

# LONDON BOROUGH OF BRENT

## STATEMENT OF ACCOUNTS

### 2013/14

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## **INTRODUCTION BY THE CHIEF FINANCE OFFICER**

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

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

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

Date: xx June 2014

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CONRAD HALL  
Chief Finance Officer

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## 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)
<b>Service Total</b>	<b>260,331</b>	<b>(402,857)</b>	<b>650,744</b>	<b>10,060</b>	<b>257,947</b>	<b>(2,384)</b>
Central Budgets	23,966	(428,374)	432,849	21,707	26,181	2,215
Transfer to general fund	0	0	0	75	75	75
<b>Total Budget Requirement</b>	<b>284,297</b>	<b>(831,231)</b>	<b>1,083,593</b>	<b>31,842</b>	<b>284,203</b>	<b>(94)</b>
Revenue Support Grant	(115,976)	(115,976)	0	0	(115,976)	0
Council Tax Income	(81,741)	(81,741)	0	0	(81,741)	0
Non Domestic Rates	(78,424)	(78,347)	0	0	(78,347)	77
Other Non Specific Grants	(6,342)	(6,325)	0	0	(6,325)	17
Collection Fund	(1,814)	(1,814)	0	0	(1,814)	0
<b>Total Funding</b>	<b>284,297</b>	<b>(284,203)</b>	<b>0</b>	<b>0</b>	<b>(284,203)</b>	<b>94</b>

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

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

The main reasons for this difference are as follows:

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

### **Capital Expenditure**

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

Capital expenditure has been financed from the following sources:

<b>Funding Source</b>	<b>2013/14 £000</b>
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)
<b>Total</b>	<b>(88,774)</b>

<b>Directorate</b>	<b>2013/14 Capital Budget £000</b>	<b>2013/14 Actual £000</b>	<b>Variance £000</b>	<b>Commitments at 31 March 2014 £000</b>
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
<b>Total</b>	<b>167,419</b>	<b>88,774</b>	<b>78,646</b>	<b>22,953</b>

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

### **Borrowing/Investments**

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

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

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

## **Reserves**

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

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

### **4. PENSION FUND DEFICIT**

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

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

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

### **5. HOUSING REVENUE ACCOUNT (HRA)**

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

### **6. COLLECTION FUND**

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

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

### **7. FURTHER INFORMATION**

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

## Core Financial Statements

### Balance Sheet

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

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





## Cash Flow Statement

The Cash Flow Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

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

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

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

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

**Current Assets****Note 2 - Debtors**

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

**Note 3 - Cash and Cash Equivalents**

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

**Note 4 - Cash Flow Statement - Operating Activities**

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

**Note 5 - Cash Flow Statement - Investing Activities**

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

**Note 6 - Cash Flow Statement - Financing Activities**

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

**Liabilities****Note 7 - Creditors**

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

**Note 8 - Long-Term Liabilities**

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

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## Note 9 - Provisions

	Outstanding Legal Cases £'000	Compensation Claims £'000	Other Provisions £'000	Total £'000
<b><u>Short Term Provisions</u></b>				
<b>Balance at 1 April 2013</b>	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)
<b>Balance at 31 March 2014</b>		<b>2,517</b>	<b>1,484</b>	<b>4,001</b>
<b><u>Long Term Provisions</u></b>				
<b>Balance at 1 April 2013</b>	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)
<b>Balance at 31 March 2014</b>	<b>195</b>	<b>1,226</b>	<b>1,612</b>	<b>3,033</b>

