



General Purposes Committee

Tuesday, 29 June 2010 at 7.00 pm

Committee Room 3, Brent Town Hall, Forty Lane,
Wembley, HA9 9HD

Membership:

Members

Councillors:

John (Chair)
Butt (Vice-Chair)
Beswick
Brown
Lorber
Matthews
J Moher
HB Patel
Thomas
Long

first alternates

Councillors:

McLennan
Jones
Arnold
Beck
Leaman
Sneddon
Chohan
Colwill
Van Kalwala
Adeyeye

Second alternates

Councillors:

Mistry
Kabir
Mrs Bacchus
Sneddon
Castle
Allie
S Choudhary
BM Patel
Aden
Al-Ebadi

For further information contact: Peter Goss, Democratic Services Manager
020 8937 1353, peter.goss@brent.gov.uk

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www.brent.gov.uk/committees

The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members


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It is a requirement under the Accounts and Audit Regulations for the Council's Annual Statement of Accounts to be approved by Committee. The accounts are in the process of being finalised and will be circulated before the Committee meeting. This report also presents the legal and accounting requirements for the Accounts.

Wards Affected: All Wards; **Contact Officer:** Duncan McLeod,
Director of Finance and Corporate Resources
Tel: 020 8937 1424
duncan.mcleod@brent.gov.uk



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.
 - Toilets are available on the second floor.
 - Catering facilities can be found on the first floor near The Paul Daisley Hall.
 - A public telephone is located in the foyer on the ground floor, opposite the Porters' Lodge

	<p style="text-align: center;">General Purposes Committee 29 June 2010</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
<p>For Information</p>	
<p>Supplementary Report - 2009/10 Statement Of Accounts</p>	

Forward Plan ref:

***Reason for urgency**

Under the Accounts and Audit Regulations, the General Purposes Committee is required to consider and approve the Statement of Accounts by 30 June. The Statement of Accounts has only recently been completed and it was not possible to send this supplementary report out with the original Committee papers.

1. SUMMARY

- 1.1 Members have received a report on the 2009/10 accounts which sets out the legal and accounting requirements in relation to their approval and publication, including the requirement that they are approved by General Purposes Committee by 30 June 2010.
- 1.2 The accounts have been finalised and a draft is attached to this supplementary report which highlights some key issues for the Committee's attention.

2. RECOMMENDATIONS

- 2.1 Members are referred to the recommendations in the main report, sent out with the agenda.

3. STATEMENT OF ACCOUNTS

- 3.1 Prior to the beginning of the financial year, members set revenue and capital budgets, council tax, housing rents, borrowing and so on. This is a very public and open process for which members are fully accountable. However there is less focus on, and public accountability for, how these funds have actually been spent by the year end. This is partly because of ever increasing and

complex accounting requirements which mean the accounts themselves are difficult to understand by anybody but finance specialists.

- 3.2 As a consequence, the government and the Audit Commission have sought to make councils more accountable for what they have spent during the preceding year by imposing stringent accounts approval requirements including the requirement for Committee approval of the accounts, for the Chair of the Committee to sign the accounts once approved, and for a further report should there be material changes to accounts that occur during the audit process.
- 3.3 A number of measures have been taken in Brent to support this drive for increased accountability, including:
- Production of this explanatory report which is intended to help members understand the main elements of the accounts;
 - Reporting to the Executive and Performance and Finance Select Committee on the overall outturn for 2009/10, combining financial data with activity and performance data for the year;
 - Publication of a plain English summary of the accounts as part of the council's Annual Review. This will be circulated with The Brent Magazine in the autumn.
- 3.4 The Chartered Institute of Public Finance and Accountancy has carried out a review of how requirements can be changed to make the accounts simpler and more meaningful to councillors, the public and other stakeholders. The outcome of this review has led to a slight reduction in notes to the accounts for 2009/10. However this has been more than offset by new requirements including enhanced remuneration reporting and the implementation of new requirements under International Financial Reporting Standards (IFRS).
- 3.5 Councils have also been required in recent years to achieve closing of accounts much earlier than previously. Members should note that there is a trade-off between the speed of closing accounts and the amount of checking that can be done. The council has quality control procedures that work well but the earlier closure of accounts means there is a greater risk that amendments may be needed to the accounts during audit. Members therefore need to be aware that the level of balances, and other items in the accounts, may be subject to change during the audit process. Although General Fund balances shown in the accounts at the end of 2009/10 are £8.963m, there is a risk that this amount could be reduced during audit. Should there be any material changes to the accounts during the audit, we will report them for approval to a future meeting of General Purposes Committee. Any changes to the balances position will also be reported to the Executive as part of the performance and finance review process.
- 3.6 The annual accounts of the council set out:
- An Explanatory Foreword providing summary and contextual information;
 - A Statement of Responsibilities for the Statement of Accounts;

