	**6,113**	0	0
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	**0**	9	0
At 31 March 2014	**(29,379)**	**(33,044)**	**(46,704)**	**(31,781)**	**(109)**	**0**	**(141,017)**	**(13,202)**	**(4,851)**
Net Book Value (Cost or Valuation less Accumulated Depreciation/Amortisation and Impairment)									
At 31 March 14	**579,630**	**545,084**	**167,271**	**19,269**	**4,004**	**30,771**	**1,346,029**	**79,108**	**3,481**
At 31 March 13	**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)**	**(33,781)**	**(41,431)**	**(27,243)**	**(87)**	**0**	**(121,363)**	**(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 £'000		31-Mar-14 £'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 £'000		31-Mar-14 £'000
19,730	Bank current accounts	27,552
16,401	Short-term deposits	34,101
36,131	**Total**	**61,654**

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Note 4 - Cash Flow Statement - Operating Activities

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

Note 5 -Cash Flow Statement - Investing Activities

2012/13 £'000		2013/14 £'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 £'000		2013/14 £'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 £'000		31-Mar-14 £'000
9,547	Central government bodies	8,141
9,039	Other local authorities	7,155
40	NHS bodies	1,646
1,390	Public corporations and trading funds	664
61,501	Other entities and individuals	75,086
81,517	**Total**	**92,692**

Note 8 - Long-Term Liabilities

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

Note 9 - Provisions

	Outstanding Legal Cases £'000	Compensation Claims £'000	Other Provisions £'000	Total £'000
Short Term Provisions				
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**
Long Term Provisions				
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	2,077	(325)	5,853
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	0	(2,340)	0
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	**20,873**	**(9,007)**	**65,207**
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	33,090	(15,278)	104,403
HRA: Housing Revenue Account	1,837	111	(123)	1,825
Total	**88,428**	**33,201**	**(15,401)**	**106,228**

Note 11 - Other Operating Expenditure

31-Mar-13 £'000		31-Mar-14 £'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 £'000		31-Mar-14 £'000
20,306	Interest payable and similar charges	24,181
24,635	Pensions interest cost and expected return on pensions assets	34,668
(3,177)	Interest receivable and similar income	(2,988)
(484)	Income and expenditure in relation to investment properties and changes in their fair value	0
66	(Surplus)/Deficit on Trading Accounts	(209)
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 £'000		31-Mar-14 £'000
(104,972)	Council tax income	(86,561)
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**	**(337,032)**

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	264
40	Fees payable to KPMG for the certification of grant claims and returns for the year	33
316	**Total**	**297**

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 Cente - Pfi Rese	1,242
7,367	Pupil Premium Grant	9,159
3,638	REFCUS revenue grants	4,878
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**	**613,934**

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**

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 2014-15 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	47,609,919		47,609,919
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 2014-15 agreed in advance	**3,477,996**	**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.

Locata

Brent, in partnership with other London boroughs and Housing Associations, is operating a joint lettings scheme for housing tenants. A company called Locata (Housing Services) Limited has been set up for this purpose.

Brent is liable to contribute to the debts and liabilities of Locata up to £10, if it was wound up.

Locata’s accounts have not been consolidated into Brent’s group accounts because the sums involved are not material to the Council’s accounts and because Brent has limited influence on the company (less than 20% voting rights

A copy of Locata’s accounts can be obtained from Companies House www.companieshouse.gov.uk.

Note 25 - Capital Expenditure and Capital Financing

2012/13 £'000 GF	2012/13 £'000 HRA	2012/13 £'000 Total		2013/14 £'000 GF	2013/14 £'000 HRA	2013/14 £'000 Total
			Capital Investment			
119,081	10,875	129,956	Property, Plant and Equipment	66,079	16,048	82,127
1	0	1	Investment Properties	31	0	31
2,812	0	2,812	Intangible Assets	1,802	0	1,802
6,659	0	6,659	Revenue Expenditure Funded from Capital under Statute	7,604	0	7,604
128,553	10,875	139,428	**Total Expenditure**	75,516	16,048	91,564
			Sources of Finance			
(21,418)	0	(21,418)	Capital Receipts	(19,110)	(2,044)	(21,154)
(38,531)	(37)	(38,568)	Government Grants and other Contributions	(43,438)	(20)	(55,655)
(10,074)	(3,880)	(13,954)	Direct revenue contributions	(3,248)	(1,670)	(5,556)
6,905	(6,905)	0	Major Repairs Reserve	0	(12,197)	(12,197)
53	(53)	0	Earmarked Reserves	(520)	(118)	(638)
(65,488)	0	(65,488)	Borrowing	(9,199)	0	(9,199)
(128,553)	**(10,875)**	**(139,428)**	**Total Resources**	**(75,515)**	**(16,049)**	**(91,564)**
		0	**Net Balance**			**0**
			Calculation of Capital Financing Requirement			
		1,325,709	Fixed Assets			1,347,695
		3,727	Intangible Assets			3,480
		0	Assets Held for Sale			4,519
		(157,253)	Revaluation Reserve			(171,809)
		(546,834)	Capital Adjustment Account			(569,665)
		(33,744)	Deferred Income			(31,737)
		591,605	**Capital Financing Requirement**			**582,483**

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	5,000			70,226	46,336	31,715
Unquoted equity investment at cost	100	100	100	-	-	-
Total investments	**5,100**	**100**	**100**	**70,226**	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	8,577	10,509	34,124
Total Borrowings	**423,662**	**428,003**	**403,089**	**8,577**	**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				76,663	61,501	68,514
Total Creditors				**76,663**	**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 (PWLB) and market loans The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio, assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates In the case of market loans, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date. The carrying amount of short-term borrowing is considered to be at fair value.

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

Financial Liabilities

31-Mar-13 Carrying Amount £'000	31-Mar-13 Fair Value £'000		31-Mar-14 Carrying Amount £'000	31-Mar-14 Fair Value £'000
10,509	10,509	Short Term Borrowing	8,577	8,577
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 £'000		31-Mar-14 £'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 £'000		31-Mar-14 £'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 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 £'000		2013-14 £'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 £'000		2013-14 £'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 £'000		2013-14 £'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 £'000		2013-14 £'000
1,544	Minimum Lease payments	227

Future payments under this contract are:

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

The gross investment in the lease and the minimum lease payments will be received 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 £'000		2013-14 £'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 £'000		2013-14 £'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 £'000		**2013-14 £'000**
(31,662)	Deferred Income opening balance	(33,745)
(4,090)	Additions	0
2,007	Amortisation	2,007
(33,745)	Deferred Income closing balance	(31,738)

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:

	Long Term		Short Term	
	31-Mar-14	**31-Mar-13**	**31-Mar-14**	**31-Mar-13**
Credit Rating	**£'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	**Historical experience of default %**	**Estimated maximum exposure to default £'000**
	(a)	(b)	
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.

Investments of £70,225k are due to be repaid within one year. The remaining single investment of £5,000k is due to be repaid in August 2015.

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.

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 Salary (including fees and allowances) £	2012/13 Compen-sation for loss of office £	2012/13 Total remuneration excluding pension contributions £	2012/13 Employer's pension contributions £	2012/13 Total remuneration including pension contributions £	2013/14 Salary (including fees and allowances) £	2013/14 Compen-sation for loss of office £	2013/14 Total remuneration excluding pension contributions £	2013/14 Employer's pension contributions £	2013/14 Total remuneration including pension contributions £
Chief Executive – G Daniel (until September 2012)	1	119,485	200,702	320,187	nil	320,187	nil	Nil	Nil	Nil	nil
Interim Chief Executive - C Gilbert (from 1 November 2012) 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	118,963	Nil	118,963	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	150,625
Acting Director Children and Families (from July 2013)	2	Nil	Nil	Nil	Nil	Nil	94,424	Nil	94,424	12,653	107,077
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)

Postholder	Note	2012/13 Salary (including fees and allowances) £	2012/13 Compensation for loss of office £	2012/13 Total remuneration excluding pension contributions £	2012/13 Employer's pension contributions £	2012/13 Total remuneration including pension contributions £	2013/14 Salary (including fees and allowances) £	2013/14 Compensation for loss of office £	2013/14 Total remuneration excluding pension contributions £	2013/14 Employer's pension contributions £	2013/14 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	133,445
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	168	570	**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	1,063
£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.

In June 2011 the International Accounting Standards Board (IASB) issued a new version of IAS19. This applies to financial years starting on or after 1 January 2013. The comparator figures in the CIES have been restated. The key change is that the interest cost and expected return on assets components of profit are now combined into a net figure. In effect this means that the expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate. An employer can therefore no longer show higher profits where a scheme invests in assets expected to generate higher returns (or lower profits where it invests in assets expected to generate lower returns).

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	
	Cost of Services:	
23,946	Current service cost	31,261
881	Past service costs (including curtailments)	883
	Settlements and curtailments	0
	Financing and investment Income and Expenditure:	
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**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
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	*Actual amount charged against the General Fund Balance for pensions in the year:*	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 2013 £'000	31 March 2013 £'000	31 March 2013 £'000		31 March 2014 £'000	31 March 2014 £'000	31 March 2014 £'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
5,080		5,080	Contributions in respect of unfunded benefits	5,140		5,140
(30,261)	30,261	0	Benefits paid	(29,431)	(29,431)	0
(5,080)	5,080	0	Unfunded benefits paid	(5,140)	(5,140)	0
36,646	(127,045)	(90,399)	Actuarial gains and losses	909	(204,349)	205,258
			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)

31-Mar-13					31-Mar-14			
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Asset Category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
£'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		2013-14
	Actuarial Assumptions:	
	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%

Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2014

2012/2013 £'000		2013/2014 £'000
	Income	
(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	(38,597)
(70,613)	**Total Income**	**(92,075)**
	Expenditure	
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**	**(51,477)**
121	HRA share of Corporate and Democratic Core	40
(31,687)	**Net Cost of HRA Services**	**(51,437)**
	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**	**(43,306)**

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	(43,306)
	Other comprehensive income & expenditure	
(31,941)	**Total comprehensive income & expenditure**	(43,306)
31,248	Adjustment between accounting basis and funding basis under regulations	45,021
(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	38,597
(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**	**45,021**

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 £'000		31-Mar-14 £'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 £'000		31-Mar-14 £'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
Upward revaluation of assets	38,597	0	38,597
Expenditure during the Year	16,048	0	16,048
Disposals	(20,807)	(12)	(20,819)
Gross Book Value at 31 March 2014	**609,010**	**9,511**	**618,521**
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	**580,607**	**9,319**	**589,926**

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 known as the Item 8 Determination. 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)
2,926	NNDR Crossrail Levy (to GLA)		3,010
(245,342)	**Total Income**		**(217,671)**
	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
2,926	NNDR Crossrail Levy (to GLA)		3,010
244,002	**Total Expenditure**		**213,811**
(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	394	
		80,407	x 96.0% Collection Rate = 77,191

The final income of £113.071m 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. The estimate is different to the final outturn figure.

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
3,940	Central government	4,461
197	Other local authorities	2,141
4,771		**8,905**

Creditors

31-Mar-13 £'000		31-Mar-14 £'000
(3,105)	Other entities and individuals	(4,090)
(4,099)	Central government	(4,524)
(1,436)	Other local authorities	(2,753)
(8,640)		**(11,005)**

The figures for 31 March 2103 and 31 March 2014 are calculated on a slightly different basis, following the changes relating to NNDR mentioned above, whereby from 2013/14 the Council retains 30% of the income, the GLA receives 20% and central government 50%. For 2012/13 all debtors and creditors relating to NNDR were classed as Central Government, whereas for 2013/14 they are split between Brent (shown above as other entities and individuals – i.e Brent's share of amounts owed by / to taxpayers), Central Government and the GLA (Other local authorities).

