

Brent



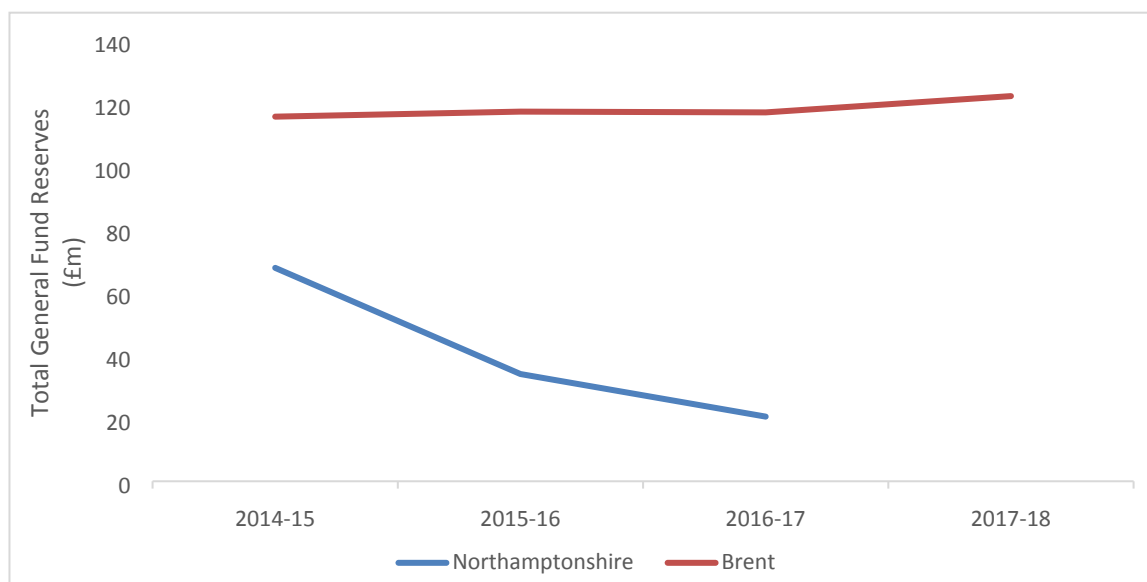
STATEMENT OF ACCOUNTS 2017/18

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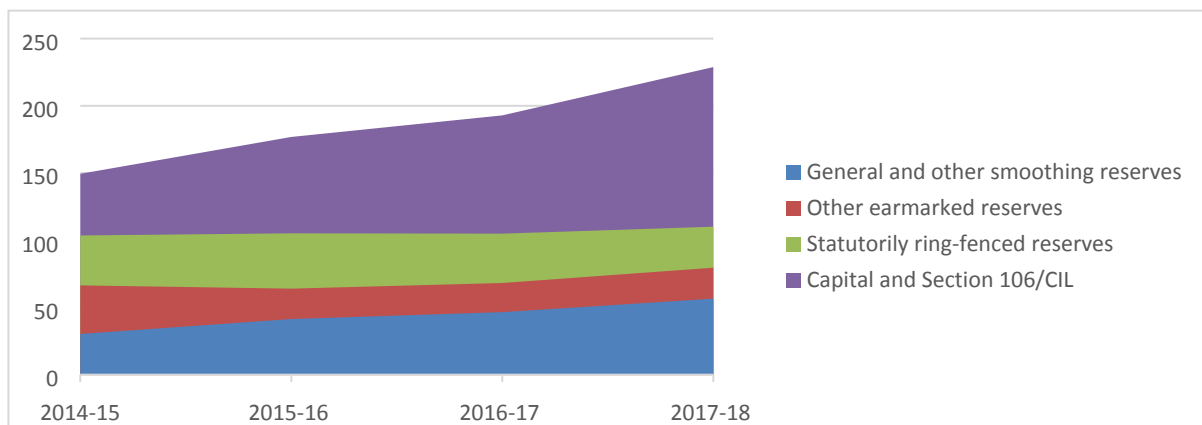
Narrative Statement