- An Annual Governance Statement which sets out the overall governance arrangements for the authority, including the system of internal control;
- A Statement of Accounting Policies used in putting together the accounts;
- A series of core financial statements which show:
 - o How the council spent monies raised from council tax payers provided by government and other agencies – the Income and Expenditure Account and the Statement of Movement on the General Fund Balance;
 - o The council's Consolidated Balance Sheet – its overall assets, including housing, land and other property, investments, and debts owed to the council; and its major liabilities, including amounts borrowed and pension fund liabilities. The Consolidated Balance Sheet is closely related to the Statement of Recognised Gains and Losses, which precedes it in the accounts, and shows the change to the net worth of the council;
 - o Cash flowing into and out of the council during 2009/10 – the Cash Flow Statement.
- Related to these core statements are over fifty detailed notes which seek to provide further information on the key components of the statements;
- How rents, housing subsidy, and other income were used to fund spending on housing properties owned by the council – the Housing Revenue Account;
- The Collection Fund account which shows the way in which council tax is used to fund the council's spending, and spending by the Greater London Authority;
- The Group Accounts which consolidate the council's accounts with all subsidiaries, associated companies and joint ventures that the council has a material interest in.

4. EXPLANATORY FOREWORD (pages 2 to 9)

- 4.1 The explanatory foreword summarises the outturn on the revenue account, capital programme and Housing Revenue Account. It includes an explanation of variations from budget.

5. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS (page 15)

- 5.1 This sets out the responsibilities of:
- The council to make arrangements for proper administration of its financial affairs, including appointing an officer to carry out these duties, to secure economic, efficient and effective use of resources, and to approve the Statement of Accounts;
 - The Director of Finance and Corporate Resources to prepare the accounts in accordance with accounting codes of practice, to present

fairly the financial position of the council, to keep proper up to date accounting records, and to take reasonable steps to prevent fraud and corruption;

- The General Purposes Committee to approve the accounts on behalf of the council.

5.2 The statement on the Director of Finance and Corporate Resources responsibilities has been signed. The statement of Committee approval will be signed by the Chair of General Purposes Committee, subject to approval of the accounts by the committee.

6. ANNUAL GOVERNANCE STATEMENT (pages 17 to 41)

6.1 The Annual Governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and the way in which it accounts to, leads and engages with the community. The system of internal control remains an important aspect of the overall annual governance framework. The statement was subject to consideration at the Audit Committee on 15 June after which it was signed by the Leader of the Council and Chief Executive.

6.2 The statement sets out the governance framework and the processes in place to review and maintain its effectiveness. Significant governance issues identified are as follows:

- The Council's major transformation agenda will require elements of change to existing governance arrangements and will involve significant levels of resource and co-operation across the Council;
- The continued review of governance arrangements of partnerships, given their importance in delivering LAA priorities;
- Building on the strengthened risk management framework to ensure it is embedded across the Council;
- Seeking recovery of deposits with Icelandic banks through working with other local authorities, the Local Government Association and the Chartered Institute of Public Finance and Accountancy (CIPFA);
- Identifying and managing the impacts of budget pressures within Environment & Culture, Children & Families and Adult Social Care;
- Reviewing governance arrangements following the outcome of the current investigation into Copland School;
- Delivery of the action plan to address the outstanding issues relating to the Interact Payroll and HR system;
- Establishing a formal process for the review of declarations of interest as part of the updated conflicts of interest policy