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 £'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 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	5,524	0	43,345	0	0	0	0	48,869	0	48,869
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	242,259	242,259
Total comprehensive income & expenditure	5,524	0	43,345	0	0	0	0	48,869	242,259	291,128
Adjustments between accounting basis & funding basis under regulations	17,367	0	(41,566)	0	36,975	(1,639)	(3,126)	8,011	(8,011)	0
Net increase/decrease before transfers to earmarked reserves	22,891	0	1,779	0	36,975	(1,639)	(3,126)	56,880	234,247	291,127
Transfers to/from earmarked reserves	(17,879)	17,813	(3,416)	(12)	0	3,494	0	0	0	0
Increase/decrease in 2013/14	5,012	17,813	(1,637)	(12)	36,975	1,855	(3,126)	56,880	234,247	291,127
Balance as at 31 March 2014	35,123	104,404	949	1,824	46,172	12,713	87,068	288,253	119,736	407,989

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

2012/13 Gross Expenditure £'000	2012/13 Gross Income £'000	2012/13 Net Expenditure £'000		2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000
50,686	(43,993)	6,693	Central services to the public	29,442	(11,991)	17,451
19,576	(3,901)	15,675	Culture and related services	21,413	(4,949)	16,464
35,105	(6,810)	28,295	Environment and Regulatory services	39,286	(6,056)	33,230
6,370	(2,832)	3,538	Planning	7,773	(3,735)	4,039
44,923	(2,566)	42,357	Children's Social Care	49,160	(7,818)	41,342
306,312	(273,652)	32,660	Education and Children's services	311,200	(270,383)	40,817
53,120	(32,603)	20,517	Highways and transport services	49,116	(25,215)	23,901
38,202	(72,997)	(34,795)	Local authority housing (HRA)	42,406	(95,786)	(53,380)
410,421	(394,449)	15,972	Other housing services	424,188	(404,636)	19,552
100,978	(26,281)	74,697	Adult social care	115,740	(25,754)	89,985
3,717	(36)	3,681	Corporate and democratic core	7,098	(954)	6,143
2,018	(47)	1,971	Non distributed costs	1,093	(219)	873
0	0	0	Services Acquired from NHS - Public Health	18,151	(18,620)	(469)
1,071,428	**(860,167)**	**211,261**	**Cost of Services**	**1,116,065**	**(876,117)**	**239,948**
		30,368	Other operating expenditure			(10,232)
		44,061	Financing and investment income and expenditure			58,4208
		(348,849)	Taxation and non-specific grant income			(337,006)
		(63,159)	**(Surplus) or Deficit on Provision of Services**			**(48,869)**
		(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			(218,982)
		95,507	**Other Comprehensive Income and Expenditure**			**(242,259)**
		32,348	**Total Comprehensive Income and Expenditure**			**(291,128)**

GROUP BALANCE SHEET AS AT 31 MARCH 2014

31 March 2013 £'000		31 March 2014 £'000
1,364,012	Property, Plant & Equipment	1,401,299
498	Heritage Assets	498
8,221	Investment Property	1,171
3,727	Intangible Assets	3,480
100	Long Term Investments	5,100
1,323	Long Term Debtors	13,578
1,377,881	**Long Term Assets**	**1,425,126**
46,336	Short Term Investments	70,226
0	Assets Held for Sale	4,519
370	Inventories	373
42,177	Short Term Debtors	57,145
37,493	Cash and Cash Equivalents	62,946
126,376	**Current Assets**	**195,209**
(10,509)	Short Term Borrowing	(8,577)
(80,723)	Short Term Creditors	(94,046)
(2,885)	Provisions	(4,001)
	Deferred income	
(94,117)	**Current Liabilities**	**(106,624)**
(38,065)	Long Term Creditors	(33,444)
(2,803)	Provisions	(4,656)
(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**	(1,105,732)
116,865	**Net Assets**	**407,979**
231,375	Usable Reserves	288,241
(114,510)	Unusable Reserves	119,738
116,865	**Total Reserves**	**407,979**

Group Cash Flow Statement

2012/13 £'000		2013/14 £'000
63,159	Net surplus or (deficit) on the provision of services	48,869
84,775	Adjustments for non-cash movements	104,500
(81,888)	Adjustments for investing and financing activities	(94,896)
66,046	Net cash flows from Operating Activities	**58,473**
(70,872)	Investing activities	(25,095)
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

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	2,779	(11)	0	58,420
Local Authority housing (HRA)	(51,477)	(1,903)	0	0	(53,380)
Property plant and equipment	1,346,026	54,368	905	0	1,401,299
Investment properties	1,171	0	0	0	1,171
Long term debtors	54,008	0	0	(40,430)	13,578
Inventories	65	308			373
Short term debtors	56,525	4,466	475	(4,321)	57,145
Cash and cash equivalents in hand	61,654	1,292			62,946
Short term creditors	(92,691)	(5,676)		4,321	(94,046)
Other long term liabilities	(33,444)	(40,430)		40,430	(33,444)
Usable reserves	282,905	4,861	475		288,241
Unusable reserves	124,284	(5,451)	905		119,738
Cash flow from investing activities	(24,935)	(160)			(25,095)

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

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

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: 30 Sept 2014……………………………………

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 30 September 2014.

…………………………………………………………… 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).

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

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

Events after the reporting period
There have been no material events between the 31 March 2014 and the authorised date of release of these statements that have required the statements to be changed. Events after this authorised date are not reflected in these statements.

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	4,113	0	3,063	3,342	93	0	**17,452**
Cultural and related services	0	0	8,797	1,023	3,539	0	265	2,602	74	0	**16,300**
Environmental and regulatory services	0	0	26,778	703	2,248	0	628	2,786	87	0	**33,231**
Planning	0	0	0	1,561	452	0	78	1,917	30	0	**4,038**
Children's social care	0	32,100	0	1,141	3,585	0	782	3,600	134	0	**41,342**
Education and children's services	0	2,399	0	1,762	7,863	0	(864)	29,512	626	(481)	**40,817**
Highways and transport services	15,356	0	(758)	680	2,010	0	1,317	5,226	71	0	**23,902**
Local authority housing (HRA)	0	0	0	0	0	(11,293)	0	-40,184	0	0	**-51,477**
Other housing services	0	0	0	21,075	4,295	0	(1,923)	-3,993	98	0	**19,552**
Adult social care	75,721	0	0	1,688	5,662	0	2,438	4,281	196	0	**89,985**
Corporate and democratic core	0	0	0	403	3,532	0	680	1,508	21	0	**6,144**
Non distributed costs	0	0	0	24	89	0	5,333	-2	(4201)	(370)	**873**
Public Health	0	0	529	117	16,748	0	(18,146)	273	10	0	**(469)**
Cost of Services	91,077	34,499	35,453	36,911	54,137	(11,293)	(6,349)	10,868	(2,761)	(851)	**241,691**

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	54,137	(11,293)	(6,349)	10,868	(2,761)	(851)	**241,691**
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	-2952	0	(303,475)	-30,886	1	0	**-337,031**
(Surplus) or Deficit on Provision of Services	91,206	34,542	35,360	36,973	51,185	(5,214)	(296,137)	-28,891	31,908	(851)	**-49,919**
Additional lines from Movement in Reserves Statement											
Adjustments between accounting basis & funding basis under regulations	0	0	0	0	0	3,369	18,248	55,365	(31,906)	851	**45,925**
Transfers to/from earmarked reserves						3,482	29,927				**33,409**
Total	91,206	34,542	35,360	36,973	51,185	1,637	(247,962)	26,474	2	0	**29,415**

2012/13 (restated)	Usable Reserves					Unusable Reserves						
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Collection Fund 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	(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
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

2012/13 (restated)	Usable Reserves					Unusable Reserves						
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Collection Fund 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
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)
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)**	**0**	**658,501**	**28,501**	**6,341**	**(161,179)**	**(1,250)**	**(85,766)**
Closing Balance	**(14,644)**	**(9,198)**	**(10,858)**	**(90,194)**	**(546,833)**	**0**	**772,290**	**23,364**	**5,922**	**(157,254)**	**(1,250)**	**(28,655)**

	Usable Reserves					Unusable Reserves						
2013/14	**General Fund + HRA Balance**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Capital Adjustment Account**	**Collection Fund Adjustment Account**	**Pensions Reserve**	**Financial Instruments Adjustment Account**	**Accumul-ated 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	(66,556)				64,031					2,525		0
Revaluation losses on Property Plant and Equipment	30,298				(30,298)							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)							0
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
	Usable Reserves					Unusable Reserves						

2013/14	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumul-ated 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
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	4,744					(4,744)						0
Revaluation reserve written off to the capital adjustment account					(255)					255		0
Surplus or (deficit) on the provision of services	(49,923)											(49,923)
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	27,286		(3,494)									23,792
Total Adjustments	**1,561**	**(36,975)**	**(1,855)**	**3,127**	**(22,833)**	**(4,744)**	**(173,352)**	**(4,189)**	**(851)**	**(14,555)**	**0**	**(254,666)**
Opening Balance	(14,647)	(9,198)	(10,859)	(90,193)	(546,832)	0	772,290	23,365	5,922	(157,253)	(1,250)	(28,655)
Closing Balance	(13,086)	(46,173)	(12,714)	(87,066)	(569,665)	(4,744)	598,938	19,176	5,071	(171,808)	(1,250)	(283,321)

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	(353)	
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 citzenship 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	1,752	
Inflation Provision	(604)	
Other	(605)	
		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

Pension Fund Accounts

Pension Fund Accounts for 2013/14

Brent Pension Fund Account	Notes	2012/13 £'000	2013/14 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(43,782)	(44,261)
Transfers in from other pension funds	8	(1,361)	(1,895)
		(45,143)	**(46,156)**
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)**	**(6,484)**
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)	(30,888)
Investment management expenses	14	1,438	2,203
Net return on investments		**(47,252)**	**(30,508)**
Net (increase)/decrease in the net assets available for benefits during the year		**(53,986)**	**(36,992)**

Net Assets Statement	Notes	31 March 2013 £'000	31 March 2014 £'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.mylgpspension.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	36,569
Members	7,504	7,692
Total	**43,782**	**44,261**

By authority

	2012/13 £'000	2013/14 £'000
Scheduled bodies	42,626	43,104
Admitted bodies	1,156	1,157
Total	**43,782**	**44,261**

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	903	819
External audit fees	21	21
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	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2014
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Pooled investments	405,064	15,027	26,578	20,995	414,508
Pooled property investments	33,320	0	983	2,607	34,944
Private equity/infrastructure	99,913	30,043	20,851	7,286	116,391
Net investment assets	**538,297**	**45,070**	**48,412**	**30,888**	**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 £'000	%	Market value 31 March 2014 £'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			Pooled investments	414,508		
33,320			Pooled property investments	34,944		
99,913			Private equity/infrastructure	116,391		
	5,534		Cash		18,265	
	4,483		Debtors		1,250	
538,297	**10,017**	**0**		**565,843**	**19,515**	**0**
			Financial Liabilities			
		(431)	Creditors			(483)
538,297	**10,017**	**(431)**	**Totals**	**565,843**	**19,515**	**(483)**

b) Net gains and losses on financial instruments

31 March 2013 £'000		31 March 2014 £'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 £'000	**Fair value £'000**		**Carrying value £'000**	**Fair value £'000**
		Financial assets		
538,297	538,297	Fair value through profit and loss	565,843	565,843
10,017	10,017	Loans and receivables	19,515	19,515
548,314	**548,314**	**Total financial assets**	**585,358**	**585,358**
		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	19,515			19,515
Total financial assets	**468,967**	**0**	**116,391**	**585,358**
Financial liabilities				
Financial liabilities at amortised cost	(483)			(483)
Total financial liabilities	**(483)**	**0**	**0**	**(483)**
Net financial assets	**468,484**	**0**	**116,391**	**584,875**

	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 £'000	**31 March 2014 £'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 2014	Change to net assets available to pay benefits	
		+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 2013	Change to net assets available to pay benefits	
		+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 £30.663m 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.

COLLECTION FUND ADJUSTMENT ACCOUNT

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

CREDITORS

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

DEBTORS

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

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 >>>

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.

REVALUATION RESERVE

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

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation.

Glossary >>>

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

Glossary >>>

Appendix 3 – Draft Letter of Representation

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

29 September 2014

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of London Borough of Brent ("the Authority") for the year ended 31 March 2014, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

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

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

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority and Group as at 31 March 2014 and of the Authority's and the Group's expenditure and income for the year then ended;

   ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the scheme year;

   iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]

3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

4. In respect of the restatement relating to accounting for pension costs under IAS 19, Pensions Disclosures, made to reflect a change in the estimation method by the actuary in the prior period, the impact of which is described in note 36 to the financial statements, the Authority confirms that the restatement is appropriate. [ISA (UK&I) 710.9]

Information provided

5. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

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

7. The Authority confirms the following:

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

ii) The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
   - management;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's and the Group's financial statements communicated by employees, former employees, analysts, regulators or others.

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

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    The financial statements disclose all of the uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its

knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

The Authority further confirms that:

a) all significant retirement benefits, including any arrangements that are:

    - statutory, contractual or implicit in the employer's actions;
    - arise in the UK and the Republic of Ireland or overseas;
    - funded or unfunded; and
    - approved or unapproved,

have been identified and properly accounted for; and

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

This letter was tabled and agreed at the meeting of the Audit Committee on 29 September 2014.

Yours faithfully,

Chair of the Audit Committee

Chief Finance Officer

Appendix to the Representation Letter of London Borough of Brent: Definitions

Financial Statements

A complete set of financial statements comprises:

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

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

A housing authority must present:

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

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

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

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

Material Matters

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

IAS 1.7 and IAS 8.5 state that:

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

Fraud

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

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

Error

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

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

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

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

Management

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

Related parties

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

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

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

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

Related party transaction

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

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Agenda Item 6

Brent	**Audit Committee** 29 September 2014 **Report from the Chief Finance Officer**
	Wards Affected: ALL
2014/15 Mid–Year Treasury Report	

1. SUMMARY

1.1 This report updates Members on treasury activity during the 2014/15 financial year.

2. RECOMMENDATION

2.1 The Committee is asked to note the 2014/15 mid-year Treasury report, which will also be submitted to the Cabinet and Full Council.

3. DETAIL

BACKGROUND

3.1 The Council's treasury management activity is underpinned by the Chartered Institute of Public Finance and Accountancy's (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 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

3.3 Growth in the UK continues, with unemployment falling and inflation remaining below the Monetary Policy Committee's (MPC) target. However, growth is not felt to be robust, as real pay is still not increasing, productivity shows no sign of rising and the balance of payments remains high by historical standards. Outside of the UK growth is still erratic in the US and the Eurozone is struggling to grow at all, with the malaise now having spread to the core economies. Doubts remain over the path of the Chinese economy and geopolitical risk has increased significantly over the last year.