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



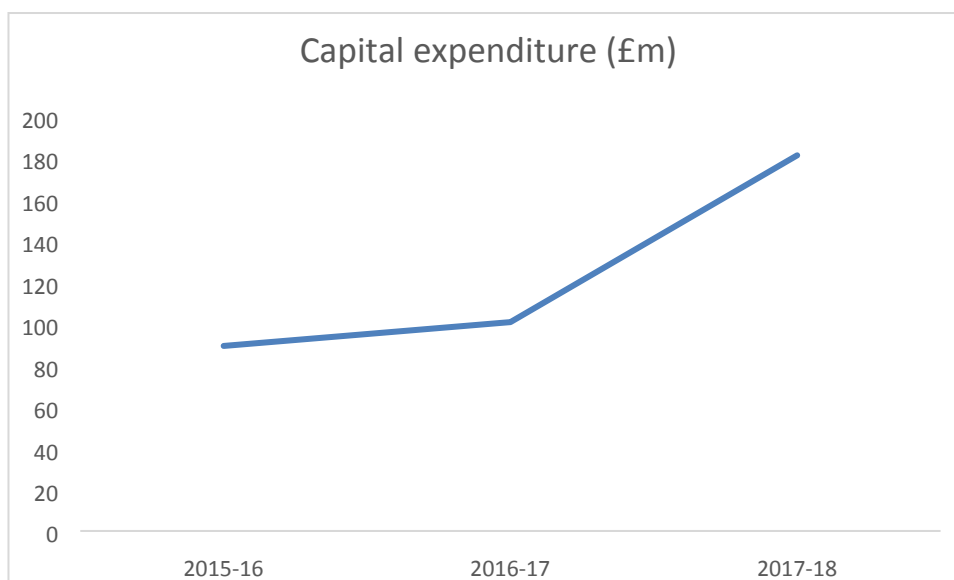
As will be explained below, the stable position for Brent is a result of both deliberate strategy to plan for the future to address the known challenges of local government finance, and of strong financial management so that potential overspends are addressed promptly.

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



Capital Outturn

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



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

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

Regeneration	8.1	7.8	0.3
Corporate Landlord	3.0	3.2	(0.2)
Total	209.8	181.3	28.5

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

Revenue Outturn

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Balance Sheet

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

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

The two major stories on the balance sheet are that:

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

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

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

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

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

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

Pension Fund

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

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

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

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

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

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

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

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

Core Statements

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

The Balance Sheet – This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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

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

Balance Sheet

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

The Movement in Reserves Statement

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

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

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

Comprehensive Income and Expenditure Statement

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

Expenditure and Funding Analysis

2016/17			
Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargable to the General Fund and HRA Balances	
£m	£m	£m	
159.3	(30.3)	129.0	Community Wellbeing (GF)
14.3	(4.0)	10.3	Performance Policy & Partnerships
33.2	(4.8)	28.4	Regeneration & Environment
2.2	1.9	4.1	Resources Department
47.9	(4.8)	43.1	Children & Young People (GF)
4.3	(7.4)	(3.1)	Children & Young People (DSG)
6.6	(34.8)	(28.2)	Community Wellbeing (HRA)
267.8	(84.2)	183.6	Net Cost of Services
(247.2)	65.0	(182.2)	Other Income and Expenditure
20.6	(19.2)	1.4	(Surplus) or Deficit
		(18.5)	Opening General Fund and HRA Balance
		1.4	Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year
		(17.1)	Closing General Fund and HRA Balance at 31 March 2017

2017/18			
Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargable to the General Fund and HRA Balances	
£m	£m	£m	
142.3	0.7	143.0	
8.9	0.8	9.7	
44.9	(4.4)	40.5	
(16.7)	(0.7)	(17.4)	
43.8	(3.1)	40.7	
1.2	(0.3)	0.9	
6.6	(34.2)	(27.6)	
231.0	(41.2)	189.8	
(280.0)	91.3	(188.7)	
(49.0)	50.1	1.1	
		(17.1)	
		1.1	
		(16.0)	

Expenditure and Funding Analysis continued

Housing Revenue Account and General Fund split:

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

Housing Revenue Account
General Fund
(Surplus) or Deficit

Cash Flow Statement

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

Notes and Disclosures to the Core Statements

Physical and Intangible Assets

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

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

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

Depreciation and Impairments

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

Current Assets

Note 2 – Debtors

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

Note 3 – Cash and Cash Equivalents

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

Cash Flow Notes

Note 4 – Cash Flow Statement - Operating Activities

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

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

Note 5 – Cash Flow Statement - Investing Activities

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

Note 6 – Cash Flow Statement - Financing Activities

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

Liabilities

Note 7 – Creditors

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

Note 8 – Long-Term Liabilities

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

Note 9 – Provisions

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

Earmarked Reserves

Note 10 – Transfers to/from Earmarked Reserves

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

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

General and other smoothing reserves

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

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

Comprehensive Income and Expenditure Notes

Note 11 – Other Operating Expenditure

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

Note 12 – Financing and Investment Income and Expenditure

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

Note 13 – Taxation and non-Specific Grant Incomes

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

Additional Disclosures

Note 14 – Acquired and Discontinued Operations

The council has no transactions to disclose.

Note 15 – Pooled Budgets

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

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

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

Note 16 – Members' Allowances

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

Note 17 – External Audit Costs

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

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

Note 18 – Contingent Liabilities

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

Note 19 – Grant Income

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

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

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

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

Note 20 – Deployment of Dedicated Schools Grant

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

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

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

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

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

Note 21 – Related Party Transactions

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

Councilors and Chief Officers complete related party transaction forms each year.

A number of voluntary organisations which received grants from the London Borough of Brent in 2017/18 have Brent Members as Directors, Trustees or employees.

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

Note 22 – Capital Expenditure and Capital Financing

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

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

Financial Instruments

Note 23 – Financial Instruments Categories

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

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

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

Note 24 – Fair Values of Assets and Liabilities

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

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

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

Financial Liabilities

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

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

Financial Assets

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

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

Impairment of Deposits with Icelandic Banks**Heritable Bank**

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

Note 25 – Leases**Authority as Lessee****Finance Leases**

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

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

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

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

These minimum lease payments are payable over the following periods

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

Operating Leases

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

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

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

The following future sublease payments are receivable:

£m		£m
0.9	Future Minimum Sublease Payments Receivable	0

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

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

Authority as Lessor

Finance Leases

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

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

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

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

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

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

Operating Leases

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

Future minimum lease payments expected under these contracts are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Council considers its main risks to be: -

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

Credit Risk: Investments

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

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

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

(Excludes interest and impairment)

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

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

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

institutions
Trade debtors

133.1		63.2
135.1		64.2

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

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

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

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

Liquidity risk

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

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

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

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

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

Market Risks: Interest Rate Risk

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

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

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

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

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

*No Impact on Comprehensive Income and Expenditure

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

Employee Benefits

Note 28 - Senior Employees' Remuneration

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

2016/17

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

2017/18

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

Senior Employees' Remuneration Continued

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

Note 29 – Officers' Remuneration

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

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

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

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

Note 30 – Exit Packages

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

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

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

Pension Notes

Note 31 - Pension Schemes Accounted for as Defined Contribution Schemes

In 2017/18, the Council paid £8.3m to Teachers' Pensions (£8.2m 2016/17) in respect of teachers' retirement benefits, representing 16.48% (16.48% 2016/17) of pensionable pay. The Authority is responsible for the cost of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

Note 32 – Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Transactions Relating to Post-employment Benefits

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

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

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

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

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

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

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

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

Note 34 – Sensitivity Analysis

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

Note 35 – Explanation of Change in Net Pension Liability

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

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

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

Note 36 – Basis for Estimating Assets and Liabilities

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

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

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

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

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

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

Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2018

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

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

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

HRA adjustments between accounting basis and funding basis under

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

Notes to the Housing Revenue Account

Note 1 – Housing Stock

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

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

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

Note 2 – Rent Arrears

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

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

Note 3 – Non-current Assets

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

HRA dwellings are valued at Existing Use Value – Social Housing in the balance sheet. The Council calculates any arising revaluation loss or gain on the properties held within the HRA through the application of a regional annual housing indexation factor. The HRA Non Operational Assets have been revalued by the Council's Internal Valuers.