7. STATEMENT OF ACCOUNTING POLICIES (pages 42 to 50)

- 7.1 This sets out the accounting policies used in putting together the accounts. These are in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

8. THE INCOME AND EXPENDITURE ACCOUNT (pages 51 to 54)

- 8.1 The Income and Expenditure Account was introduced in 2006/07. It replaced what was previously known as the Consolidated Revenue Account. It covers all income and expenditure on the council's General Fund, including schools' spending and the net impact of the Housing Revenue Account. Details of the Housing Revenue Account are provided in a supplementary financial statement (see below).
- 8.2 The purpose of the account is to show the council's spending on services, how this was funded, and the year end balances.
- 8.3 The new presentation brought councils' accounting practice into line with the UK GAAP (Generally Accepted Accounting Practices). The two major areas of difference between GAAP and local authority accounting were treatment of capital investment, depreciation of assets, and retirement benefits. Table 1 below summarises the impact of the different approaches – details of the £73.373m accounting adjustments are set out in page 53 of the accounts.

Table 1 - Conversion from GAAP basis to local authority funding basis

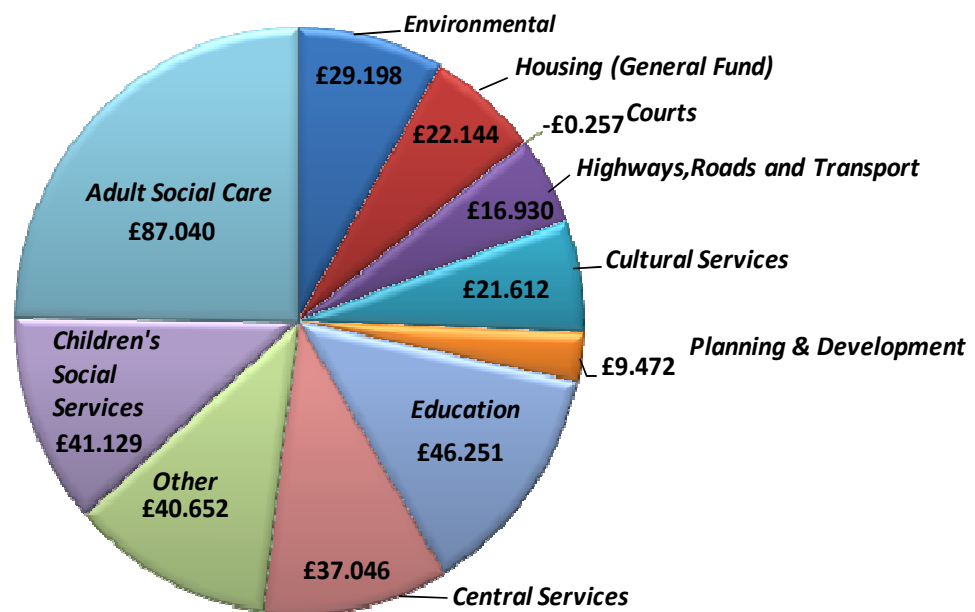
	2009/10 £'000
Deficit for the year using generally accepted accounting practices	72,978
Accounting adjustments to align with council funding arrangements	(73,373)
Reduction in General Fund balance (includes both schools and general balances)	395

- 8.4 Table 2 below shows the overall movement in balances in 2009/10, divided between schools and general balances. The net increase for the year of £395k represents a £514k reduction in school balances and a £909k increase in general balances. Overall, general balances are £8.963m and school balances are £14.072m at 31 March 2010.