3.4 Gilt yields (the rate of interest on UK government borrowing) fluctuated in response to events for the first half of the year. In the United States the Federal Reserve continued to withdraw Quantitative Easing, but other events have produced downward pressure over the spring and summer. The movement in rates at which local authorities can borrow from the Public Works Loans Board (PWLB) is set out in the table below:

Period	31 March 2014	1 September 2014
1 year	1.3%	1.3%
5 year	2.8%	2.6%
10 year	3.7%	3.2%

3.5 The interest rate that the Council receives on money market deposits has risen gradually for deposits of between 1-12 months. Rates range from 0.35% at the shortest maturities to a little below 1% for one year.

DEBT MANAGEMENT

3.6 The Authority continues to qualify for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate). This is reviewed on an annual basis and has been confirmed as applying until 31 October 2014.

3.7 Alternative sources of long term funding to long-dated PWLB borrowing are available, but the Council will continue to adopt a cautious and considered approach to funding from the capital markets as the affordability, simplicity and ease of dealing with the PWLB represents a strong advantage. No loans have been raised so far this year as is shown in the table below and only Equal Instalment of Premium (EIP) amounts maturing have been repaid:

	Balance on 01/04/2014 £m	Debt Repaid £m	New Borrowing £m	Balance on 01/09/2014 £m
Long Term Borrowing	428.0	1.6	0.0	426.4
Average Rate %	4.69			4.70

3.8 At 1 September 2014 the Council had £426 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 continues to be more cost effective in the short-term to use internal resources, rather than undertake further long-term borrowing. By doing so, the Council is able to minimise net borrowing costs and reduce overall treasury risk.

3.9 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. Any borrowing options will continue to be assessed in conjunction with the Council's treasury advisor, Arlingclose.

3.10 No debt rescheduling has been undertaken in during the financial year as present discount rates make the costs involved unattractive.

INVESTMENT ACTIVITY

3.11 The Council gives priority to security and liquidity and aims to achieve a yield commensurate with these principles.

	Balance on 01/04/2014 £m	Investments Made £m	Investments Repaid £m	Balance on 1/09/2014 £m
Short Term Investments	110.7	615.1	561.8	164.0

3.12 Security of capital has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15. New investments were made with the following classes of institutions:

A- rated banks;
AAA rated Money Market Funds;
Other Local Authorities;
The UK Debt Management Office.

3.13 Counterparty credit quality was assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, Standard & Poors and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms; potential support from a well-resourced parent institution; share price.

BUDGETED INCOME AND OUTTURN

3.14 The Council's financing charges budget for the year is £26.3m, net of investment income of £0.6m and the latest estimate is that the Council will achieve this figure. The average cash balances, representing the Council's reserves and working balances, were £158m during the period, though the average for the whole year will be less than this because substantial government grants were received in April.

ICELANDIC BANK INVESTMENT UPDATE

Glitnir

3.15 On 16 March 2012 the Council received £4m of its original £5m deposit. A further £1m remains in a ring-fenced account in Icelandic Krone, pending a decision of the Icelandic Central Bank to enable its return. At present the residual deposit is earning interest although the final sum returned to the Council will be affected by currency movements.

Heritable

3.16 The Council's last receipt was £1.7m in August 2013, which means that only £0.6m of the original £10m deposit now remains outstanding. It is anticipated that a further distribution will be made during the autumn, although there is no indication as to likely amount or date.

COMPLIANCE WITH PRUDENTIAL INDICATORS

3.17 Officers confirm that they have complied with its Prudential Indicators for 2014/15, which were set in March 2014 as part of the Council's Treasury Management Strategy Statement (TMSS). Details can be found in Appendix 1.

4. FINANCIAL IMPLICATIONS

4.1 The report confirms that the Council's treasury management activity during the current financial year has been in accordance with the strategy and budget approved by the Council in 2014/15.

4.2 Opportunities to minimise current and longer-term costs will continue to be sought, commensurate with the overriding need to safeguard the Council's resources.

5 DIVERSITY IMPLICATIONS

5.1 No specific implications arising from this report.

6 STAFFING IMPLICATIONS

6.1 No specific implications arising from this report.

7 LEGAL IMPLICATIONS

7.1 Under section 12 of the Local Government Act 2003, a local authority may invest:
(a) for any purpose relevant to its functions under any enactment, or
(b) for the purposes of the prudent management of its financial affairs.

7.2 Under section 15(1) of the Local Government Act 2003, when carrying out its functions under Chapter 1 of the 2003 Act in relation to capital finance, a local authority shall have regard to such guidance as the Secretary of State may issue and such other guidance as the Secretary of State may by regulations specify for the purposes of this provision.

7.3 Under sections 3 (in relation to the Council's borrowing powers) and 15 (in relation to the Council's investment powers) of the 2003 Act, "The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003" (Statutory Instrument - SI: 3146/2003) were laid in Parliament and these regulations set out the limits, controls and powers in relation to borrowing and investments by local authorities. These regulations also require local authorities to have regard to the CIPFA Prudential Code for Capital Finance and have regard to the "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes", which are also published by the CIPFA.

7.4 The CIPFA Treasury Management Code of Practice recommends that local authorities receive reports on its treasury management policies and activities, including, as a minimum, an annual strategy. Under Table 3 in Part 4 of the Council's Constitution (Functions not to be the sole responsibility of the Executive), the Cabinet is responsible for formulating or preparing the plans listed in that Table and then submitting them to the Full Council for consideration and adoption or approval. Those plans include, amongst others, "A plan or strategy for the control of the authority's borrowing investments or capital expenditure or for determining the authority's minimum revenue provisions".

8 BACKGROUND

Annual Treasury Strategy – Report to Full Council as part of the Budget Report – March 2014.

9 CONTACT OFFICER

Julian Pendock
Treasury and Pension Manager
020 8937 1472/74

CONRAD HALL
Chief Finance Officer

Appendix 1

Prudential Indicator Compliance

Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Authorised Borrowing Limit. This is a statutory limit which should not be breached. The Council's Authorised Borrowing Limit was set at £790m for 2014/15. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2014/15 was set at £690m. The Chief Finance Officer confirms that there were no breaches to the Authorised Limit or the Operational Boundary so far this year; borrowing at its peak was £428m.

Upper Limits for Fixed Interest Rate and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2014/15	Maximum during 2014/15
Upper Limit for Fixed Rate Exposure	100%	100%
Upper Limit for Variable Rate Exposure	40%	0%

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. As is now normal practice, debt which has an option to recall debt or change the rate is shown at the earliest date on which the option can be excercised

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 1/09/14 £m	% Fixed Rate Borrowing as at 30/09/14	Compliance with Set Limits?
Under 12 months	40	0	19	5	Yes
12 months and within 24 months	20	0	50	12	Yes
24 months and within 5 years	20	0	43	10	Yes
5 years and within 10 years	60	0	25	6	Yes
10 years and above	100	0	289	67	Yes

Net Debt and the Capital Finance Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that the net external borrowing does not exceed the total of the CFR in the preceding year plus the estimates of any additional increases to the CFR for the current and next two financial years.

The Authority had no difficulty meeting this requirement so far in 2014/15, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

The limit for 2014/15 was set at £20m. A deposit of £5m was made with another local authority for 18 months, but this is now less than a year to maturity. At 1 September 2014, the last maturity date in the deposits portfolio was 28 August 2015.

Credit Risk

This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk, with advice and support from our advisers, Arlingclose:

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with a minimum long term credit rating of A- or equivalent, as set in the 2014/15 TMSS.

HRA Limit on Indebtedness

This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government.

HRA Limit on Indebtedness	31/03/2014 Actual £m	31/03/2015 Estimate £m	31/03/2016 Estimate £m	31/03/2017 Estimate £m
HRA CFR	137	137	137	137
HRA Debt Cap (as prescribed by CLG)	199	199	199	199
Difference	62	62	62	62

Brent	**Audit Committee** 29 September 2014 **Report from the Chief Finance Officer**
For Information	Wards affected: All

Internal Audit Progress Report 2014/15

1. Summary

1.1. This report provides an update on progress against the internal audit plan for the period 1st April 2014 to 31st August 2014. The appendix to the report also summarises those reports from the 2013/14 plan which have been finalised since the last committee meeting. The report also provides a summary of counter fraud work for 2014/15.

2. Recommendations

2.1. That the Audit Committee notes the progress made in achieving the 2014/15 Internal Audit Plan, the review of fraud work and the limited assurance reports as set out in appendix 1.

3. Detail

Internal Audit

3.1. The Internal Audit Plan for 2014/15 comprises 1,200 days. 905 days will be delivered by Mazars. The in-house resource delivers a further 295 days.

3.2. Much of the work in the first quarter of the year focussed on completion of the 2013/14 plan. A summary of reports finalised during the first quarter of the year relating to last year's plan are summarised within appendix 1.

3.3. The key points to note with regard to progress for the current year are:

- There are 78 projects on the current plan (excluding follow up and advisory work). Work has commenced on 39 of these.
- 6 projects were removed from the original agreed plan and have been replaced with 4 others as set out in tables 2 and 3.
- 10 projects have been delayed at the request of management from quarters 1 or 2. These are set out in table 4.

- 18 projects have been completed to draft or final stage. 14 of these have an audit opinion associated with them, 11 are substantial, 3 are limited. The other projects were grant certifications which do not have an assurance rating attached.

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.

Audit	Plan Days	Total days delivered	Progress	Assurance Opinion
Assistant Chief Executive				
Public Health Grant Receiving Organisations	10	6	WIP	
Review of Payment Processes to Public Health Suppliers and Grant Recipients	10	4	WIP	
Review of Security of Personal Data across PH Providers	10	1	E-mail sent out requesting info.	
Contingency for Public Health work	20			
Public Health Board Meetings	5	2	Ongoing	
ACE Total	**55**	**13**		
Adult Social Care				
Adult Commissioning	15		Q3/4	
Carers	10		Q3/4	
Mental Health	15		Q2/3	
Safeguarding	15	5	WIP	
Appointeeship & Deputyship	15	10	WIP	
Personalisation - Direct Payments & Personal Budgets	20	18	WIP.	
Supporting People	12	8	WIP	
ASC Total	**102**	**41**		
Children and Young People				
Anson	10	10	Draft Report	Substantial
Barham	10	10	Draft Report	Substantial

Kilburn Park Junior	10	10	Draft Report	Substantial
Michael Sobell Sinai	10	10	Final Report	Substantial
Park Lane	10	10	Draft Report	Substantial
Preston Park	10	10	Draft Report	Substantial
St Margaret Clitherow	10	10	Draft Report	Substantial
St Andrews and St Francis	10	10	Final Report Issued	Substantial
St Mary's RC	10	2	WIP	
Princess Frederica	10	9	Draft Report to be issued	
Islamia	10		Audit postponed at request of school . Director notified. Audit will now be carried out in Q3	
JFS	10	9	School to provide clarification/additional information	
Follow up work for the schools with Limited Assurance	7	2		
Troubled Families System Audit	15		Q3	
Troubled Families Grant Claim Certification Families Worked with June 2013	6	6	Completed 16/5/14	Certified
Troubled Families Grant Claim Certification Payment By Results August 2014	6	8	Grant Certified	Certified
Troubled Families Grant Claim Certification Payment By Results October 2014	6			
Troubled Families Grant Claims January 2015	12			
Adoption Allowance Grant Certification	1	1	Completed 29/05/14	Certified
Adoption Allowances	12	12	Draft Report to be issued	
Care Leavers	10	10	Draft Report	Substantial
No Recourse to Public Funds (Adolescent Prevention Service)	10	10	Draft Report	Limited
School Admissions	12	10	WIP	

C&YP Total	**217**	**159**		
Finance				
Accounts Payable	15		Q3	
Accounts Receivable	15		Q3	
General Ledger	15		Q3	
One Oracle Project	5	2	Ongoing	
Treasury Management	10	6	WIP	
Cash & Bank	15		Q3/4	
Finance Total	**75**	**8**		
Human Resources				
Pension Administration	15		Q3	
Payroll	20		Q3/4	
HR Total	**35**	**0**		
IT				
Information Governance	20		Q2	
Acolaid	15		Q3	
IT Digital Delivery	15	3	WIP	
One Oracle Post Implementation	20		Q2/3	
Ecoh	12		Service requested to move to Q3 Email sent to Conrad Hall	
IT Contracts	10	10	Draft Report	Limited
Contingency for IT projects	5			
Follow up	10	3	Throughout Year	
IT Total	**107**	**16**		
ENVIRONMENT & NEIGHBOURHOOD SERVICES				
Parking	20		Q3/4	
Parking Contract (Special Project)	16	16	Final Report	Substantial
Highways Contract (Special Project	16	16	Final Report	Substantial
Highways Maintenance	12		Q3/4	
Public Realm Contracts – Waste & Recycling	12		Q3/4	

Vale Farm Contract	8	1	Planning meeting held. Audit to commence in mid September.	
Regulatory Services	15		Q3	
Street Tree Contract	10	8	File Review in progress	
Barham Park Trust Accounts	5	5	Opinion Issued	Unqualified
E&N Total	**114**	**46**		
Legal and Procurement				
Category Management	15		Q2/3	
Members – Declarations of Interests & Gifts and Hospitality	10	1	Audit postponed from Q2 to Q3 due to the number of outstanding declarations from members. Approved by Director (FL)	
Election Expenses	10		Audit postponed to Q4 at request of Service. Operational Director notified for approval.	
Procurement	20		Q3/4	
L & P Total	**55**	**1**		
Regeneration and Growth				
Capital Projects (contract audits)	30		Q3	
Civic Centre Project (Final Accounts)	15		Q3	
Choice Based Lettings/ Housing Allocations	15		Q2/Q3	
Income from Civic Centre (Melting Pot & Other Hire Facilities)	10	8	WIP	
Facilities Management	10	0	Q3/4	
Council Tax	10		Q3/4	
Local Council Support Scheme (formerly Council Tax Benefit)	10		Q3/4	
National Non Domestic Rates (NNDR)	10		Q3/4	
Housing Benefits / Discretionary Payments	10		Q3	
Concessionary Fares	10	3	WIP	