### 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
<b>5,838</b>	<b>Total</b>	<b>6,243</b>

**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
<b>General Fund</b>				
<b>Central</b>				
S106 and Community Infrastructure Levy	15,848	12,806	(1,934)	26,720
Property & Civic Centre	8,618	0	(2,938)	5,680
Redundancy & Restructuring	4,250	0	(525)	3,725
Transformation	4,101	2,000	(325)	5,776
Welfare Reform	3,510	0	0	3,510
Capital Financing	2,900	0	0	2,900
JFS School PFI	2,635	111	0	2,746
Revenue Contribution to Capital	2,350	580	0	2,930
Collection Fund	2,340	6,200	(2,340)	6,200
Capital Funding	2,013	944	(889)	2,068
Service Pressures	2,000	0	0	2,000
Insurance	1,200	1,300	0	2,500
Other Central	1,576	3,055	(56)	4,575
	<b>53,341</b>	<b>26,996</b>	<b>(9,007)</b>	<b>71,330</b>
<b>Corporate</b>	<b>1,723</b>	<b>640</b>	<b>(785)</b>	<b>1,578</b>
<b>Regeneration &amp; Growth</b>				
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
	<b>16,876</b>	<b>5,033</b>	<b>(4,158)</b>	<b>17,751</b>
<b>Environment &amp; Neighbourhoods</b>				
Environment & Neighbourhoods	1,389	1,547	(1,090)	1,846
Willesden Sports Centre PFI	1,884	202	0	2,086
	<b>3,273</b>	<b>1,749</b>	<b>(1,090)</b>	<b>3,932</b>
<b>Adults &amp; Children &amp; Young People</b>				
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
	<b>11,378</b>	<b>4,795</b>	<b>(238)</b>	<b>15,935</b>
<b>Total</b>	<b>86,591</b>	<b>39,213</b>	<b>(15,278)</b>	<b>110,526</b>
HRA: Housing Revenue Account	1,837	111	(123)	1,825
<b>Total</b>	<b>88,428</b>	<b>39,324</b>	<b>(15,401)</b>	<b>112,351</b>

## Note 11 - Other Operating Expenditure

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

## Note 12 - Financing and Investment Income and Expenditure

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

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

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

## Note 14 - Taxation and non-Specific Grant Incomes

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

## 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:

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

### 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](http://www.brent.gov.uk)).

### Note 19- External Audit Costs

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

## Note 20 - Contingent Liabilities

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

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

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

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

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

## Note 21 - Exceptional Items

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

## Note 22 - Grant Income

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

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

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
<b>58,504</b>	<b>Total</b>	<b>42,706</b>

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### Note 23 - Deployment of Dedicated Schools Grant

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

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

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

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

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

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

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

## Note 24 – Related Party Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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



## Financial Instruments

### Note 26 - Financial Instruments Categories

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

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

### Note 27 – Fair Values of Assets and Liabilities

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

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

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

### **Financial Liabilities**

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

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

### **Financial Assets**

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

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

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

#### **Heritable Bank**

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7th October 2008. As at 31 March 2014, the Council had recovered £9.4m of the original £10m deposit and a further repayment may arise subject to the result of court action. The impairment made by the Council is essentially the balance of the deposit outstanding.

#### **Glitnir Bank hf**

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

### **Note 28 - Leases**

#### **Authority as Lessee**

#### **Finance Leases**

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

<b>31-Mar-13</b>		<b>31-Mar-14</b>
<b>£'000</b>		<b>£'000</b>
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

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

These minimum lease payments are payable over the following periods

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

### Operating Leases

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

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

<b>2012-13</b>		<b>2013-14</b>	
<b>£'000</b>		<b>£'000</b>	
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
<b>6,023</b>	<b>Total</b>		<b>5,657</b>

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

<b>2012-13</b>		<b>2013-14</b>
<b>£'000</b>		<b>£'000</b>
0	Future Minimum Sublease Payments Receivable	115

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

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

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

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

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

#### Authority as Lessor

#### Finance Leases

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

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

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

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
	<b>1,249</b>	<b>1,249</b>	<b>1,249</b>	<b>1,249</b>

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

#### Operating Leases

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

Future minimum lease payments expected under these contracts are:

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

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

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

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

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

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

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

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

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

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

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
<b>Total</b>	<b>43,224</b>	<b>59,252</b>	<b>51,267</b>	<b>153,743</b>

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:

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

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

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

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

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

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

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

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

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

### **Note 30 – Capitalisation of Borrowing Costs**

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

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

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

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

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

The main risks covered are:

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

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

- The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.
- A limit of £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty or banking group (other than the UK government). No more than £20m in total can be invested for a period longer than one year.
- The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments

or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

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

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

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Approved List for Investments, which governs lending to banks and financial institutions, including building societies, government authorities and supranational institutions. The Council combines long-term, short-term and individual ratings to reduce the risk of default.

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

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

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

The Council expects some losses from non-performance by its Icelandic 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
	<b>427,998</b>

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

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

## Market Risks: Interest Rate Risk

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2014, all the principal borrowed was exposed to fixed rates.