Table 2 - Movement in general and school balances in 2009/10

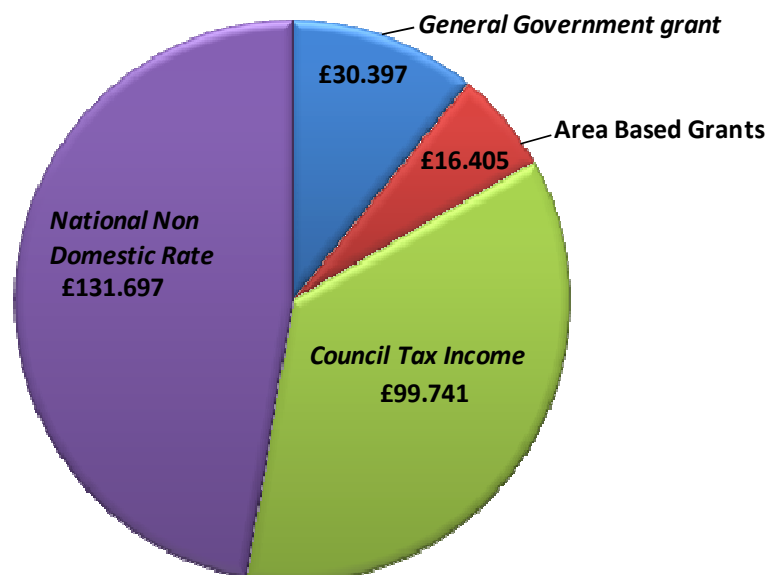
	General balances £'000	School balances £'000	Total £'000
Balances at 31 March 2009	8,054	14,586	22,640
Surplus/(deficit) on revenue account during 2009/10	909	(514)	395
Balances at 31 March 2010	8,963	14,072	23,035

8.5 The detail of the Income and Expenditure Account shows net spending on each of the council's services and how it was funded. Chart 1 below shows how the council's net spending in 2009/10 of £351.217m was distributed between council services, using the CIPFA service categories. This excludes council housing, which is self-financing from rents and grants, and schools spending, which is funded from the Dedicated Schools Grant.



Note – “Other” includes interest payable on debt of £29.8m.

8.6 Chart 2 shows sources of the £278.240m raised to pay for the council's services.¹



9. THE CONSOLIDATED BALANCE SHEET (pages 55 to 56)

9.1 The Balance Sheet shows the overall worth of the council – the assets it holds and its liabilities. Assets and liabilities are shown as long term and short term, with long term being any assets or liabilities with a life of more than one year. The accounts also include a Statement of Recognised Gains and Losses which measures changes to the net worth of the council.

9.2 The amount the council owns and is owed is known as assets. The amount the council owes others is known as liabilities. The difference between these two is how much the council is worth. At 31 March 2010 the net worth of the council was £2.061m. The key items within the Balance Sheet are included in Table 3 below.

¹ Note that this excludes fees and charges and specific grants which are used to fund services directly and taken into account in net spending figures.

Table 3 - Assets and liabilities – the council’s balance sheet

	31 March 10 £'000	31 March 09 £'000
What the council owns or is owed (assets):		
Fixed assets we own such as land, building, vehicles, infrastructure and equipment	1,461,339	1,365,532
Amount owed to us by other people/organisations (less provision for bad debts)	76,375	73,643
The amount we hold in investments	68,842	97,489
Other assets	26,893	14,836
Total we own and are owed	1,633,449	1,551,500
What the council owes (liabilities):		
We owe other people/organisations	62,577	69,903
We have outstanding loans	665,746	673,172
We have to meet future years pension costs	673,880	478,870
We have received capital grants for assets	188,163	154,493
We have other liabilities such as deposits and provisions	41,022	16,693
Total amount we owe	1,631,388	1,393,131
Total the council is worth	2,061	158,369

9.3 The Consolidated Balance Sheet shows a decrease in the net worth of the council (total assets less liabilities). The Statement of Recognised Gains and Losses (page 54 of the accounts) sets out the factors that have given rise to this change. The principal factors are deficits arising from revaluation of assets and actuarial losses arising principally from changes in assumptions underlying the calculation of the present value of pension liabilities.