The vacant possession value of dwellings within the HRA at 31 March 2018 was £2.628billion. The difference between vacant possession value of the HRA dwellings and balance sheet value within the HRA shows the economic cost to the government of providing Council housing at less than open market value.

Note 4 – HRA Capital Receipts

2016/17		2017/18	
£m		£m	
10.3	Dwellings	11.4	
10.3	Total	11.4	

Note 5 – Net Interest Charged to the HRA

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

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

Note 6 – Brent Housing Partnership

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

Collection Fund

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

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

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

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

Collection Fund Account for the Year ended 31 March 2018

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

Notes to the Collection Fund

Note 1 – Council Tax

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

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

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

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

Group Accounts

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

The group accounts consolidate the accounts of the Barham Park Trust, I4B and LGA Digital Services. Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. I4B Holdings Limited is a company wholly owned by Brent Council to deliver the housing options defined in the Temporary Accommodation reform plan. LGA Digital Service Limited is a company that is 50% owned by the council and 50% owned by the Local Government Association

The accounts of Barham Park Trust, I4B and LGA Digital Services have been consolidated as subsidiaries using the acquisition basis of combination.

The following group financial statements have been prepared:

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

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

Group Consolidated Income & Expenditure Statement

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

Group Cashflow Statement

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

Group Balance Sheet

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

Group Movement In Reserves

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

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.

2017/18	Brent £m	First- wave £m	Barham Park £m	I4B £m	LGA £m	Adjust- ment £m	Group £m
Resources	37.1	0.0	0.0	1.5	0.0	0.0	38.6
Financing and investment income	43.6	1.9	0.0	1.0	0.0	0.0	46.5
Local Authority housing (HRA)	(5.3)	(3.0)	0.0	0.0	0.0	0.0	(8.3)
Taxation	(322.0)	0.1	0.0	0.0	0.0	0.0	(321.9)
Property plant and equipment	1,636.2	60.4	0.9	45.3	0.0	0.0	1,742.8
Investment properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term debtors	93.1	0.0	0.0	0.0	0.0	(83.0)	10.1
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debtors	108.7	1.4	0.5	0.1	0.2	(1.5)	109.4
Cash and cash equivalents in hand	47.7	3.0	0.0	0.1	0.1	0.0	50.9
Short term creditors	(120.2)	(1.6)	0.0	(1.7)	(0.3)	1.5	(122.3)
Long term creditors	(28.9)	(37.7)	0.0	(45.3)	0.0	83.0	(28.9)
Provisions	(19.9)	(0.7)	0.0	0.0	0.0	0.0	(20.6)
Other long term liabilities	(860.2)	(2.6)	0.0	0.0	0.0	0.0	(862.8)
Usable reserves	(382.5)	(9.6)	(1.4)	1.5	0.0	0.0	(392.0)
Unusable reserves	(149.1)	(12.6)	0.0	0.0	0.0	0.0	(161.7)
Cash flow from investing activities	(140.6)	0.0	0.0	0.0	0.0	0.0	(140.6)

2016/17	Brent £m	Barham Park £m	I4B £m	LGA £m	Adjustment £m	Group £m
Financing and investment income	42.5	0.0	0.0	0.0	0.0	42.5
Local Authority housing (HRA)	(3.6)	0.0	0.0	0.0	0.0	(3.6)
Property plant and equipment	1,558.1	0.0	0.0	0.0	0.0	1,558.1
Investment properties	12.3	0.0	0.0	0.0	0.0	12.3
Long term debtors	58.7	0.0	0.0	0.0	(38.5)	20.2
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Short term debtors	95.0	0.4	0.0	0.0	(14.4)	81.0
Cash and cash equivalents in hand	28.1	0.0	0.0	0.5	0.0	28.6
Short term creditors	(118.1)	0.0	0.0	(0.5)	14.4	(104.2)
Long term creditors	(67.2)	0.0	0.0	0.0	38.5	(28.7)
Usable reserves	(341.6)	(0.5)	0.0	0.0	0.0	(342.1)
Unusable reserves	(86.7)	0.0	0.0	0.0	0.0	(86.7)
Cash flow from investing activities	(54.8)	0.0	0.0	0.0	0.0	(54.8)