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

	<b>£'000</b>
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*	<b>78,600</b>

\*No Impact on Comprehensive Income and Expenditure

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Market Risks: Foreign Exchange Risk**

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

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## Note 32 - Senior Employees' Remuneration

### Employee Benefits

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

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

**Note 32 - Senior Employees' Remuneration (Continued)**

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

- 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			Remuneration band £'s	Schools		
Staff	Officers	Total		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
<b>402</b>	<b>167</b>	<b>569</b>	<b>Total</b>	<b>346</b>	<b>175</b>	<b>521</b>

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

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

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

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

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

## Note 34 - Exit Packages

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

## Note 35 - Pension Schemes Accounted for as Defined Contribution Schemes

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

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

## Note 36 - Defined Benefit Pension Schemes Participation in Pension Schemes

The Council participates in two post employment schemes:

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

## Transactions Relating to Post-employment Benefits

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

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

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

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

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

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	Percentage of Total Assets	
£'000	£'000	£'000	%		£'000	£'000	%	
	61,696.8	61,696.8	13%	<b>Private Equity</b>		64,630.6	13%	
				All				
				<b>Real Estate</b>				
24,679.3		24,679.3	5%	UK Property	26,719.4		5%	
4,865.3		4,865.3	1%	Overseas Property	4,768.6		1%	
				<b>Investment Funds &amp; Unit Trusts</b>				
231,410.4		231,410.4	48%	Equities	254,046.5		50%	
73,504.9		73,504.9	15%	Bonds	75,676.9		15%	
	24,145.5	24,145.5	5%	Hedge Funds		26,733	5%	
30,105.8		30,105.8	6%	Commodities	40,444.1		8%	
	26,895.1	26,895.1	6%	Infrastructure		29,706.9	6%	
				<b>Cash and cash equivalents</b>				
4,906.9		4,906.9	1%	All		(11,295.4)	-2%	
<b>369,472.6</b>	<b>112,737.4</b>	<b>482,210</b>	<b>100%</b>	<b>Totals</b>	<b>401,655.5</b>	<b>109,775.1</b>	<b>511,430.6</b>	<b>100%</b>



## 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%
<b>Total Service Cost</b>		(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%
<b>Total Net Interest Cost</b>	21,980	(47,536)	(25,556)	-27.60%
<b>Total Included in Surplus or Deficit</b>	<b>21,980</b>	<b>(69,931)</b>	<b>(47,951)</b>	<b>-51.80%</b>

## 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
<b>Total</b>	<b>100%</b>	<b>18.3</b>

**Note 40 - Basis for Estimating Assets and Liabilities**

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

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

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## Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2014

2012/2013 £'000		2013/2014 £'000
	<b><u>Income</u></b>	
(47,100)	Dwelling Rents	(47,155)
(442)	Non Dwelling Rents(Gross)	(401)
(3,010)	Tenants Charges for Services and Facilities	(2,893)
(284)	Contribution Towards Expenditure	(295)
(3,076)	Leaseholders' charge for services and Facilities	(2,734)
(16,701)	Upward revaluation of assets	(67,365)
<b>(70,613)</b>	<b>Total Income</b>	<b>(120,843)</b>
	<b><u>Expenditure</u></b>	
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
<b>38,805</b>	<b>Total Expenditure</b>	<b>40,598</b>
<b>(31,808)</b>	<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	<b>(80,245)</b>
121	HRA share of Corporate and Democratic Core	40
<b>(31,687)</b>	<b>Net Cost of HRA Services</b>	<b>(80,205)</b>
	<b>HRA share of the operating income and expenditure included in the Council's income and expenditure</b>	
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	
<b>(31,941)</b>	<b>(Surplus)or Deficit for the Year on HRA Services</b>	<b>(72,074)</b>

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

HRA adjustments between accounting basis and funding basis under regulations

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

## Notes to the Housing Revenue Account

### Note 1: Housing Stock

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

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

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

### Note 2: Rent Arrears

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

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

**Note 3 – Non-current Assets**

	Council Dwellings £'000	Non- Operational £'000	Total £'000
Gross Book Value at 1 April 2013	575,172	9,523	584,695
Revaluation in 2013/14	0		0
Impairment	67,365	0	67,365
Expenditure during the Year	16,048	0	16,048
Disposals	(20,807)	(12)	(20,819)
<b>Gross Book Value at 31 March 2014</b>	<b>637,778</b>	<b>9,511</b>	<b>647,289</b>
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)
<b>Net Book Value at 31 March 2014</b>	<b>609,375</b>	<b>9,319</b>	<b>618,694</b>