10. CASH FLOW STATEMENT (page 57)

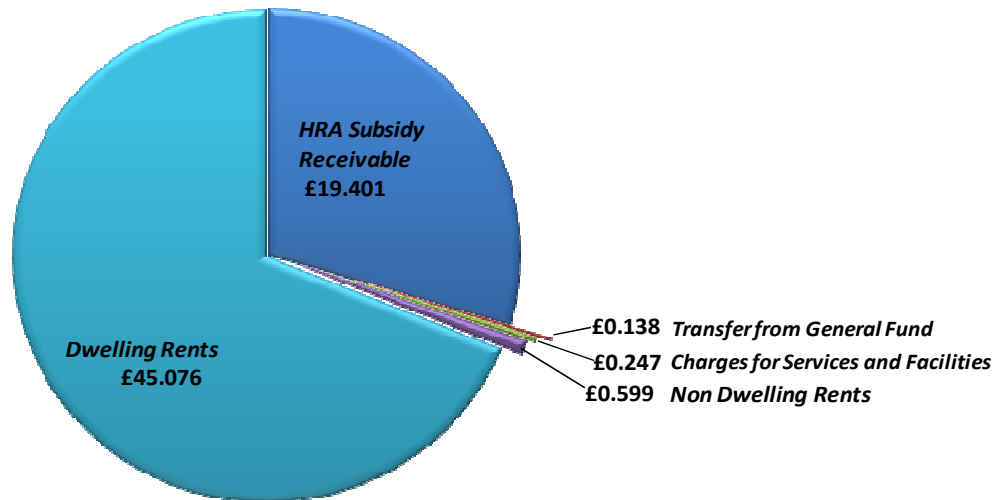
10.1 The cash flow statement summarises the total cash transactions of the council during the year.

11. NOTES TO THE CORE FINANCIAL STATEMENTS (INCLUDING DETAILS OF CAPITAL SPENDING AND FINANCING) (pages 58 to 107)

11.1 The notes to the core financial statements – the Income and Expenditure Account, the Consolidated Balance Sheet, and the Cash Flow Statement – are included in a single section of the accounts.

- 12.4 Chart 6 shows sources of the £65.461m raised to fund spending on council housing.

Chart 6 - 2009/10 - Income to Fund Council Housing



13. THE COLLECTION FUND (pages 114 to 117)

- 13.1 The Collection Fund accounts for total income from council tax-payers which is shared between Brent Council and the Greater London Authority. It also accounts for rate income collected from non-domestic rate payers which is paid into a national pool and the government then distributes to local government as part of the grant settlement. £100.895m of the total £130.414m paid out of the Collection Fund was allocated to Brent Council; the balance of £29.519m was allocated to the GLA.

14. GROUP ACCOUNTS

- 14.1 Many authorities now provide services through partner organisations which operate under the control of the authority. In these cases the financial statements of the reporting authority alone do not fully present the full picture of its activities and financial position. Group financial statements are therefore required to reflect the extended service delivery carried out by these separate legal entities on behalf of the authority. The council has reviewed the relationships it has with partner organisations and only Brent Housing Partnership (BHP)² falls with the legal definition of group accounts.
- 14.2 The group accounts pull together the activities of the council and BHP into a number of key statements including the group Income and Expenditure Account which incorporates the council's Income and Expenditure Account together with BHP's profit & loss account.

² BHP was created as an Arms Length Management Organisation (ALMO) with the purpose of controlling and managing the majority of the council's landlord services.

LONDON BOROUGH OF BRENT
STATEMENT OF ACCOUNTS
2009/10

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INTRODUCTION BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Brent's annual accounts show the financial performance of the Council for the year 2009/10. They present fairly the financial position of the authority on 31st March 2010 and its income and expenditure for the year ending on that date.

It is hoped that these accounts will provide a useful and important source of financial information for the community, Council Members and other interested parties. The Explanatory Foreword on the next few pages gives a brief summary of the Council's financial position in 2009/10.

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

Date: _____

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DUNCAN McLEOD
Director of Finance and Corporate Resources

EXPLANATORY FOREWORD

1. INTRODUCTION

The accounts for the year 2009/10 consist of:

Statement of Accounting Policies - This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies which have been followed in dealing with material items are explained.

CORE FINANCIAL STATEMENTS

Income and Expenditure Account - A summary of the resources generated and consumed during the year.

Statement of Movement on the General Fund Balance - This shows how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.