Blue Badges	10	3	WIP	
R&G Total	**140**	**14**		
BHP				
Former Tenants Arrears	15	15	Draft Report	Limited
Procurement	20		Q3/4	
Recruitment & Selection	12		Q2/3	
TMO (To cover either Watling Gardens or Kilburn Square)	15		Q3	
Tree Management	8	6	WIP	
Garages	4	3	WIP	
Lift Maintenance	12		Q3/4	
Governance & Risk Management	15		Q3/4	
Complaints	12	9	WIP	
IT Audit – New Leasehold Management System Implementation (Pre & Post Migration) or Application on new system.	10		Q3/4	
Follow Up Audits	12	2		
Consultation, Communication, Reporting	15	5		
BHP Total	**150**	**40**		
OTHER				
Risk Management	15	3		
Governance & Audit Planning	10			
Consultation, Communication and Reporting (Mazars)	55	23		
Follow-Up	45	18		
Contingency	25	4		
OTHER Total	**150**	**48**		
Total	**1200**	**386**		

Table 1 – Planned Projects and Progress as at 19/09/2014

Audit	Days	Rationale
Payments to Foster Carers	12	Replaced by Review of Adoption & Fostering Allowances. Approved by Graham Genoni. Gail Tolley notified.
Follow up on Implementation of recommendations from Ofsted (Transitions Team)	10	Initially included in the plan as requested by the Head of Service but no longer required due to the new process introduced. Transferred back to contingency. Removal approved by Phil Porter.
School Places	12	Removed and replaced by School Admissions. Agreed by Sara Williams following planning meeting for School Places.
IT Training	12	To be replaced by another IT audit. Conrad notified.
No Recourse to Public Funds (Adults)	10	Due to the small number of clients and relatively small amounts involved, agreed with Phil Porter to withdraw the work. However a number of meetings held before reaching the decision.
Public Health Grant Certification Audit	10	Grant certification by Audit not required
Total	66	

Table 2 – Projects withdrawn from original plan

Audit	Days	Rationale
Adoption Allowances	8	Replacement Audit for Payments to Foster Carers agreed by Operational Director and Head of Service
Blue Badges	10	Included at the request of Management due to similarity with Concessionary Fares audit
School Admissions	12	Replaced with School Admissions Audit at the request of Operational Director
BHP - Tree Management	8	Added due to link with council audit
Barham Park Trust Accounts	5	Omitted from original plan in error
	43	

Table 3 – Projects added to plan

Audit	Days	Rationale
Election Expenses	10	Delayed until Dec14/Jan15 to correspond with submission of return to Central Govt. Part of the audit will be to provide assurance in relation to the return. Agreed with Head of Service. Operational Director notified.
Islamia Primary School	10	Request from School Bursar on 5/6/14 for audit to be delayed for another 2 weeks due to delay in completing new canteen. Office is currently being used for storage. Due to availability of audit resource the audit has now been moved to Q3. Strategic and Operational Director notified 5/6/14
JFS	10	Postponed from Q1 to Q2 at request of Headteacher due to external audit being undertaken. Internal audit fieldwork now complete. Strategic Director (Gail Tolley notified)
Princess Frederica Primary School	10	Postponed to end of Q1 and early Q2 at the request of Headteacher due to loss of school finance officer and other reviews. Internal Audit fieldwork now complete Sara Williams notified
Concessionary Fares	10	Request from Customer Services Team for audit to be postponed to 30 June 2014 start due to staff leave & training commitments. Andy Donald & Margaret Read notified of request on 13/6/14.
Appointeeship & Deputyship	15	Postponed to Q2 due to difficulties in arranging planning meeting. Phil Porter (SD) now notified
Direct Payments/Personal Budgets	20	Postponed to Q2 due to difficulties in arranging planning meeting. Phil Porter (SD) now notified
Supporting People	12	Postponed to Q2 due to difficulties in arranging planning meeting. Phil Porter (SD) now notified
Civic Centre Final Accounts	15	Move to quarter 3 due to delay in finalising accounts. Andy Donald notified.
Members Declarations & G & H	10	Postponed due to the number of outstanding declarations from members. Approved by Fiona Ledden. To meet with her to discuss an alternative audit. 31/0714
Totals	**122**	

Table 4 – Projects delayed

3.5. A summary of delivery is shown below

Delivery Status	
Total days in the plan	1200
Number of days delivered to date	386
% of days delivered to date	32%
Days to be delivered	814
Total number of reports to be issued (excluding follow up reports and Committee reports)	78
Number of reports / certifications issued to date	18
% of draft and final reports issued to date	23%
Number of final reports issued	8
% of draft reports finalised	44%

Table 5 – Delivery Status as at 19/09/14

3.6. At the previous committee meeting, members invited attendance from an Operational Director to talk through one of the finalised limited audit reports. Audits from the 2013/14 plan which have been finalised since the previous committee meeting are set out in the appendix. The Chief Finance Officer has consulted with the Chair and they have selected the Children's Placements report for detailed analysis. A copy of this report will be sent separately to committee members. The relevant officer(s) from Children and Young People will attend the committee meeting. The limited reports issued since the committee last met are set out below:

- Children's Placements
- Corporate Income Collection Arrangement (Conference and Events Team income)
- Sickness & Absence Management
- Kingsbury Resource Centre
- John Billam Resource Centre
- New Millennium Day Care Centre
- Contract Audit – Demolition / Disposal of Bronte and Fielding House
- Christchurch Primary School

Internal Fraud

3.7. Internal fraud refers to fraud committed by employees, agency staff and staff in schools. For the purposes of this report, “fraud” includes instances of theft, fraud, misappropriation, falsification of documents, undisclosed conflicts of interest and serious breach of financial regulations. Activity for the year to date is shown in table 6 below:

Internal	Quarter 1 2014/15	2013/14
Referrals	13	55
Investigated	12	44
Fraud / Irregularity	5	16
Dismiss	3	11
Resign	1	2
Warning	1	2

Table 6 – Internal Fraud 2014/15

Housing Benefit Fraud

3.8. Caseload information is set out in table 7 below.

HB Fraud	Quarter 1 2014/15	2013/14
Referrals	233	596
Investigated	25	109
Fraud Found	13	67
Admin Penalty	3	20
Prosecution	4	26
Total Sanctions	7	46
Summons Only	2	3
Overpayment Only	2	18
Value of HB/CTB fraud	£229,200	£1,140,000
Average HB/CTB Overpayment per fraud	£17,600	£17,000

Table 7 – HB / CTB Fraud 2014/2015

3.9. The unit has been reducing focus on HB fraud due to the impending removal of responsibility for this function and transfer of staff to the DWP.

Housing Tenancy Fraud

3.10. Caseload information is set out in table 4 below. The team's investigations resulted in 8 properties being recovered in the first quarter of the year these are primarily sub letting cases. The team is taking steps to increase performance in this area.

Housing Fraud	Quarter 1 2014/15	2013/14
Referrals	67	216
Investigated	30	222
Fraud Found	8	49
Recovered Property	8	46
Application refused	0	0
Property Size reduced	0	3

Table 8 – Housing Fraud 2013/14

Other External Fraud

3.11. This category includes all other external fraud/irregularity cases excluding HB and Housing.

Internal	Quarter 1 2014/15	2013/14
Referrals	18	44
Investigated	18	55
Fraud / Irregularity	2	32
Prosecution		11
Warning / Caution	1	16
Overpayment Only	1	5

Table 9 – Other External Fraud 2013/14

Single Fraud Investigation Service

3.12. The DWP have now established a single fraud investigation service and staff currently working within the Audit and Investigation team will transfer to the DWP on 1st October 2014. A&I are no longer accepting HB fraud referrals, all of these are now routed through to the DWP. All work on HB fraud has effectively ceased as the team prepare to migrate case files to the DWP. Cases which have already been referred to the council's legal service for prosecution will continue to be dealt with by the council, any further investigative input will come from DWP staff.

4. Financial Implications

4.1. 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.

4.2. Funding for Housing Benefit Fraud is provided to the council via the main HB administration grant. Grant is not affected for 2014/15. Early indications from the DWP are that an amount of grant will be reduced in 15/16 and future years relevant to the size of the council's benefit caseload. However, no figures have, as yet, been confirmed.

5. Legal Implications

5.1. None

6. Diversity Implications

6.1. None

7. Background Papers

8. Contact Officer Details

Simon Lane, Head of Audit & Investigation, Room 1, Town Hall Annexe.
Telephone – 020 8937 1260

Conrad Hall
Chief Finance Officer

Appendix 1

Internal Audit

1st Progress 2014/15

London Borough of Brent

September 2014

Contents

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Executive Summary

Introduction	This report sets out a summary of the work completed against the 2013/14 and the 2014/15 Internal Audit Plans, including the assurance opinions awarded and any high priority recommendations raised. 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.

Summary of Work Undertaken	The Final Reports in respect of the 2013/14 period and issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report: • Corporate Income Collection; • Key Financial Systems (Pre-migration) – AP/AR/GL (Council) • Disclosure & Barring • Sickness Absence Management • Christchurch Primary School • Placements • Transitions Team • Nursery Education Grants (NEG) • New Millennium Day Centre • John Billam Day Centre • Kingsbury Resource Centre • Contract Audit - South Kilburn - Bronte House and Fielding House Disposal • Homelessness & Temporary Accommodation • NNDR Strategy • Pre – Implementation of OneOracle (Council) • Housing Repairs & Maintenance (BHP) • Key Financials (AP/AR/GL) (BHP) • Management of Non Brent Properties (BHP) • Pre – Implementation of OneOracle (BHP)

	Final Reports issued in respect of the 2014/15 financial year to date are as follows: • Highways Maintenance Contract (High Level Review) • Parking Contract (High Level Review) • Troubled Families Grant Claim (Payment by Results) May 2014 • Adoption Reform Grant Certification of Statement of Grant Usage (2013/13) • Troubled Families Grant Claim (Payment by Results) August 2014 Certification • Michael Sobell Sinai Primary School • St Andrews and St Francis School • Barham Park Trust Accounts (Opinion)

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2013 /14

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	
Disclosure & Barring – Safer Recruitment	S
Key Financials (AP/AR/GL)	S
Homelessness & Temporary Accommodation	S
Transitions Service	S
Nursery Education Grants (NEG)	S
Pre- Implementation of OneOracle	S

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Audit	Assurance Opinion and Direction of Travel
BHP	
Key Financial Systems (AP/AR/GL)	S
Management of Non Brent Properties	S ⇔
Pre – Implementation of OneOracle (BHP)	S

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.

Corporate Income Collection

Opened fully in June 2013, the Civic Centre has a number of spaces available for public hire which are managed by the Conference and Events Team. They are responsible for marketing space available for hire at the Civic Centre known as 'The Drum at Wembley'. Spaces available to hire include:

- The Grand Hall;
- The Conference Hall;
- Boardrooms and Terraces;
- The Wedding Garden;
- The Winter Garden; and
- The Atrium.

Nine priority 1, three priority 2, and one priority 3 recommendations were raised.

Recommendation	Management Response / Responsibility / Deadline for Implementation
An operational procedure document should be created outlining respective roles and responsibilities of staff within the Conference and Events Team. In addition this this, the Charging Strategy should be approved by the Director of Regeneration and Growth, or an officer with delegated authority to do so once completed, and this should be formally documented as such. Further to this, the Charging Matrix and the Charging for all Spaces documents should be reviewed as a matter of priority.	Agreed The majority of original procedures and processes for events at the Town Hall become immediately redundant when the Town Hall Functions Team moved to the Civic Centre in June 2013 and became the Conference and Events Team. The first 6 months of occupation were spent having to learn brand new ways of working and new processes within a new environment, with new business objectives and contractors that had never existed before and with only a skeleton team in place whilst

Recommendation	Management Response / Responsibility / Deadline for Implementation
	simultaneously maintaining business as usual for LBB meetings. At the same time departmental restructures were happening and many departmental procedures were changing (specifically HR and Finance) which resulted in constant adjustments being made to processes which directly contributed to the difficulty in establishing standard operating procedures during the first six months at the Civic Centre. It is therefore acknowledged that there are no formal operating procedures in place currently for the Conference and Events Team however there are informal procedures the team follow that are revised regularly as experience is gained event by event and the team are recording these with the intention to formalise them when it is felt they are correct. Formalising procedures and new processes is a team wide objective for 2014/15 and the intention is to have a full set of procedures to govern both the management of internal and external events by the end of the year. We will be working in partnership with our Brent Colleagues and with Europa on the operational procedures as they too have struggled with getting formal procedures into place due to staff changes and an initial settling-in period whilst they adjusted to working in this new building. With regard to the charging strategy this was presented to the Civic Centre board prior to the move and the Head of Conference and Events was of the understanding that, further to no comments being received back from the board when prompted, this had been approved. This document has now been re-submitted to CMT along with recommended charging for all spaces. It must be noted that the original income assumptions for the Civic Centre were based on estimated hire charges that have not