**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	
<b>14,111</b>	<b>Total</b>		<b>19,829</b>	

**Note 6 – Net Interest Charged to the HRA**

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

**Note 7 - Brent Housing Partnership**

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

## Collection Fund

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

There has been a major change between the 2012/13 and 2013/14 years in relation to Non Domestic Rates (also known as Business Rates). Up to the end of the 2012/13 financial year, all income for Non Domestic Rates was paid over to central government, which redistributed the rates collected to local authorities based on a formula of assessed spending needs. From 1 April 2013, local authorities keep a proportion of the income raised (in London the local authority keeps 30%, 50% is paid over to central government, and 20% to the Greater London Authority (GLA). This is a fundamental change, which transfers some of the benefits and risks directly to local authorities, as they will benefit from a share of the increased income if their business base grows, but there is also a risk if the total income falls, either due to businesses closing, or if successful appeals are made against rateable valuations, and bills drop as a result. As of 31 March 2014 there were still nearly a thousand appeals outstanding in Brent, and although some of these will be unsuccessful, there will be a reduction in income as a result of successful appeals. An allowance has been made for this in finalising the figures for 2013/14, but the authority has no influence over decisions made by the Valuation Office.

In addition to its 30% share of income raised from Non Domestic Rates, the Council also receives a "Top-up" payment from central government, to bring it back to the income figure it would have received for 2013/14 had the previous system remained unchanged. This income is credited to the General Fund rather than the Collection Fund.

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

## Collection Fund Account for the Year ended 31 March 2014

2012/13 £'000		Notes	2013/14 £'000
	<b>Income</b>		
(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)
<b>(242,416)</b>	<b>Total Income</b>		<b>(214,661)</b>
	<b>Expenditure</b>		
	<b>Council Tax:-</b>		
	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
	<b>Non-Domestic Rates:-</b>		
102,477	- Payment to National Pool / Preceptors	3	101,173
417	- Cost of Collection Allowance		417
<b>241,076</b>	<b>Total Expenditure</b>		<b>210,801</b>
(1,340)	Surplus in year		(3,860)
(1,000)	Surplus brought forward		(2,340)
(2,340)	Surplus carry forward		(6,200)

### Notes to the Collection Fund

#### Note 1: Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was 77,191 for 2013/14. This basic amount of Council Tax for a Band D property £1,361.94 for 2013/14 is multiplied by the proportion specified for the particular band to give an individual amount due.



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

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

x 96.0% Collection Rate = 77,191

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

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

#### Note 2: National Non-Domestic Rates (NNDR)

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

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

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
<b>134,738</b>		<b>105,130</b>

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
<b>102,247</b>		<b>101,173</b>