Statement of Total Recognised Gains and Losses - This demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains/losses.

Balance Sheet - This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held. It excludes the Pension Fund.

Cash Flow Statement - This summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

SUPPLEMENTARY FINANCIAL STATEMENTS

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

Collection Fund - The Collection Fund accounts independently for income related 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.

Group Accounts - In line with accounting requirements, group accounts are shown for Brent and its subsidiary Brent Housing Partnership (BHP).

EXPLANATORY FOREWORD (Continued)

Pension Fund - The Pension Fund is separately managed by Brent and the Fund's accounts are separate from Brent's accounts.

The accounts have been produced in line with the requirements of the 2003 Accounts and Audit Regulations, the 2006 Code of Practice on Local Authority Accounting in Great Britain (ACOP), a Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.

2. GENERAL FUND REVENUE SPENDING IN 2009/10

The table below shows how actual expenditure on services in 2009/10 compares to the budgeted figures. Bracketed variances show underspends and unbracketed variances show overspends compared with budgets.

	Original Budget £000	Outturn £000	Variance £000
Service Area Budgets			
Finance & Corporate Resources/Central Units/Business Transformation	25,774	25,846	72
Children & Families	59,261	60,234	973
Environment & Culture	48,362	48,145	(217)
Housing & Community Care			
- Housing & Customer Services	14,136	13,304	(832)
- Adult Social Care	87,550	90,405	2,855
Total	235,083	237,934	2,851
Central Budgets	43,563	39,398	(4,165)
Area Based Grants	(16,310)	(16,405)	(95)
Net Cost of General Fund Services	262,336	260,927	(1,409)
Contribution to/(from) Balances	(500)	909	1,409
Total Budget Requirement	261,836	261,836	0
Financed By:			
Formula Grant	162,095	162,095	0
Council Tax Income	100,895	100,895	0
Collection Fund Net Deficit	(1,154)	(1,154)	0
Total	261,836	261,836	0

The table above reflects the Council's service structure at the end of 2009/10. This differs from the Income and Expenditure Account since the relevant SORP requires that the I&E Account shows expenditure on services using CIPFA's standard classification in accordance with Best Value Accounting. In some cases this does not match the Council's structure.

EXPLANATORY FOREWORD (Continued)

Explanations of Major Variances

	(Under)/Overspending	
	£000	£000
Finance & Corporate Resources/Central Units		
Communications and Diversity (various)	209	
Housing Benefit Deficit/Shortfall on Summons Income	602	
Use of Local Housing Allowance Reserve	(350)	
Revenue & Benefits operational spending	(111)	
Registrars – Additional External Income	(72)	
Finance and Corporate Resources – interim staff	153	
Business Transformation (various)	(90)	
Legal – Trading Surplus	(93)	
Other miscellaneous items	(176)	
		72
Children and Families		
SEN and disabilities – increased client number in Care at Home and Direct Payments	940	
Placements – increase in Looked after Children and consequential placement costs	3,205	
Early Years – Sure Start grant and other grants utilised to cover applicable expenditure	(3,211)	
BACES – increased lecturer expenditure	218	
Other miscellaneous items	(179)	
		973
Environment and Culture		
Libraries – ending of transitional relief on business rates	110	
General – loss of income mainly Libraries, Building Control and Health, Safety & Licensing	177	
Parking Control – reduced parking notices and removals	641	
Parking Control – reduction in meter income	241	
Parking Control – refund of contract overpayment	(111)	
Sports – premises works delayed	(126)	
Transportation – controlling expenditure on major projects, planned maintenance and supplies and services	(149)	
General – staff vacancies not filled ensure budget achieved	(1,000)	
		(217)

EXPLANATORY FOREWORD (Continued)