Recommendation	Management Response / Responsibility / Deadline for Implementation
	proved competitive in the current market. Prices currently proposed will be competitive but will generate less income per event than previously anticipated. If the charging strategy and matrix are not signed off quickly this could impact on business. **1) SOPs – Conference and Events Team and Europa Catering and Events Manager / Supervisor – Brent Departments (primarily FSC) – In progress In progress with majority to be completed within next 6 months (to Dec 2014) with total completion April 2014** **2) Charging Strategy Sign off / CMT. We can not sign anything off until it has gone thorough CMT and beyond. Estimated sign off End Sept 2014** 3) **Charging Matrix/for spaces – CMT. In progress.**
All required documents should be retained for all bookings, including booking forms as well as booking contracts. These documents should be signed as agreed by both the customer as well as a member of the Conference and Events Team	Agreed However not all documents require a signature so this recommendation is agreed on the condition it only applies to documents requiring a signature and not that a signature is required for any and every document issued. Documentation was always well maintained whilst at the Town Hall but when the team moved to the Civic Centre the original booking documents and bookings terms and conditions were no longer applicable or robust enough to protect the Council when entering into a contractual arrangement with a client. The fact that the documentation and booking process would require revising was highlighted as a concern by the Head of Events to Legal prior to the move and then once again in August 2013 but it

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Recommendation	Management Response / Responsibility / Deadline for Implementation
	wasn't until March 2014 that Legal were able to assist – work is still continuing on this documentation as of June 2014 but we do have a draft contract which we are now able to issue. This delay (among other things) led to earlier confusion around what paperwork the team should be issuing to clients. This will explain that why, when audited, the 'booking form', which was actually not an original piece of documentation used at the town hall but introduced at a later stage at The Drum, was not located for 12/20 cases as it wasn't part of the early booking process at the time. As business evolved the team started to use it more and now it has become a part of the formal booking process. With regard to counter signing documents and keeping copies of originals we will ensure this is done as standard. It is also anticipated that, once budget has been approved, there will also be more support within the team to process, monitor and control booking documentation. **Conference and Events Team /Legal Department / Immediate**
Bookings should be subject to review to check the information obtained as well as the appropriateness of rates charged for venue hire. It is also recommended that checks are undertaken to ensure that an invoice has been raised for each booking taken.	Agreed A Booking Checklist will be created to assist the team through the booking process ensuring that they send out and receive back all the correct documentation required for a booking. During the weekly planning meeting the Conference and Events Manager will check with staff that their documentation is correct and in order prior to events taking place. With regard to checking the appropriateness of rates it is acknowledged that during the first 6 months at the civic centre there was confusion as to how to quote for different

Recommendation	Management Response / Responsibility / Deadline for Implementation
	events as despite a proposed pricing structure being in place it was discovered (only through being at the civic centre) that the price structure didn't suit all the different type of events requests we were receiving. Negotiation, introductory/hourly rates and package pricing was introduced in order to convert the enquiries into sales – without this we would not have been able to take certain bookings. It was through this process that we understand better our market and have now recommended amended prices to CMT for approval. Once we have a clear pricing structure clear guidelines and training will be given to the team with regard to quoting appropriately. Checks will be made to ensure quoting is consistent with guidelines. With regard to ensuring an invoice is raised for all chargeable bookings this will be picked up in the procedures and will be done as part of the booking process now agreed in draft format with Legal. Each team member will be issued with a check list for each booking so they can tick off each action – including raising the deposit or full payment invoice. **Conference and Events Team / Conference and Events Manager / Head of Conference and Events.** **CMT / Head of Conference and Events.** **Once CMT have approved pricing guidelines will be drawn up and training delivered to the team on quoting. Sept 2014**
All bookings are taken in advance of the event. In addition to this, management should determine what actions should	Agreed Historically at the Town Hall payment was always

Recommendation	Management Response / Responsibility / Deadline for Implementation
be taken where event dates arrive and payment has still yet to be taken.	required/received in advance of any chargeable event taking place. It was intended to be exactly the same at Brent Civic Centre however originally the checking of payments was done by the Halls Bookings Assistant but the role became vacant during the move to the civic centre and due to no budget being set the position was not covered (it is the intention of the Head of Conference and Events to re-recruit for this role subject to budget approval). The remaining team members picked up responsibility for checking payments but as this audit has discovered this hasn't been effective. It should also be understood as well that the nature of bookings changed dramatically when the team moved to the Civic Centre. Town Hall bookings were typically made by clients approximately 6 months or more before the event date which allowed plenty of time for paper work and checks to be done and the 30 day payment terms were appropriate. The business at the civic centre was very last minute with some bookings confirming within a month before the event date which meant that invoices raised with a 30 day payment term would often mean the payment date fell after the event date which led to some late payments especially from the corporate sector where the invoices would be processed by a finance department who typically pay to term and not before unless stated on the invoice. It was originally not possible to change the invoice payment terms but we have worked with Oracle and now are able to change the payment terms to suit our timescales and no longer send out invoices that are due after the event date. With regard to checking: Until budget is approved for additional resource, checking for payment will be added to

Recommendation	Management Response / Responsibility / Deadline for Implementation
	the pre-event documentation checklist referred to in earlier recommendations and checks will be made at the planning meetings to ensure payment has been received. In the event of no payment being received this will be flagged to the Head of Conference and Events who will decide whether the event will go ahead or not. Debt control will also be consulted at this stage. **Head of Conference and Events / Conference and Events Team / 31st July 2014**
A refundable deposit should be taken for all external bookings made.	Agreed in principle This is in reference to the Damages Deposit. This is not to be mistaken with the booking deposit. The FSC changed their procedure on damage deposits when they moved to the Civic Centre which meant that the C&E team were no longer able to take deposits via the usual method. Alternative options explored impacted greatly on the client and were difficult to administer. The Conference and Events Manager has been working with the FSC to find a workable solution and whilst there is now an option it is far from ideal as it involves the client being invoiced for the full amount and then the conference and events team crediting that invoice – this process is lengthy and time consuming and will involve a lot of money coming in and then being refunded by the council regularly which may trigger audit to query this practice. The Head of Events also has concerns over charging large damage deposits for low value bookings as this could impact on the client's ability to confirm their booking and

Recommendation	Management Response / Responsibility / Deadline for Implementation
	we might lose business. This could also be problematic for charities and community groups and ultimately will create a lot of administration. Finally, with regard to damages deposits not being taken since moving to the civic centre there was some confusion during early occupation as to whether a damages deposit would actually be required for smaller venues or bookings of lower value. At the Town Hall it was only taken for PD Hall bookings and not on Board Rooms. There are far more spaces at Brent Civic Centre and guidance from Legal was still being sought on this at the time of the audit which explains why damage deposits were not taken for certain bookings (meeting rooms). We are still working with the FSC to find a way to take a damages deposit which will work for all clients. It is not clear at this stage when a suitable system will be identified. In the meantime we will invoice for this deposit where appropriate. **Conference and Events Manager / Head of Conference and Events / FSC.** **Discussions to start July 2014.** **Invoicing for Damages to start immediately**.
Receipts should be issued for all tea dance tickets sold, and copies of these are retained by the Conference and Events Team. In addition to this, the discrepancies identified should be investigated, and action taken accordingly where required.	Agreed in principle We have already addressed the issue with the discrepancy and it has been resolved. As for the issuing of receipts this has never been done historically. The issuing of receipts will be incredibly

Recommendation	Management Response / Responsibility / Deadline for Implementation
	impractical but The Conference and Events Manager will discuss options with the FSC to bring us inline with the Council's financial regulations. **Conference and Events Manager and FSC** **August 2014**
The discounted price offered for parking tickets at the tea dance event should be internally recharged on regular basis. Where this is not completed by Facilities Management, follow-up action should be taken by the Conference and Events team to ensure that this is completed.	Agreed Internal recharging should be done on a monthly basis. If the monthly recharge from FM does not appear on the budget received by the Head of Events each months this will be picked up with FM. **FM Client and Head of Conference and Events / End of July 2014**
Communication channels with the FSC team should be established so that any instances of bounced cheques or chargebacks and be communicated to the Conferencing and Events Team prior to any refunds being made.	Agreed The FSC do not flag bounced cheques to the Conference and Events Team therefore it is not known if this has happened. The Conference and Events Manager is working with the FSC to determine a way in which to receive this information in a timely manner so that action can be taken with the client. **FSC / Conference and Events Manager** **September 2014**
The budgetary weaknesses outlined in the Summary of Findings should be considered as part of the 2014/15 budget setting process, and that a budget is set as a matter of priority that is both challenging and achievable. In addition to this, the Finance Analyst should be reminded of the	Agreed It is recognised across Properties and Finance that no expenditure budget was set for the provision of event services at Brent Civic Centre and that the income budget is not achievable. The Head of Conference and Events

Recommendation	Management Response / Responsibility / Deadline for Implementation
need to provide budget monitoring reports and year end outrun results in a timely manner.	has been working with Finance on a proposed budget. The proposed Budget will be submitted to CMT July 2014 for approval. It must be noted that is there has been a delay setting the budget for 2014/15 that it will not be met as it is based on a full year's business with a full team structure and marketing budget in place. **Head of Finance to approve budget / End of September 2014**

Sickness Absence

The Council's Attendance Management Policy and Procedures aims to provide:

- A structured framework that will enable managers to properly manage the difficult and sensitive area of employee sickness absence; and
- A proactive approach to managing sickness by promoting the health, safety, and well-being of all employees to successfully reduce sickness levels.

Sickness absence management is governed by various statutory legislations including the Employment Rights Act 1996, Employment Relations Act 1999, Employment Act 2002, Disability Discrimination Act, Race Relations (Amendment) Act 200, ACAS Code of Practice on Disciplinary and Grievance Procedures, and Employment Equality (Age) Regulations 2006.

Two priority 1, two priority 2 recommendations were raised.

Recommendation	Management Response / Responsibility / Deadline for Implementation
Non completion of the monthly absence data return on AMS should be reported to the relevant Strategic Director of the manager who are failing to record for intervention.	Agreed. Once One Oracle goes live, absence record will become visible to both the manager responsible for recording and also individuals. The increased visibility is expected to improve the timeliness, accuracy, and completeness of the absence records. In the meantime, HR continue to send out reminders to managers to record any absences on AMS. A communication was also included in Brent Manager regarding the importance of updating AMS in May2014. **Afzal Ghany – HR Manager / On Implementation of One Oracle**
Any instances of non-compliance with the Council's absence management policy should be identified and reported to the Strategic Director of the manager failing to take the required steps or failing to maintain a record of the steps taken. Reporting of non compliance	Agreed. HR has recruited 7 Senior Employee Relations Officers (SEROs) who are working with managers on the management of sickness absence. Any instances of non-compliance are referred to the HR manager in the first

Recommendation	Management Response / Responsibility / Deadline for Implementation
with the absence management policy may be incorporated into the Corporate Dashboard. The required steps include the following: • Assessment; • Referrals to Occupational Health where applicable; and • Stage 1, 2 and 3 (meetings where applicable). In addition, performance of the HR Officer in respect of timely follow up of triggered sickness absence should be monitored.	instance. There is also robust management of sickness cases through monthly review meetings where cases are collectively discussed and reviewed by HR Managers and HR Director. **Carole Simpson - HR Manager / Ongoing**

New MIllenium Day Centre

There are four day and residential care centres across Brent as follows:

- Kingsbury Resource Centre (For Dementia Clients);
- New Millennium (Physical Disability Day Centre); and
- Tudor Garden (Residential).
- John Billam Community Resource Centre (Day)

Four priority 1, nine priority 2 and one priority 3 recommendations were raised.

Recommendation	Management Response / Responsibility / Deadline for Implementation
Previous meals records should be reviewed to identify the number/value of any debtor amounts up to the time that the Centre moved to a cashless system. Any amounts identified should be invoiced for so that amounts owed can be claimed.	Agreed. At the time of audit NMDC had 3 Debtor. 1- Case 1 - income has been banked in total of £508.00. 2- Case 2 internal transfer of the income will be done for the sum of £251.70. 3- Case 3 - Debt recovery team has already sent letter out to next of kin. **Centre Manager / Debt Recovery Team** **Mid July 2014**
All staff at the Centre should be suitably qualified to work with service users in line with post-holder job descriptions.	Agreed. The above recommendation will be discussed on 16th June in DS training needs meeting and leading to further discussion in DMT for approval. Staff has been briefed and is willing to part take in achieving NVQ level 2 as required.

Recommendation	Management Response / Responsibility / Deadline for Implementation
	Centre Manager / September 2014
Forecasts should be completed promptly on a monthly basis and detailed notes should be kept outlining the reasons for any variances outlined in the year end forecast. In addition to this, all staff involved in monitoring the budget at the Centre should ensure that they have the skills and training necessary to do so. Where gaps in skills are identified, action should be taken to address this as a matter of priority.	Agreed. Regular meetings to be booked with Business Partner team to discuss variances and forecasts. 2014-15 first meeting took place on 5th June with JN. **Centre Manager / Ongoing**
Records should be maintained by the Centre for both cleaning and food products to show what items they have in stock, when items have been used, and when stock has been replenished. In addition to this, regular stock counts should be undertaken to check that the records are up to date	Agreed. Cleaning materials stock records forms have been created and will be completed by end June 2014 Food stock control records forms have been created and will be completed by end June 2014. Stationary stock control record has been created and will be completed by end June 2014. **Centre Manager/Deputy Manager / End of June 2014**

John Billam Resource Centre

Seven priority 1, six priority 2 and one priority 3 recommendations were raised.