**Note 4: Estimated Surplus and Deficit**

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

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

**Note 5: Collection Fund Debtors and Creditors**

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

**Debtors**

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

**Creditors**

**31-Mar-13**  
**£'000**

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

**31-Mar-14**  
**£'000**

(3,724)
(4,659)
(2,622)
<b>(11,005)</b>

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### GROUP ACCOUNTS

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

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

BHP is a limited company. It is limited by a guarantee with no share capital. It is fully owned by the London Borough of Brent. The London Borough of Brent has an obligation to meet BHP's pension fund liabilities. BHP's accounts may be obtained from Ian Rooney, Head of Finance, 6<sup>th</sup> Floor, Brent Civic Centre, Engineers Way, Wembley HA9 0FJ, e-mail address [ian.rooney@bhphousing.co.uk](mailto: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
<b>Balance as at 31 March 2012 carried forward</b>	<b>30,007</b>	<b>54,181</b>	<b>2,268</b>	<b>3,979</b>	<b>9,017</b>	<b>4,502</b>	<b>67,509</b>	<b>171,463</b>	<b>(22,253)</b>	<b>149,209</b>
<b>Movement in reserves during 2012/13</b>										
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)
<b>Total comprehensive income &amp; expenditure</b>	<b>30,938</b>	<b>0</b>	<b>32,221</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,159</b>	<b>(95,507)</b>	<b>(32,348)</b>
Adjustments between accounting basis & funding basis under regulations	1,576		(31,528)		180	3,838	22,685	(3,249)	3,249	0
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>32,514</b>	<b>0</b>	<b>693</b>	<b>0</b>	<b>180</b>	<b>3,838</b>	<b>22,685</b>	<b>59,910</b>	<b>(92,258)</b>	<b>(32,348)</b>
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)
<b>Balance as at 31 March 2013</b>	<b>30,111</b>	<b>86,591</b>	<b>2,586</b>	<b>1,836</b>	<b>9,197</b>	<b>10,858</b>	<b>90,194</b>	<b>231,373</b>	<b>(114,511)</b>	<b>116,862</b>
<b>Movement in reserves during 2013/14</b>										
Surplus or (deficit) on the provision of services	5,500	0	71,523	0	0	0	0	77,023	0	77,023
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	235,066	235,066
<b>Total comprehensive income &amp; expenditure</b>	<b>5,500</b>	<b>0</b>	<b>71,523</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>77,023</b>	<b>235,066</b>	<b>312,089</b>
Adjustments between accounting basis & funding basis under regulations	24,405	0	(70,334)	0	36,975	(1,639)	(3,126)	(13,719)	13,719	0
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>29,905</b>	<b>0</b>	<b>1,189</b>	<b>0</b>	<b>36,975</b>	<b>(1,639)</b>	<b>(3,126)</b>	<b>63,304</b>	<b>248,785</b>	<b>312,089</b>
Transfers to/from earmarked reserves	(24,002)	23,936	(3,416)	(12)	0	3,494	0	0	0	0
<b>Increase/decrease in 2013/14</b>	<b>5,903</b>	<b>23,936</b>	<b>(2,227)</b>	<b>(12)</b>	<b>36,975</b>	<b>1,855</b>	<b>(3,126)</b>	<b>63,304</b>	<b>248,785</b>	<b>312,089</b>
<b>Balance as at 31 March 2014</b>	<b>36,014</b>	<b>110,527</b>	<b>359</b>	<b>1,824</b>	<b>46,172</b>	<b>12,713</b>	<b>87,068</b>	<b>294,677</b>	<b>134,274</b>	<b>428,951</b>

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

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



**GROUP BALANCE SHEET AS AT 31 MARCH 2014**

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

## Group Cash Flow Statement

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

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## Notes to the Group Accounts

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

### 2013/14

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

### 2012/13

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

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

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

To be included following the conclusion of the audit

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## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

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

### The Responsibilities of the Chief Finance Officer

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

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

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

### Certificate of the Chief Finance Officer

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

Date: .....

.....  
CONRAD HALL  
Chief Finance Officer

### Certificate of the Chair of the Audit Committee

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

To update following audit

Date: .....

.....  
Chair of the Audit Committee

## Statement of Accounting Policies

### 1. Code of Practice

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

#### 1.1 Materiality

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

### 2. Comprehensive Income and Expenditure Statement

#### 2.1 Accruals of Expenditure and Income

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

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

#### 2.2 Revenue Recognition

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

#### 2.3 VAT

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

#### 2.4 Revenue Grants

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

#### 2.5 Charges to Revenue

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

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

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

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

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

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

Previously Brent collected NNDR under what was in substance an agency arrangement with the Government. From 2013/14, the income collected from NNDR is shared between the Council, Central Government and the Greater London Authority (GLA) rather than being paid over to government and redistributed (so is now acting as principal and agent.) Apart from its own share of NNDR transactions, Brent accounts only for the effects of timing differences between the collection of NNDR attributable to major precepting authorities and central government and paying it across.

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

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

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

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

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



2012/13 (restated)	Usable Reserves					Unusable Reserves				Deferred Capital Receipts Reserve	Total
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve		
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
<b>Total Adjustments</b>	<b>(2,059)</b>	<b>(180)</b>	<b>(6,356)</b>	<b>(22,685)</b>	<b>(23,767)</b>	<b>113,789</b>	<b>(5,137)</b>	<b>(419)</b>	<b>3,925</b>	<b>0</b>	<b>57,111</b>
<b>Opening Balance</b>	<b>(12,585)</b>	<b>(9,018)</b>	<b>(4,502)</b>	<b>(67,509)</b>	<b>(523,066)</b>	<b>658,501</b>	<b>28,501</b>	<b>6,341</b>	<b>(161,179)</b>	<b>(1,250)</b>	<b>(85,766)</b>
<b>Closing Balance</b>	<b>(14,644)</b>	<b>(9,198)</b>	<b>(10,858)</b>	<b>(90,194)</b>	<b>(546,833)</b>	<b>772,290</b>	<b>23,364</b>	<b>5,922</b>	<b>(157,254)</b>	<b>(1,250)</b>	<b>(28,655)</b>