Chair of the Audit Committee

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

The Responsibilities of the Chief Finance Officer

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

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

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

Certificate of the Chief Finance Officer

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

Conrad Hall
Chief Finance Officer

xx/ xx/ xxxx

Councillor Aslam Choudry

xx/ xx/ xxxx

Statement of Accounting Policies

1. Code of Practice

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

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

1.1 Materiality

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

1.2 Rounding

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

2. Comprehensive Income and Expenditure Statement

2.1 Accruals of Expenditure and Income

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

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

2.2 Revenue Recognition

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

2.3 VAT

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

2.4 Revenue Grants

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

2.5 Charges to Revenue

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

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

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

2.6 Council Tax and National Non Domestic Rates (NNDR)

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

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

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

2.7 Foreign Currency Transactions

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

2.9 Accounting for the costs of the carbon reduction commitment scheme

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

2.10 Jointly Controlled Operations

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

3. Balance sheet – Long Term Assets

3.1 Plant, Property and Equipment

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

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

Individual categories of assets are valued on the following basis:

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

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

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

3.1.1 Depreciation and Amortisation

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

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

Depreciation is calculated on all building assets using the straight line method as set out below. Land Assets are not depreciated.

Buildings (including HRA)	5 – 60 years as determined by the valuer
Infrastructure	10 – 40 years
Plant, Vehicles, Equipment and Machinery	Up to 10 years

Housing Revenue Account dwellings are depreciated by an estimate of the consumption of economic benefits. Where buildings assets are revalued, the accumulated depreciation at the beginning of the year is written down to the revaluation reserve.

3.1.2 Component Accounting

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

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

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

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

3.2 Investment Properties

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

3.3 Heritage Assets

Heritage Assets are defined as:

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

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

3.4 Intangible Assets

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

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

3.5 Impairment

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

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

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

4. Balance sheet – Current Assets

4.1 Inventories and Long Term Contracts

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

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

4.2 Cash and Cash Equivalents

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

4.3 Work in Progress (Construction contracts)

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

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

5. Balance sheet - Liabilities

5.1 Provisions, Contingent Liabilities, and Contingent Assets

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

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

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

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

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

5.2 Employee benefits

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

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

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

5.3 Reserves

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

6 Balance Sheet - Financial Instruments

6.1 Financial Assets

Financial assets are classified into three types:

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

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

6.1.1 Loans and Receivables

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

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

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

6.1.2 Fair value through income and expenditure

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

6.2 Premature Redemption of Debt

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

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

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

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

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

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

6.3 Financial Liabilities

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

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

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

7 Capital Financing

7.1 Capital Expenditure

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

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

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

7.2 Capital Government Grants and Contributions

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

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

7.3 Leasing

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

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

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

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

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

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

7.3.1 Service Concessions and the Private Finance Initiative (PFI)

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

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

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

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

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

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

7.4 Minimum Revenue Provision

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

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

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

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

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

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

These policies do not apply to HRA assets.

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

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

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

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

7.5 Income from the Sale of Fixed Assets

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

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

- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012 (SI 2012/711); and
- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012 (SI 2013/1424)

As a result of these amendments, local authorities are able to retain the receipts generated by Right to Buy sales for replacement housing provided they can sign up to an agreement with Government that they will limit the use of the net Right to Buy receipts to 30% of the cost of the replacement homes within a 3 year period from the point of receipt. The London Borough of Brent has elected to enter into agreement with the Government to retain the net receipts from Right-to-Buy sales.

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

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

7.6 Borrowing Costs

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

8 Group Accounts

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

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

Additional Supporting Information and reconciliation disclosures

1. Key Judgements and Material Estimates.

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

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

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

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

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

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

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

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

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

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

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

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

4. Descriptions of Earmarked Reserves

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

Additional Reconciliations

Nature of Income and Expenditure - Comprehensive Income and Expenditure Analysis

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

Movements In Reserves Detail

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

	USABLE RESERVES						UNUSABLE RESERVES								Total £m
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMEN TS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULA TING COMPENSA TED ABSENCES RESERVE		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
Reversal of Major Repairs Allowance credited to the HRA	0.0	19.9	0.0	0.0	0.0	(19.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	19.9	(19.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.6	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	0.0	0.0	0.0	(0.0)	
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 47)	(55.5)	(20.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	75.8	0.0	0.0	0.0	
Employer's pensions contributions and direct payments to pensioners payable in the year	34.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(35.1)	0.0	0.0	(0.1)	
Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	0.0	