Recommendation	Management Response / Responsibility / Deadline for Implementation
Complete and accurate records should be retained for daily/monthly meal records. The discrepancies that were identified from the January and February 2014 records should be investigated and actioned accordingly. Furthermore, it is recommended that invoices sent to carers/guardians are amended to reflect the correct Council address	Agreed. The catering provision was introduced in December 2013 and as such there have been some inevitable challenges in developing a fool proof system. This is now in place. Discrepancies identified in January and February 2014 will be investigated and reported on. **Centre Manager/ 30 June 2014**
All staff at the Centre should be suitably qualified to work with service users in line with post-holder job descriptions	Agreed. In-conjunction with the recruitment team all permanent and fixed term staff will be asked to provide a copy of their NVQ level 3 or equivalent qualification. The difficulty in obtaining NVQ level 3 staff from REED agency has been identified with senior management and remains a challenge for the service. This issue will be addressed with to senior management again. **Centre Manager / 30 June 2014**
Monitoring of mandatory training is undertaken. Where staff have not completed training, this should be followed-up as a matter of priority.	Agreed. All staff will be given a 4 week period in which to ensure that all on-line mandatory training is completed. Copies of completion certificates will be stored on the N drive and

Recommendation	Management Response / Responsibility / Deadline for Implementation
	the centre training record update. **Centre Manager / 30 June 2014**
DBS checks should be completed for all staff prior to the commencement of employment, and a central database should be used to record name and date of expiry including records for agency staff. Where staff are required to start work without DBS clearance, provisions should be put in place to ensure that they supervised a DBS cleared staff member at all times. The checks should be renewed every three years in line with the Council's policy. Where the Centre identifies that a DBS check is due to expire, action should be taken to ensure that the HR Recruitment Team are aware of this. In addition to this, copies of DBS certificates should not be retained. Furthermore, the staff member dismissed due to allegations of abuse should be reported to the DBS as a matter of priority.	Agreed. The record of DBS for permanent and fixed term staff held at the centre will be updated. All copies of CRB or BDS certificates will be removed from the N drive. Reed agency will be asked to provide an updated list of DBS for all agency staff in working in the building. Referral to DBS of dismissed member of staff is underway and will be completed following final consultation with safeguarding and senior management. **Centre Manager / 30 June 2014**
Forecasts should be completed promptly on a monthly basis and detailed notes should be kept outlining the reasons for any variances outlined in the year end forecast. The variances outlined in the Summary of Findings should be investigated to understand what action is required and action points should be completed promptly. Furthermore, the budget for the Centre should be reviewed to ensure that amounts are still relevant. In addition to this, all staff involved in monitoring the budget at the Centre should ensure that they have the skills and training necessary to do so. Where gaps in skills are identified, action should be taken to address this as a matter of priority.	Agreed. Centre manager to obtain monthly budget sheets from Senior Finance Analyst (SFA). These budget sheets are to be reviewed and variances outlined. Action to rectify and or explain variances to be detailed on budget sheet and forwarded to Head of Service for discussion in manager's monthly meeting with the SFA present. **Centre Manager / 30 June 2014**
An Employment Status Questionnaire should be completed for all self-employed staff hired by the Centre in all cases to determine the	Agreed. Employment Status Questionnaires to be completed by

Recommendation	Management Response / Responsibility / Deadline for Implementation
employment status of the individual in question.	all self employed staff **Centre Manager / 30 June 2014**
All documentation to support purchases made on the prepaid card should be retained and validity and completeness of the supporting documentation should be checked as part of the monthly sign off process. In addition to this, the Centre should follow up on the exceptions identified from our testing. It is recommended that only amounts that are supported with receipts are reimbursed onto the cards	Agreed. Exceptions identified in January and February 2014 are to be investigated and reported on. **Centre Manager / 30 June 2014**

Kingsbury Resource Centre	
Seven priority 1, seven priority 2 and one priority 3 recommendations were raised.	

Recommendation	Management Response / Responsibility / Deadline for Implementation
A register should be put in place for income received for service user meals and drinks to show cumulative balances. The register should include, but not be limited to, the following information: • Service user; • Date; • Cost of meal and/or drink taken; • Amounts collected; and • Balance showing credit or debit amount. The income spread sheet currently maintained by the Centre may be replaced with the above to avoid duplication. In addition to this, the Centre should ensure that the amounts entered onto the income spread sheet (new register as recommended above) is checked against the daily register. Debtor balances should be reviewed on a regular basis by a senior officer to check that outstanding balances are being chased.	This recommendation is no longer applicable. KRC went cashless from 1st April 2014 which has resulted in Brent Finance directly invoicing respective KRC Service Users on a monthly basis. As part of this process, Brent Finance require KRC BSO to prepare a monthly Batch invoice, which outlines the list of dates each Service User had a meal for that particular month, as well as confirming Service User personal information e.g. Post Code (double-check address is correct). Also this spreadsheet records details of any meal cancellations daily. This ensures KRC meal provider, currently Ashford Place Catering Company, invoices appropriately for each respective Service User on a monthly basis.
A reconciliation should be undertaken on a monthly basis between the number of meals taken as per the Centre's record and the number of meals being charged for by the supplier. In addition to this, a periodic analysis of meals income against the cost of meals should be undertaken to determine whether the current prices being charged are appropriate to provide a continued and sustainable service.	Agreed. Currently Ashford Place monthly invoices are reconciled by checking monthly invoices received against KRC monthly MOW Register in consultation with KRC managers. Also as a follow up to this BSO can double check against KRC Service User monthly Attendance record should any queries arise e.g. re Service User

Recommendation	Management Response / Responsibility / Deadline for Implementation
	attendance for the month or in relation to meals cancelled. (Please note KRC MOW Register for the month records the number of Meals and the total number of Drinks each Service User consumes on a monthly basis. This Reconciliation will be counter-checked and signed by KRC management. This will contain a Meal column and a separate Drinks column). Ashford Place monthly charges should correspond with KRC monthly Meal expenditure. **<u>Audit Comment</u>** In addition to the monthly reconciliation and as indicated in the recommendation, periodic cost analysis of meals income against the cost of meals should be undertaken to determine whether the current prices being charged are appropriate to provide a continued and sustainable service. **Centre Manager / Immediate**
The quarterly health and safety reviews should be resumed as a matter of priority. In addition to this, the Centre should contact the Council to seek clarification on who is responsible for completing outstanding actions in the annex. Where the Council confirms that the Centre is not responsible for implementing remedial actions for the annex, the Centre should request that the annex's inspection outcome be provided to the responsible department.	Agreed. This has been carried out this month and the relevant documentation sent to H&S Advisor and recorded in the relevant Fire Book and stored on the Computer in the appropriate folder. The Centre is also responsible for taking corrective actions over the Annex. **Centre Manager / Immediate**
All qualifications required for the post should be evidenced as part of	Agreed.

Recommendation	Management Response / Responsibility / Deadline for Implementation
the recruitment process, and that copies of these are retained on staff personnel files.	All staffs have the fitting qualifications except for 1 member of staff who is in the process of achieving this qualification. Copies of staff qualifications are scanned and retained on staff personal files on the computer. All staff training certificates have be scanned to 'N' drive and put on personal files. The Centre Manager will provide copies of the qualification to demonstrate this. **Centre Manager / Already Implemented**
CRB/DBS checks should be completed for all staff and that a central database should be used to record name and date of expiry. The checks should be renewed every three years in line with the Council's policy. In addition to this, copies of CRB/DBS certificates should not be kept for any longer than 6 months and the DBS policy on Storage and Retention of Disclosure information should be followed. The DBS policy on Storage and Retention of Disclosure information can be found in the DBS's website, http://dbsdirect.co.uk/customer-page.php.	Agreed. Folder on the "N drive" stores the relevant information. All staffs have the appropriate documentation and records will indicate when to renew. It should be noted that HR is responsible for notifying the service when the staff's checks fall due for renewal. **Audit Comment** As indicated in the recommendation, copies of CRB/DBS disclosures should not be kept for any longer than 6 months and the DBS policy on Storage and Retention of Disclosure information should be followed. **HR / Immediate**
Forecasts should be completed promptly on a monthly basis and detailed notes should be kept outlining the reasons for any variances outlined in the year end forecast. In addition to this, the variances outlined in the Summary of Findings	Agreed. This will be undertaken in conjunction with Business Finance Analyst once a month to identify budget

Recommendation	Management Response / Responsibility / Deadline for Implementation
should be investigated to understand what action is required and action points should be completed promptly.	expenditure. Manager came into post in April 2014. **Centre Manager / Immediate**
All documentation to support purchases made on the prepaid card should be retained and validity and completeness of the supporting documentation should be checked as part of the monthly sign off process. In addition to this, the Centre should follow up on the exceptions identified from our testing. (Details are shown opposite)	Agreed. All document and expenditure is sent to the relevant finance department on a monthly basis with correct receipts and signed by the Deputy Manager, Manager & Head of Service. Current Manager & Deputy Manager have a tracking sheet designed for purchasing goods and the amount and reason for expenditure. **Centre Manager / Immediate**

Capital Project – South Kilburn Bronte & Fielding House Disposal

Network Housing Ltd. was selected via mini-tender from the South Kilburn Regeneration Developer Framework as the delivery partner responsible for the demolition of buildings on the Bronte House and Fielding House sites.
The Council was responsible for securing vacant possession of the site, and resolving all legal issues associated with tenancies and telecommunications equipment.

The completion date in respect of the Development and Sales Agreement was achieved on 3rd December 2013 when Network Housing Ltd. became responsible for removal of chattels, fixtures and fittings, vehicles and equipment, demolition of buildings and structures, decommissioning and removal of telecommunications and utility infrastructure and conduits (including substations and associated service media) and removal and disconnection of CCTV equipment and apparatus.

Two priority 1 and three priority 2 and two priority 3 recommendations were raised.

Recommendation	Management Response / Responsibility / Deadline for Implementation
All project documentation should be retained in appropriate project files that are readily accessible and can be made available as necessary	Agreed. In response to the Audit findings, the following changes will be implemented; • All future procurement process will be run via the Council's e-procurement portal. Therefore all associated procurement documents will be completed and retained on the Council's e-procurement portal providing the required audit trail. Historically the tender opening form is held by Legal and Democratic Services • All project documentation is now completed and retained electronically on Verto providing the required audit trail. • New arrangements will be set up with Corporate Finance to ensure copies on the General Ledger are received and kept on the project files. Historically transaction log from the General Ledger are held by Corporate Finance and reconciled on an annual basis only.

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	Programme Manager / 1 July 2014 <u>Audit Comment</u> We would not expect full transactions logs to be kept; one was required to provide a snapshot at the time of audit. These should be capable of being produced at any time by the management accountant. Project managers should for example be able to get one to analyse their budgetary control statements for any variances of actual against projected spend. If one has been obtained (and it may only be for certain codes where variances are being examined rather than every subjective code within the project centre), then we would expect that to be kept with the budgetary control report for that month/reporting period to evidence that the project manager/budget holder has reviewed the variance for any anomalous entries to the ledger. We would not expect a full ledger interrogation every month across all codes, only those that require investigation of variances. However, if full ones are now being undertaken, operational management may wish to keep the whole thing. We only expect that bit relating to variance investigation.
All programme/project budgetary control documents should be produced correctly. The current workbook should be checked for errors and corrected with immediate effect. The “SK Cashflow 201[x] 12014 as of [xx xxxx 201x]” should be updated and retained on a monthly basis to support regular and timely management reporting	Agreed. In response to the Audit Findings, the following changes will be implemented; • officers will be required to complete monthly cashflow reconciliations and submit them to finance for approval for approval • All project expenditure and budget controls will be recorded and monitored via One Oracle once implemented New arrangements will be set up with Corporate Finance to

	ensure copies on the General Ledger are received and kept on the project files. Historically transaction log from the General Ledger are held by Corporate Finance and reconciled on an annual basis only.

Placements (Children)

Under the Children Act 1989, the Council have a general duty to safeguard and promote the welfare of children within their area who are in need. The Council must assess a child's needs and promote the upbringing of children by their own families if safe to do so. Where it is not possible to place a child within their own family or community, the Council must ensure that the placement made fulfil the child's needs and provide adequate protection whilst also ensuring that value for money is achieved as part of the commissioning process. Options for placement include adoption, long term foster care, short term foster care or residential care to meet the child's needs for protection and stability. If the Head of Service for Placements confirms that no Brent option is available for the child, the service then look to the Private and Voluntary (P&V) provider market. For any new P&V providers, the Ofsted rating is required to be checked and references taken from other local authorities. The service is responsible for negotiating prices and seeking value for money for P&V placements. Four Priority 1, four priority 2 and two priority 3 recommendations were raised.	