2013/14

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

2013/14

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

## Explanation of Major Variances 2013/14

	(Under)/Overspending	
	£'000	£'000
<b>Adult Social Services</b>		
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)	
		<b>(40)</b>
<b>Children &amp; Young People</b>		
School Improvement Services – savings on staffing costs	(363)	
SEN Transport Services – demand for services above the budget envelope	867	
Early Years – underspend on children’s centres	(234)	
Connexions – contract costs	(141)	
Directorate & Central Support – additional grant income	(495)	
		<b>(356)</b>
<b>Environment &amp; Neighbourhoods</b>		
Parks and Cemeteries - additional income and contributions and reduced premises and transportation costs	(334)	
Sports Services - Savings from Vale Farm contract and other efficiency saving	(114)	
Directorate - savings on IT and other overheads and charges	(118)	
Transport - additional costs and reduced internal income	248	
Emergency Planning - overachievement of income from CCTV	(106)	
Business Support - savings on staffing and premises costs	(135)	
Registration & Nationality Service - overachievement of income on citizenship and nationality checking service	(235)	
Community Safety - staff vacancies and utilisation of grant monies	(119)	
Parking Control - underachievement of enforcement income	322	
Contribution to capital expenditure	500	
		<b>(91)</b>

## 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)	
		<b>(1,302)</b>

## 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)	
		<b>(595)</b>

## Central Items

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

**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:

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

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## Pension Fund Accounts

### Pension Fund Accounts for 2013/14

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

## 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

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

**c) Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 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:

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

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

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

#### **LGPS 2014**

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

- a pension scheme design based on career average;
- 1/49<sup>th</sup> 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
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality 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
<b>Private equity/infrastructure</b>	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £116m. There is a risk that this investment may be under- or overstated in the accounts.

## 6. Events after the Balance Sheet date

There have been no events since 31 March 2014, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

### By category

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

### By authority

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

## 8. Transfers in from other pension funds

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

## 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
<b>Total</b>	<b>34,172</b>	<b>35,169</b>

### By authority

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

## 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
<b>Total</b>	<b>3,283</b>	<b>3,595</b>

## 11. Administration expenses

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

## 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
<b>Total</b>	<b>3,450</b>	<b>2,392</b>

## 13. Taxes on income

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

## 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
<b>Total</b>	<b>1,438</b>	<b>2,203</b>

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
<b>Investment assets</b>		
Pooled investments	405,064	414,508
Pooled property investments	33,320	34,944
Private equity/infrastructure	99,913	116,391
<b>Total investments</b>	<b>538,297</b>	<b>565,843</b>

### a) Reconciliation of movements in investments

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

	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
	<b>484,280</b>	<b>300,544</b>	<b>-291,767</b>	<b>45,240</b>	<b>538,297</b>
Other investment balances:					
Investment income due	544				0
<b>Net investment assets</b>	<b>484,824</b>				<b>538,297</b>

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
<b>Fixed interest securities</b>		
<b>UK</b>		
Public sector quoted	0	0
Corporate quoted	0	0
<b>Overseas</b>		
Public sector quoted	0	0
	<b>0</b>	<b>0</b>
<b>Equities</b>		
<b>UK</b>		
Quoted	0	0
	<b>0</b>	<b>0</b>
<b>Pooled funds – additional analysis</b>		
<b>UK</b>		
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
<b>Overseas</b>		
Unit trusts	161,590	173,593
	<b>405,064</b>	<b>414,508</b>
Pooled property investments	33,320	34,944
Private equity/infrastructure	99,913	116,391
	<b>133,233</b>	<b>151,335</b>
	<b>538,297</b>	<b>565,843</b>

## Investments analysed by fund manager

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

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
<b>Financial assets</b>					
405,064			414,508		
33,320			34,944		
99,913			116,391		
	5,534			18,265	
	4,483			1,158	
<b>538,297</b>	<b>10,017</b>	<b>0</b>	<b>565,843</b>	<b>19,423</b>	<b>0</b>
<b>Financial Liabilities</b>					
		(431)			(483)
<b>538,297</b>	<b>10,017</b>	<b>(431)</b>	<b>565,843</b>	<b>19,423</b>	<b>(483)</b>
<b>Totals</b>			<b>Totals</b>		