	(Under)/Overspending	
	£000	£000
Housing and Community Care		
<u>Housing</u>		
Housing Resource Centre	(198)	
Housing General primarily temporary accommodation	(634)	
	<hr/>	(832)
<u>Adult Social Care</u>		
Older Peoples Service	1,234	
Learning Disabilities	1,970	
Mental Health	2,299	
Physical Disabilities	759	
Bad Debts Provision	2,186	
Supporting People Reserve	(1,400)	
Earmarked Reserve to meet bad debt and other service costs	(4,545)	
Finance and Legal	352	
	<hr/>	2,855
Central Items		
Capital Financing Charges	(3,311)	
Provision for increased waste tonnages	(303)	
Premature Retirement Compensation	(154)	
Remuneration Strategy	(394)	
LABGI Grant	(383)	
Central Recharging	465	
Other	(85)	
	<hr/>	(4,165)
Area Base Grants		
Additional Grant received		(95)
Total		<hr/> (1,409) <hr/>

EXPLANATORY FOREWORD (Continued)

3. CAPITAL EXPENDITURE

The Council's in-year capital expenditure in 2009/10 was £104.337m (2008/09 £108.289m). The expenditure was within the definition of capital expenditure within the Local Government and Housing Act 1989.

Capital Expenditure has been financed from the following sources:

Funding Source	2009/10 £000
Borrowing	13,697
Grants	47,568
Capital Receipts	14,780
Major Repairs Reserve	8,814
General Fund Revenue Contributions	12,433
HRA Revenue Contributions	5,756
Capital Accruals	1,289
Total	104,337

Gross capital receipts during the year totalled £15.966m.

Capital projects and other significant capital expenditure in excess of £500k during the year were as follows:

Scheme	2009/10 £000
Council Housing	24,694
Housing Renovation Grants	4,761
South Kilburn Regeneration	7,440
Places of change programme	500
Surestart Capital Programme	2,178
Academies Programme	16,218
Claremont High School	813
Grove Park, Hay Lane SEN Schools	787
Access Corridors	536
Libraries	2,689
Local Road Safety Schemes	876
Principal Roads, Carriageways and Footways	4,125
Bus Priority Network	602
Priority Backlog Repairs to Operational Buildings	820
Data Centres	821
Civic Centre	4,898

EXPLANATORY FOREWORD (Continued)

Capital expenditure incurred by Service Departments in 2009/10 is summarised below:

Department	2009/10 Programme £000	2009/10 Out-turn £000	Variation £000
Business Transformation	4,859	4,898	39
Children and Families	58,749	39,860	(18,889)
Environment and Culture	23,292	15,448	(7,844)
Housing and Community Care	36,647	37,627	980
Finance and Corporate Resources	8,411	1,832	(6,579)
Central Items	2,615	4,672	2,057
Total	134,573	104,337	(30,236)

Outstanding capital commitments at 31st March 2010 amounted to £50.580m and are shown below.

	£000
Business Transformation:	
Civic Centre	(57)
Children & Families:	
Schools	24,285
Non-schools	448
Environment & Culture:	
Roads & Highway	5,442
Leisure, Sport & Parks	1,378
Libraries & Culture	(94)
Environmental Initiatives	2,180
Housing & Community Care	
Adults	488
Upgrade work to dwellings	9,109
Finance & Corporate Resources:	
Information and Communications Technology	273
Administrative and other Buildings	313
Policy and Regeneration	5,081
Central Items	1,734
Total	50,580

EXPLANATORY FOREWORD (Continued)

Borrowing/Investments

During 2009/10 the Council's net borrowing (gross borrowing less investments) rose from £575.7m at 31st March 2009 to £595.3m at 31st March 2010. This resulted from a combination of increased borrowing to fund the capital programme and repayment of debt. However reduced interest rates on recent borrowing meant that interest payable by the Council reduced from £32.817m in 2008/09 to £29.791m in 2009/10. Interest receivable by the Council fell from £6.956m in 2008/09 to £2.184m in 2009/10.

As set out in the Notes to the Balance Sheet (Note 30) £15m has been deposited with Icelandic banks that have gone into administration. It is anticipated that at least £13m will be recovered over the period to 2013.

The Council's borrowing is governed by a Prudential Code, under which the Council adopts a borrowing limit and restrictions on the types and pattern of debt in order to ensure that financing costs are sustainably affordable and the risk of unexpected costs is minimised. The limit was £810m for 2009/10 and the Council complied with this and the other limits established.