Documents relating to placements, as well as providers used should be retained and stored on FWi. This should include, but not be limited to the following: • Copies of placement referrals as well as Head of Service approval for child to become LAC; • Head of Service Approval to find a placement in the P&V market; • Two LA references for new providers, with one being from the home LA where suppliers are used outside of the WLA agreement; • Information to show the date the first time a provider is used as a placement provider; • Copy of the Ofsted report showing the rating at the first point the provider is used, as well as copies of subsequent reports;	Agreed. The Commissioning and Resource Team are carrying out regular checks with residential providers to ensure their regulation 33 visits are in place and shared with Brent. All relevant placement information should be loaded onto the child's file – specifically Head of Service approval, Ofsted reports and safeguarding criteria. **Head of Placements / 15th September 2014**

• LAC Tracking forms; • Safeguarding forms completed for each placement proposed; and • Approval for changes of care package elements from delegated officers. In addition to this, consideration should be given to whether spot checks on a sample of placements should be undertaken on a regular basis to ensure that all required documentation is in place.	
Details of Manager reviews including the comments and sign off should be recorded on care plans in all cases. In addition, updated care plans should be completed and loaded onto FWi in all cases prior to the next LAC review meeting. The reporting function on FWi should be used to identify any outstanding reviews on a regular basis, with actions taken where outstanding reviews are identified. (***NB***: *It is acknowledged that care plan reviews are undertaken at the LAC review with an Independent Reviewing Officer. However, the recommendation above relates to the internal reviews for accuracy and completeness by the team manager)*	Agreed. An audit process is in place to ensure that care plans are being consistently completed by social work teams. IRO service will inform the team manager where there are concerns about completion of care plans and updating them in a timely way. It is not always required, particularly for stable long-term children's cases that a manager review and sign off each care plan. **Head of Service Care Planning and Children In Need** **30th September 2014**
LAC reviews should be undertaken by an IRO in line with statutory timeframes and that evidence of these reviews should be retained on FWi in all cases.	Agreed. This is a statutory requirement. **Interim Head of Safeguarding** **Ongoing Monitoring**
All outstanding signed remittance slips should be chased and these should be retained once obtained. ***NB:*** *It is acknowledged that the exceptions opposite were only due to*	Agreed. A system for recouping overpayments through the Oracle system has been set up. The FWi financial process mitigates against the risk of overpayment. **Head of Placements / 15th September 2014**

the flexibility applied for the new process and we were informed that no further payments will be made without a signed remittance slips. The focus of this recommendation is with regards to ensuring that the outstanding remittance slips from the initial month(s) of the new payment run process continue to be chased until obtained. This is also key given that providers no longer issue invoices.	

LIMITED/NIL ASSURANCE REPORTS – School

Christchurch Primary School

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

Non Assurance Work

NNDR Strategy	
Objective and Scope	The focus was to assess the steps taken by management to deal with the introduction of the local Business Rates retention schemes in April 2013. It should be noted that this work was not a certification of the NNDR1 (return to DCLG).
Conclusion	Overall, there was evidence that considerations were given and steps were taken to manage the following risks arising due to the introduction of the local Business Rates retention scheme: • Inaccurate budgeting of the retention amount; and • Fall in debits
Recommendations	No recommendations were raised.

2014/15 Financial Year

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2013 /14

Audit	Assurance Opinion and Direction of Travel
General and Computer Audits	
Highways Maintenance Contract (High Level Review)	S
Parking Contract (High Level Review)	S
SCHOOLS	
Michael Sobell Sinai Primary	S ⇔
St Andrews and St Francis School	S

NON-ASSURANCE WORK

Troubled Families Grant Claim Certification	Certification of 2 Grant Claims as follows: • 2 Payment by Results Claim This is a grant which the Head of the Audit & Investigations Team is required to certify the grant claims. This funding is for the DCLG's Troubled Families programme which is aimed at reducing the cost of problem families. The government is providing funding to cover up to 40% of the cost of interventions for these families. This will be paid primarily on a payment by results basis. The DCLG will make available up to £4,000 for each troubled family that is eligible for the payment-by-results scheme. A proportion of this is paid upfront as an "attachment fee" for the number of families that the local authority starts working with, and the rest will be paid following positive outcomes with these families.

Adoption Reform Grant	Certification of Statement of Grant Usage for the 2013/14 Financial Year

Barham Park Trust Accounts	Independent Examiners Report on the accounts for Barham Park Trust for 2013/14 (A charitable organisation for which the council is trustee)

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 020 8937 1260
Aina Uduehi – Audit Manager	aina.uduehi@brent.gov.uk 020 8937 1495

Mazars Public Sector Internal Audit Limited	Contact Details
Mark Towler – Director	miyako.graham@brent.gov.uk 020 8937 1491
Miyako Graham – Senior Audit Manager	
Shahab Hussein – Computer Audit Sector Manager	

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Brent	**Audit Committee** 29 September 2014 **Report from the Chief Finance Officer**
For Information	Wards affected: All
Corporate Risk Register	

1. Summary

1.1. This report presents the council's current Corporate Risk Register.

2. Recommendations

2.1. Audit Committee to review and note the contents of the Council's updated Corporate Risk Register.

3. Detail

3.1. The risk register attached at appendix 1 sets out the council's strategic and key operational risks.

3.2. Strategic Directors are required to maintain an operational risk register and review this periodically with their Departmental Management Teams. A new Risk Management Group has been extablished by the Chief Executive and chaired by the Chief Finance Officer. The puspose of this group is to review the operational registers and prepare the strategic risks for review by the Corporate Management Team.

3.3. This Risk Management Group is scheduled to meet on 6th October and their work will inform a refresh of the strategic register. There has been a change to the scoring of financial impacts where limits have been raised as follows:

Impact Score	**1**	**2**	**3**	**4**	**5**	**6**
Descriptor	**Insignificant**	**Minor**	**Moderate**	**Significant**	**Serious**	**Very Serious**
Old Guidance	Financial loss up to £50,000	Loss up to £100,000	Loss up to £200,000	Loss up to £300,000	Loss up to £500,000	Loss greater than £500,000
New Guidance	Financial loss up to £100,000	Loss up to £250,000	Loss up to £500,000	Loss up to £1,000,000	Loss up to £3,000,000	Loss > £3,000,000

3.4. The current register is attached at appendix 1. There are a number of changes since the Audit Committee last reviewed the register in March 2014. These are set out below:

Strategic Risks – Each risk has now been linked to an existing Borough Plan theme. These being the key objectives for the council.

A number of updates have been made to the risks to reflect the current position.

Operational Risks –

Regeneration and Growth: Risks promoted from the departmental register onto the corporate register due to high risk scores include risk of lack of business investment in the borough resulting in reduced NNDR receipts (R&G1); customer service transformation (R&G13); Employment training intitiatives (R&G22);

Risks removed due to low residual risk scores include: Assaults within the Civic Centre (R&G14);

Environment and Neighbourhood: Removal of risk on recycling target not being met by March 2014 (EN4); Removal of risk around mobilisation of public realm contract (EN8)

Finance and IT: Removal of fraud risk (FD1); Failure to produce medium term financial strategy (FD2); Pension fund position (FD4) and IT systems failure (ITU1) due to reduced risk scores.

Addition of a risk concerning data security.

Assistant Chief Executives Department: Removal of all existing risks due to reduced risk scores. Addition of two new risks concerning public health.

4. Legal Implications

4.1. The Accounts and Audit Regulations (England) 2011 section 4(1) require the council to “ensure that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”

4.2. Further section 5 (1) (4) (i) requires that the Director of Finance and Corporate Services determines accounting control systems which include adequate measures to ensure that risk is appropriately managed.

5. Financial Implications

5.1. None

6. Diversity Implications

6.1. None

7. Contact Officer Details

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Telephone – 020 8937 1260

Conrad Hall
Chief Finance Officer

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CORPORATE STRATEGIC RISKS

ID	CAT.	Borough Plan Objective	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer
						Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score				
R&G5	**Economic/ Political/ Socio Cultural**	**Improving health and well-being** • **More and better managed housing of a higher standard**	Increase in demand from homeless households due to welfare reform and overheated Private Rented Sector market in London	Council unable to manage budget within agreed limits. Major impact on children within homeless families	**Jon Lloyd-Owen Operational Director Housing & Employment**	6	6	36	Delivery of the revised Accommodation Strategy Effective use of DHP budget and detailed budget monitoring arrangements in place Continue to focus resources on prevention of homelessness wherever possible Reduction in the use of high cost temporary accommodation and introduction of new more cost effective contracts to provide temporary accommodation Monitoring of temporary accommodation placements	Regular Monitoring	5	5	25	↔	On going monitoring	On-going	Laurence Coaker
CF3	**Socio Cultural/Reputational/Financial**	**Better lives for children and families** • **Increased participation by local people in shaping and improving the borough**	Greater demand for services without consequent increase in funding leading to inability to meet statutory responsibilities. Impact of welfare reforms increases housing pressures on social care, including increasing demands from families with no recourse to public funds. Increase in family breakdown due to economic downturn..	Increase in number of looked after children or greater demand for services for vulnerable and young persons. Pressures translate into increased financial pressures. Certain key statutory responsibilities cannot be met.	**Graham Genoni - Operational Director, Children Social Care**	5	6	30	IImproved budgetary controls; robust budget monitoring; improved commissioning arrangement. Children being are being supported to remain at home where safe. Services will be re-prioritised to meet the needs of the most vulnerable. Improved commissioning arrangements including cross borough work with WLA. Early help services are targeting vulnerable and disadvantaged families and showing success in preventing escalation of problem	Management information reports track activity and identify trends, to which management are able to respond	4	5	20	↔	NRPF and homelessness pressures being monitored.	ongoing	Graham Genoni - Operational Director, Children Social Care
ASS4	**Financial / Economic**	**Improving health and well-being** • **More provision and more choice for people needing care and support**	Budget / Demand - by 2020 high level figures estimated that demand will increase budgetary requirements 26% based on projected movements in demographics and populations with people living longer.	Failure to deliver a more efficient cost effective service will result in overspending of budgets.	**Phil Porter - Strategic Director Adult Social Care / Minesh Patel, Senior Finance Analyst, Adult Social Care**	6	5	30	Demand levels are continuously monitored and regular modelling and forecasting will help to keep a close watch on the situation. There is monthly monitoring, we are likely to deliver on budget this year, and we have a significant savings plan in place which the Change and improvement Board oversees	Financial pressures are regularly reported and monitored through Strategic Finance Group and High Level Monitoring panel.	5	3	15	↔	Changes to the way we deliver services and demand management strategies need to be put in place to protect the Council's Financial position. Routine monitoring and reporting arrangements are in place. Ongoing work is required to look at how to deliver the service differently for the department to be able to deal with projected increases in demand.	01/04/2014	DMT - ASC
S5	**Legal / Political**	**A strong community** • **Increased participation by local people in shaping and improving the borough**	The Council fails to comply with legal/statutory obligations including consultation and equality duty in implementing policy changes	Increased disatisfaction with council, increase in number of legal challenges and Judicial Reviews resulting in cost of defence and delay	**Fiona Ledden Borough Solicitor**	6	4	24	Area Consultative Forums; Brent Citizens Panel; User Consultative Forums; Equalities issues reported to CMT on a quarterly basis. Regular monitoring by CMT. Equalities Statement	Consultation Board.	6	3	18		Contentious issues flagged up through surgery system. New guidance on Equalities to be issued. Equalities guidance due shortly.	Dec-14	

ID	CAT.	Borough Plan Objective	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer
						Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score				
CF1	Legal/ Political /Socio Cultural /Reputational	Better lives for children and families • Places in Brent schools for all who need them	Continuing shortage of primary school places and shortage of Secondary School Places	Council unable to discharge statutory duty to provide education. Reputation damage, legal challenge, increased health and safety risks	Sara Williams - Operational Director Early Help & Education	6	6	36	Lobbying Central Govt for additional funding; funding of £25m secured from central govt. to provide additional school places; Temporary expansions and Projects established to address shortfall; Regular reports to CMT& Executive to agree prioritisation of use of capital funding; Strategy Board meets on a regular basis ; Standing Agenda Item in Overview & Scrutiny Committee Meetings.	Regular monitoring by Overview & Scrutiny Committee; CMT & Executive.	6	4	24	↑	Continued lobbying and work with London Councils and Schools.	On-going	Sara Williams - Operational Director Early Help & Education
R&G3	Reputational; Economic / Socio Cultural	Better lives for children and families • Places in Brent schools for all who need them	Inability to deliver enough school capacity through the Schools Capital Programme	Council in breach of its statutory duty. Increasing numbers of children having to be educated out of Borough	Richard Barrett Operational Director Property & Projects	5	6	30	Work with Children & Families Dept. to identify alternative education solutions Scope to identify future funding/grant funding options	Schools Expansion Policy agreed by Executive	4	5	20	↔		On going	Richard Barrett/Rajesh Sinha