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

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

Brent Pension Fund Account

Pension Fund Accounts as at 31 March 2018

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

Net Assets Statement

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

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

Notes to the Brent Pension Fund accounts

1. Description of Fund

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

The following description of the Fund is a summary only.

a) General

The Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.

b) Membership

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

Organisations participating in the Brent Pension Fund include:

Scheduled bodies whose staff are automatically entitled to be members of the Fund

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

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

Scheduled bodies

London Borough of Brent
Alperton High School
ARK Academy
ARK Franklin Academy
ARK Elvin Academy
Capital City Academy
Claremont High School
Convent of Jesus & Mary Language College
Crest Academy
Furness Primary School
Gladstone Park School
Islamia Primary School
Kingsbury High School
Manor School
Michaela Community School
North West London Jewish day School
Oakington Manor School
Preston Manor High School
Queens Park Community School
St Andrews and St Francis School

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

Admitted bodies

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

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

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2017/18, the most commonly applied employer contribution rate within the Brent Pension Fund was 32.5% of pensionable pay.

d) Benefits

Since April 2014, the scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate 1/49th. Accrued pension is updated annually in line with the Consumer Price index.

For a summary of the Scheme before April 2014 and details of a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits please refer to the LGPS website: www.lgpsmember.org

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

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

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

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

b) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Administration expenses

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

g) Investment management expenses

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

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

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

Net Assets Statement

h) Financial assets

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

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

i) Market-quoted investments

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

ii) Fixed interest securities

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

iii) Unquoted investments

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

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

iv) Limited partnerships

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

by those controlling the partnership.

v) **Pooled investment vehicles**

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

i) Foreign currency transactions

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

j) Derivatives

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

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

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

n) Additional voluntary contributions

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

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

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

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

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

Pension fund liability

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately

	rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	£158m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £17m, and a one-year increase in assumed life expectancy would increase the liability by approximately £67m.
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Item	Uncertainties	Effect if actual results differ from assumptions
Private equity/infrastructure	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £98m. There is a risk that this investment may be under- or overstated in the accounts.

6. Events after the Balance Sheet date

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

7. Contributions receivable

By category

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

By authority

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

8. Transfers in from other pension funds

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

9. Benefits payable

By category

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

By authority

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

10. Payments to and on account of leavers

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

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

11. Management Expenses

	2016/17	2017/18
	£m	£m
Administration costs	0.7	0.7
Investment management expenses	3.0	3.5
Oversight and Governance costs	0.1	0.1
Total	3.8	4.3

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £21k (21k 2016/17)

a) Investment management expenses

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

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

12. Investment income

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

13. Taxes on income

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

14. Investments

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

a) Investments 17/18

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

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

b) Analysis of investments by category

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

c) Investments analysed by fund manager

Market value

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

All the above companies are registered in the United Kingdom.

d) Stock lending

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

15. Valuation of financial instruments carried at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2018	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss		635.0	98.3	733.3
Loans and receivables	97.0			97.0
Total financial assets	97.0	635.0	98.3	830.3
Financial liabilities				
Financial liabilities at amortised cost	(31.6)			(31.6)
Total financial liabilities	(31.6)	0	0	(31.6)
Net financial assets	65.4	635.0	98.3	798.7

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

16. Classification of financial instruments

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

31 March 2017			31 March 2018		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
Financial assets					
620.3			632.9		
3.6			2.1		
130.3			98.3		
	47.5			97.0	
	0.9			0.0	
754.2	48.4	0.0	733.3	97.0	0.0
Financial Liabilities					
		(1.5)			(31.6)
754.2	48.4	(1.5)	733.3	97.0	(31.6)

a) Net gains and losses on financial instruments

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

b) Fair value of financial instruments and liabilities

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

31 March 2017			31 March 2018	
Carrying value	Fair value		Carrying value	Fair value
£m	£m		£m	£m
		Financial assets		
754.2	754.2	Fair value through profit & loss	733.3	733.3
48.4	48.4	Loans and receivables	97.0	97.0
802.6	802.6	Total financial assets	830.3	830.3
		Financial liabilities		
(1.5)	(1.5)	Financial liabilities at amortised cost	(31.6)	(31.6)
(1.5)	(1.5)	Total financial liabilities	(31.6)	(31.6)