## b) Net gains and losses on financial instruments

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

## c) Fair value of financial instruments and liabilities

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

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

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	Total
Values at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	449,452		116,391	565,843
Loans and receivables	20,515			20,515
<b>Total financial assets</b>	<b>469,967</b>	<b>0</b>	<b>116,391</b>	<b>586,358</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(483)			(483)
<b>Total financial liabilities</b>	<b>(483)</b>	<b>0</b>	<b>0</b>	<b>(483)</b>
<b>Net financial assets</b>	<b>469,484</b>	<b>0</b>	<b>116,391</b>	<b>585,875</b>

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

## 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:

<b>Asset type</b>	<b>Potential market movements (+/-)</b>
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):

<b>Asset type</b>	<b>Value at 31 March 2014</b>	<b>Percentage change</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>	18,265	0.0	18,265	18,265
<b>Investment portfolio assets:</b>				
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
<b>Total</b>	<b>584,108</b>		<b>630,806</b>	<b>537,410</b>

<b>Asset type</b>	<b>Value at 31 March 2013</b>	<b>Percentage change</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>	5,534	0.0	5,534	5,534
<b>Investment portfolio assets:</b>				
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
<b>Total</b>	<b>543,831</b>		<b>587,533</b>	<b>500,129</b>

## Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

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

## 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
<b>Total change in assets available</b>	<b>102,323</b>	<b>1,023</b>	<b>-1,023</b>
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
<b>Total change in assets available</b>	<b>88,432</b>	<b>884</b>	<b>-884</b>



## Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2014 and as at the previous period end:

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

## Currency risk – sensitivity analysis

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

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

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

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

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

**b) Credit risk**

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

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

The Pension Fund's cash balance is held in an interest bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria. 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
<b>Bank deposit accounts</b>			
NatWest	A-	5,534	18,265
<b>Total</b>		<b>5,534</b>	<b>18,265</b>

### c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its pensioner payroll costs and investment commitments.

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 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:

<b>Year</b>	<b>Employers' contribution rate</b>
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:

<b>Mortality assumption at age 65</b>	<b>Male</b>	<b>Female</b>
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
<b>Total</b>	<b>8,660</b>	<b>19,357</b>

### 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
<b>Total</b>	<b>3,126</b>	<b>1,092</b>

## 21. Non current assets

	31 March 2013 £'000	31 March 2014 £'000
Non current assets	1,357	158
<b>Total</b>	<b>1,357</b>	<b>158</b>

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
<b>Total</b>	<b>431</b>	<b>483</b>

### Analysis of creditors

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

## 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
<b>Total</b>	<b>1,362</b>	<b>1,314</b>

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

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



## **24. Related party transactions**

### **Brent Council**

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

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

### **Governance**

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

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

### **Key management personnel**

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

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

## **25. Contingent liabilities**

The Fund had no contingent liabilities at 31 March 2014.

## 26. Contractual commitments

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

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

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

## 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
<b>Total</b>	<b>500</b>	<b>709</b>

## 28. Impairment losses

The Fund had no impairment losses at 31 March 2014.

## Glossary

### **ACCRUALS**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL RECEIPTS**

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

### **COMMUNITY ASSETS**

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

### **CONSISTENCY**

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

### **CORPORATE AND DEMOCRATIC CORE**

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

### **CORPORATE MANAGEMENT**

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

### **CREDITORS**

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

### **DEBTORS**

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

## **GLOSSARY (Continued)**

### **DEMOCRATIC REPRESENTATION AND MANAGEMENT**

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

### **FINANCE LEASE**

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

### **FIXED ASSETS**

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

### **GOING CONCERN**

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

### **GOVERNMENT GRANTS - SPECIFIC**

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

### **INFRASTRUCTURE ASSETS**

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

### **LONG TERM INVESTMENTS**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments which do not meet the above criteria should be classified as current assets.

### **LEVIES**

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

## **GLOSSARY (Continued)**

### **LONG-TERM CONTRACTS**

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

### **MINIMUM REVENUE PROVISION**

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

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

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

### **OPERATING LEASES**

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

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

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

### **PRECEPTS**

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

### **PRIOR YEAR ADJUSTMENTS**

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

### **PRUDENCE**

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

### **REVENUE SUPPORT GRANT**

A general grant paid to local councils from national taxation.

## ABBREVIATIONS

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