KEY OPERATIONAL RISKS

ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk: Impact	Inherent (raw) risk: Likelihood	Inherent (raw) risk: Risk Score	Existing Controls	Sources of Assurance	Residual (net) risk: Impact	Residual (net) risk: Likelihood	Residual (net) risk: Risk Score	Movement Indicator	Further Actions	Deadline	Responsible Officer	Movement since last Review
Regeneration and Growth																	
R&G 1	**Economic / Socio Cultural**	Lack of external investment in regeneration of the borough	Reduced income receipts from business rates; reduction in housing supply within the borough. Increase in levels of poverty, unemployment and increased levels of deprivation within the borough.	**Andy Donald - Strategic Director of Regeneration & Major Projects**	6	6	36	De-risking by assisting with planning permissions etc. on behalf of developers; Maintaining dialogue with investors / developers. Reviewing other sources of capital finance.	Regular economic monitoring. Regular market contact.	5	5	25	↔	Ongoing economic monitoring and market contact	On going	Aktar Choudhury - AD Major Projects/Dave Carroll - Head of New Initiatives	
R&G 11	**Reputational / Service Delivery**	Failure to achieve delivery of Customer Services Project.	Residents unable to communicate with council / Failure of project objectives (i.e. consolidation of Customer Services at Civic Centre)	**Margaret Read Operational Director Brent Customer Services**	6	5	30	A - Regular monitoring of Project B - Strong Project management in place	1 - PMO Board and Brent Customer Services Board	6	4	24		On going monitoring	On going	**Margaret Read - AD Customer Services**	
R&G 13	**Service Delivery/ Reputational**	Insufficient operational capacity to deliver improvements to the Customer Services experience at the new Civic Centre	Residents unable to communicate with council / Failure of project aim ((i.e. consolidation of Customer Services at Civic Centre)	**Margaret Read Operational Director Brent Customer Services**	6	5	30	A - Improvement plans and agreed protocols for Web and Digital Post Room teams	1 - PMO Board and Brent Customer Services Board; Regular progress meetings between AD CS and Consultant to monitor progress	6	4	24	No change	On going monitoring	On going	**Margaret Read - AD Customer Services**	
R&G 22	**Service Delivery/ Reputational**	Transformation of Employment Training Services does not progress as required	This will impact on the Councils ability to ofer help and support to unemployed residents	**Jon Lloyd-Owen Operational Director Housing & Employment**	3	6	18	Robust Governance arrangement through Transformation project Board Clear planning and organisational development framework	Regular monitoring	3	4	21	↔	New Baseline Project Plan established. Robust monitoring arrangements in place through the Transformation Board Clear Cultural Change Programme in Place		Head of BACES	
Children & Young People																	
CF2	**Reputational / Political**	Vulnerable children not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	**Graham Genoni - Operational Director, Children Social Care**	6	4	24	Safeguarding of Children Teams deal with child protection and safeguarding issues; Brent Local Safeguarding Children's Board; Safer Recruitment & Training; Whistleblowing; publicity; raising of awareness at Schools & community in general; Children & Young Persons Plans; Child Protection Arrangements; Strong partnership working with relevant agencies; High level monitoring meetings with Chief Executive; Corporate Parent Group; Auditing arrangements; Range of monitoring arrangements to track progress; Children & Families Overview & Scrutiny; Performance Information (quarterly scorecards); Timely reviews of Looked After Children	Recent Ofsted Inspection deemed that children were safe; Internal Service User Surveys; Internal Audit.	6	2	12	↔	Continuous Monitoring & Development; Safeguarding & Looked After Children Inspection Action Plan; Continued collaboration with relevant agencies.	On-going	Graham Genoni - Operational Director, Children Social Care	

ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer	Movement since last Review
					Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score					
CF6	**Socio cultural & political**	Changes to government policy/legislation	Changes in Welfare Reform. Influx of vulnerable families into the borough from other more expensive or inner London authorities or possible roll instability in schools because of families having to move out following housing benefit cap.	**Anna Janes - Head of C&F Policy & Performance**	6	6	36	Taking forward the Working with Families suite of One Council Projects. This will provide an effective Early Intervention Service to improve support for disadvantaged young people. Monitoring effects of benefit cap.	Regular monitoring by Project Boards and overall Strategic Group	6	4	24	↔	A total of 337 families have been identified to date and 144 families have been turned around. Additional workers are being recruited to step up the work.	On-going	Anna Janes - head of Children & Families Policy and Performance.	
CF8	**Financial/ Reputational**	Impact of Family Justice Review	Reputational arising from court delays and failure to meet govt targets. Financial arising from possible wasted costs order. Quality issues in relation to unnecessary delay for chidlren.	**Graham Genoni - Operational Director, Children Social Care**	5	6	30	Robust planning mechanisms in place including partnership working with legal. Additional resource being deployed to address assessment requirements and track timeliness.		4	4	16	↓	Work with W London boroughs, mapping processes alongside legal dept, case manager option being explored. Initial analysis indicates significant improvements in timeliness of cases initiated since April 2013.	ongoing	Graham Genoni - Operational Director, Children Social Care	
Adult Social Care																	
ASS1	**Legal/ Political /Socio Cultural / Reputational**	Failure to safeguard vulnerable persons (older persons; persons with physical & learning disabilities; mental health, transitional young people and other vulnerable adults) leading and resulting in resulting in abuse, death or injury of vulnerable persons (both in terms of safety and financial abuse)	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Yolanda Dennehy - Head of Reablement and Safeguarding / Adult Social Services	6	3	18	Safeguarding of Adults Teams deal with safeguarding adults issues. Safer Recruitment; training; Multi - Agency Policies and Procedures for Adults; ASC Transformation Programme; Reablement. Appointeeships/Deputyship arrangements in place after client needs have been assessed. Good links with Children & Families and Legal to ensure robust adherence to safeguarding children's policies and procedures.	Care Quality Commission Inspections; Carers Survey; Internal Audit; Office of Protection. Children's Service, Ofsted, Internal Audit	6	2	12	↔	On-going training for staff in relation to safeguarding and constant review of procedures and policies	On-going	Yolanda Dennehy - Interim Head of Reablement and Safeguarding	
ASS3	**Social / Community**	Failure to engage with key partners across the public sector and other external organisations leading to not maximising collaborative working opportunities and cost reductions resulting in inefficiencies from service overlaps and duplications.	Inefficiencies from service overlaps due to duplication; gaps in service provision. Additional savings of £2.2m would need to be found by the Department if fail to integrate with Health. Pressure on resources and potential for additional cuts in staff and services.	Phil Porter - Director Adult Social Services, and Strategy, partnership & Improvement department	6	6	36	PID have been completed and a business case is currently being developed. The Shadow Health & Wellbeing Board oversees integration. On-going engagement with external key partners to discuss new ways of working	Shadow Health & Wellbeing Board,	6	3	18	↔	Continued discussions with key partners and pilot integrated services being developed and trailed	01/10/2014	Phil Porter - Director Adult Social Services	
ASS5	**Financial / Compliance / Service Delivery**	Failure of contract management / monitoring leading to breaches in contacts resulting in not achieving value for money and poor service for service users	Poor / no service being delivered to service users. Overspending budgets	Phil Porter - Director Adult Social Services / Amy Jones, Head of Commissioning & Quality Services Adult Social Services	4	3	12	We now have a dedicated commissioning function in place to strategically manage the provider market and we are reviewing and renegotiating existing service models and contractual arrangements.	New procurement protocols are in place and improvements are being made through the One Council programme.	2	3	6	↔	The commissioning function has been reviewed and new strucutre implemented with a dedicated contracts and relationship management team now in place	1/10/204	Amy Jones, Head of Commissioning and Quality Adult Social Services	

ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk Impact	Inherent (raw) risk Likelihood	Inherent (raw) risk Risk Score	Existing Controls	Sources of Assurance	Residual (net) risk Impact	Residual (net) risk Likelihood	Residual (net) risk Risk Score	Movement Indicator	Further Actions	Deadline	Responsible Officer	Movement since last Review
ASS6	**Regulatory/ Financial/Service Delivery**	Not being able to meet the demand of carers as a result of the implementation of the Care and Support Act. Failure to comply with the Care & Support Act 2014 and provide support to carers.	Reputational risk and adverse publicity fopr failiing to support carers. Budget pressures as more resources required to comply and provide support to carers. Increase in demand for assessments and the budget pressures due to carers being eligible to receive direct payments.	Nancie Alleyne Head of Direct Services	6	5	30	Carers Strategy agreed. Will help to identify carers and their needs and begin to develop arrangements to support their needs. Sponsor identified for project and work streans due to commence. Recent audit of carers and in annual accounts highlighted weaknesses which are the the process of being addressed.	Strategy is being overseen by Director of ASS. Project Sponsor is working on 3 workstreams to improve outcome for carers. Regular reports to Change & Improvement Programe Board.	5	4	20		To try to establish potential volume of carers who may require services and begin to predict cost and resource implecation and develop plans for the future	30/12/2014	Nancie Alleyne Head of Direct Services	
Environment and Neighbourhoods Services																	
EN1	**Environmental / Economic**	Effects of Climate Change not adequately planned for. Environmental Targets not met. Failure to understand and plan to mitigate the impact of and adapt to climate change. Failure to cope with severe weather events.	Negative impact on health & wellbeing of residents. Increase in energy costs and fees paid to the Envrironment Agency on Carbon Reduction Commitment Regulations and reputational risks for being at the bottom of the league table. Increase expenditure to make further adaptations and other levies.	**Sue Harper - Strategic Director of Environment & Neighbourhoods**	6	4	24	Climate Change Strategy & Action Plan; Travel Plans; Recycling Schemes; Civic Centre; Climate Change Pledge; Waste Strategy, Carbon Management Programme and the Council's Green Charter.	Internal Audit - CRC Readiness Report. Audit by Environment Agency. Progress on Green Charter is reported to members	6	3	18	↔	N/A	Ongoing	Ceridwen John - Environment Projects & Policy Manager	
EN2	**Legal / Reputational / Environmental**	Major or large scale incident (accident; natural hazard; riot) business interruption affecting Council's resources and its ability to deliver critical services. Risk to safety of staff / Loss of staff.	Service delivery disruption and impact on the Council's ability to deliver critical services.	**Christine Gilbert-Chief Executive; Sue Harper - Strategic Director of Environment & Neighbourhoods**	6	4	24	Community Resilience; Civil Contingencies Register; Emergency Planning	Emergency Planning & Business Continuity	5	3	15	↓	Regular review and assessment of robustness of plans.	Ongoing	Martyn Horne - Head of BCP, Env & Neighbourhood	
EN9	**Legal Reputational Environmental**	Systems and processes specified in the newly implemented Parking contract aren't yet working as planned	Failure to migrate to the required parking model for optimising productivity may lead to loss of income and damage to Council's reputation (now an issue, rather than a risk)	**Sue Harper - Strategic Director of Environment & Neighbourhoods**	5	5	25	Leadership and governance with deadlines set for completion of each tasks.	Project Board to review and sign off each stage of the plan.	5	5	25	New Entry	Operational Director to meet with contractor's senior management team to resolve issues.		Michael Read Operational Director	
Finance																	

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					Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score					
FD5	**Technological/ Reputational**	Loss of Significant Amount of Client Personal Data caused by ITU Operational activity	Reputation loss through the association of the Brent Council name with disruptable and unethical activities, potential law suites and potential fine from the Information Commissioner.	**Peter gadsdon, Operational Director - ICT**	6	3	18	High level of security in operations, on-going in house user training, continued vigilance, continuous monitoring a reporting. Technical controls are in place to support.	ITU Operational Management	6	2	12	↓	Introduction of new Security Regime as part of the NBCC fit out. Continued attention to detail in security provision.	Ongoing	Peter gadsdon	
Legal & Procurement																	
LP4	**Financial / Reputational / Legal**	Non-complaince with EU Procurement Regulations in the letting of Contracts	Financial loss from cost of Legal challenge from unsuccessful tenderers; reputational damage	**Gary Salterpicco - Procurement Manager**	6	4	24	Contract Standing Orders; Blue Book Reqiirement; Involvement of qualified staff withiin Procurement Team in the letting of all significant contracts across the Council; training provided to departments on Procurement regulations etc.	Internal Audits of major contracts; regular advice from legal contracts team; regular liaison between procurement and legal contracts team	6	3	18	↔	Training across the Council from procurement colleagues; updated and accessible information on the intranet site covering all aspects of procurement and tendering, category managers attending department management teams on regular basis	Dec-14	Gary Salterpicco - Procurement Manager	
LP8	**Legal/Reputational**	Successful Judicial Challenge against the authority by way of Judicial Review or other litigation	Reputational risk to the authority and inability to progress with strategic objectives of the organisation; potential cost to the Council if costs order made against the authority	**Fiona Ledden - Director of Legal & Procurement**	6	4	24	legal advice given at CMT, Executive and PCG, clear advice given on potential areas of challenge and any litigation commenced	Advice given to members and involvement of legal department from commencement	6	3	18	↔	Monitoring process of decision making to include proactive advice on issues such as equality impact analysis and considering how decisions are made, obtain expert advice on key problem issues as required.	Dec-14	Fiona Ledden - Director of Legal & Procurement	
LP10	**Legal/Reputational**	Increased volume of employment law cases following increased activity in following employment procedures and taking appropriate action for performance issues	Reputational risk to the authority, risk of tribunal making compensation awards to individuals	**Fiona Ledden - Director legal & Procurement/Andy Potts - Senior Employment Lawyer**	4	4	16	Training undertaken with Senior Managers by legal and HR. Increased skills level for recording disciplinary hearings, and ensuring compliance with procedures including staff appeals and grievances	Advice given to staff appeals and at disciplinary hearings	4	4	16	↔	Training provided for those undertaking investigations to include training on witness skills, legal advice to be provided to senior managers involved in disciplinary activities	Dec-14	Fiona Ledden - Director legal & Procurement/Andy Potts - Senior Employment Lawyer	
Assistant Chief Executive's Department																	
	Reputational, financial	Failure to identify costed cross departmental priorities for public health action.	Underspend of public health grant while Council seeking to identify significant savings in other budgets	**Melanie Smith DPH**	4	5	20	Public Health Delivery Board agreement of process to develop proposals. DPH dialogue with DMTs / SLTs.	PHDB finance reports	3	5	15		escalation to CMT	October-15	Melanie Smith DPH	
	Reputational, financial	Contracts to transfer to the local authority for health visiting and FNP in October 15 are not fit for purpose. Adjustment to local authority public health grant is insufficient to cover cost of commissioning the service	Mandated health visiting service not available to children and families in Brent	**Melanie Smith DPH**	5	4	20			5	4	20		Work with NHSE London to improve the quality of finanical information submitted by the provider. Work with NHSE London to ensure that 15/16 health visiting contract is fit for transfer to Brent Council in October 15	October-15	Melanie Smith DPH	