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

17. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

and in market conditions.

a) Market risk

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

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

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

Other price risk

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

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

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

Interest rate risk

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

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

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

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

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

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

Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2018 and as at the previous period end:

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

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

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

	Asset value as at 31	Change to net assets available to	
	March 2017	pay benefits	
	£m	+1% £m	-1% £m
Overseas unit trusts	267.6	2.7	(2.7)
Overseas pooled property investments	3.6	0.0	(0.0)
Overseas private equity/infrastructure	130.3	1.3	(1.3)
Total change in assets available	401.5	4.0	(4.0)

b) Credit risk

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

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

The Pension Fund's cash balance is held in an interest bearing instant access deposit account

with NatWest plc, which is rated independently and meets Brent Council's credit criteria.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2018 was £97.0m (31 March 2017: £47.5m). This was held with the following institutions:

	Rating	Balances as at 31 March 2017 £m	Balances as at 31 March 2018 £m
Bank deposit accounts			
NatWest	BBB+	4.4	1.5
Northern Trust		5.4	6.6
Money Market deposits	A+	37.7	48.9
Other short-term lending			
Local authorities		0	40.0
Total		47.5	97.0

c) Liquidity risk

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

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 2018 the value of illiquid assets was £100.4m, which represented 12% (31 March 2017: £133.9m, which represented 18%) of the total fund assets.

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2018 are due within one year.

d) Refinancing risk

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

18. Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

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

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

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

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

Mortality assumptions

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

Mortality assumption at age 65

Current pensioners

Male

22.3 years

Female

24.5 years

Commutation assumption

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

19. Actuarial present value of promised retirement benefits

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

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

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

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

Financial assumptions

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

Longevity assumption

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

	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners*	24.1 years	26.4 years

* Future pensioners are assumed to be currently aged 45

Commutation assumption

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

Sensitivity Analysis

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

20. Assets

a) Current assets

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

Analysis of debtors

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

b) Non-current assets

	31 March 2017 £m	31 March 2018 £m
Non- current assets	0.0	0.0
Total	0.0	0.0

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

21. Current liabilities

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

Analysis of creditors

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

22. Additional voluntary contributions

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

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

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

23. Related party transactions

Brent Council

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

The Council incurred costs of £0.680m (2016/17: £0.673m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £30.7m to the Fund in 2017/18 (2016/17: £29.4m). All monies owing to and due from the Fund were paid in year.

Governance

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

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

meeting.

Key management personnel

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

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

24. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2018.

25. Contingent Assets

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

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

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

Other Contingent assets

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

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

Total

412

399

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

26. Impairment Losses

The Fund had no contingent liabilities at 31 March 2018.

Glossary

ACCRUALS

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CORPORATE AND DEMOCRATIC CORE

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

COLLECTION FUND ADJUSTMENT ACCOUNT

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

CREDITORS

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

DEBTORS

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

GLOSSARY (Continued)

FINANCE LEASE

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

FIXED ASSETS

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

GOING CONCERN

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

GOVERNMENT GRANTS - SPECIFIC

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

INFRASTRUCTURE ASSETS

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

LONG TERM INVESTMENTS

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

LEVIES

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

LONG-TERM CONTRACTS

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

GLOSSARY (Continued)

MINIMUM REVENUE PROVISION (MRP)

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

NATIONAL NON DOMESTIC RATE (NNDR)

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

OPERATING LEASES

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

OPERATIONAL ASSETS/NON OPERATIONAL ASSETS

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

PRECEPTS

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

PRIOR YEAR ADJUSTMENTS

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

PRUDENCE

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

REVALUATION RESERVE

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

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation.

ABBREVIATIONS

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