Investments include £100k invested in Greater London Enterprise (GLE) in 1986 when Brent became a founder member. An exit strategy is being developed, possibly through a flotation on the stock market. It is estimated that the Council's stake in GLE is worth approximately £1m.

4. PENSION FUND DEFICIT

The pension fund deficit is a long term liability payable over the next eighty/ninety years. It is planned that the deficit will be eliminated over the next 25 years through a combination of investment returns and additional payments by Brent Council. Further information is shown in Note 15 to the Core Financial Statements.

5. IMPACT OF THE CURRENT ECONOMIC CLIMATE

The current economic climate has had an adverse effect on some income sources such as land charges.

The Council also had £15m in two of the Icelandic Banks which were put into administration in October 2008. Note 27 to the Core Financial Statements gives further details on the potential impact of the collapse of Heritable and Glitnir.

EXPLANATORY FOREWORD (Continued)

6. HOUSING REVENUE ACCOUNT (HRA)

The Council originally budgeted for a carried forward surplus of £400k after a net transfer to earmarked reserves. The original budgeted forward surplus of £400k was revised to £1.996m. The revised budgeted surplus was reported to members as part of the Housing Revenue Account (HRA) 2010/11, in February 2010. The final accounts show a carried forward surplus of £2.174m, which is £0.178m more than the revised budgeted forward surplus for the year. The main reasons are variances relating to repairs and maintenance expenditure, provision for bad and doubtful debts, HRA internal interest income, HRA communal services cost rechargeable to the General Fund Account, cost of providing communal electricity service and income from commercial rents.

7. SIGNIFICANT CHANGE FROM LAST YEAR'S ACCOUNTS

In accordance with revised accounting requirements, the following changes are reflected in the statement of accounts:

- (i) Accounting requirements for Private Finance Initiative (PFI) and similar contracts are now based on International Financial Reporting Standards (IFRS).
- (ii) Brent collects National Non-Domestic Rates and some Council Tax on behalf of the Government and the Greater London Authority respectively. Debtors for amounts due to be collected where Brent is acting as an agent are no longer shown in Brent's balance sheet.
- (iii) Local authority accounts now have to show additional information on senior employees' remuneration. This is shown in Note 11 to the core financial statements. Senior employees are the Chief Executive, his direct reports (other than administration staff) and any other statutory chief officers.
- (iv) Notes to the core financial statements are no longer required for expenditure on publicity, the building control account and income under the Local Authorities Goods and Services Act.

8. FURTHER INFORMATION

Further information on these accounts may be obtained by writing to the Director of Finance and Corporate Resources, Room 114, Brent Town Hall, Wembley HA9 9HD or by e-mail from zebunnissa.ali@brent.gov.uk.

9. GLOSSARY

In the accounts which follow some technical accounting terms are used. Whenever possible, these are explained at the appropriate places in the accounts. However, if further information is needed please see the glossary of terms at the end of the accounts.

**RESERVED FOR
INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF THE BRENT LONDON
BOROUGH COUNCIL**

[TO FOLLOW]

INDEPENDENT AUDITOR'S REPORT (Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Andrea White
District Auditor
Audit Commission
1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority 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 Authority, that officer is the Director of Finance and Corporate Resources;
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ◆ to approve the Statement of Accounts.

THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES' RESPONSIBILITIES

The Director of Finance and Corporate Resources is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Authority at the Accounting date and its income and expenditure for the year ended 31st March 2010.

In preparing this statement of accounts, the Director of Finance and Corporate Resources 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.

The Director of Finance and Corporate Resources has also:

- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

Date:

.....
DUNCAN McLEOD

Director of Finance and Corporate Resources

COMMITTEE APPROVAL

At a meeting of the General Purposes Committee held at Brent Town Hall on 29th June 2010 the accounts were approved and adopted on behalf of the Council.

.....
CHAIR
General Purposes Committee

Date:

**BRENT COUNCIL
ANNUAL GOVERNANCE STATEMENT
2009/10**

1 Scope of responsibility

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is contained in the council's Constitution and can be found on our website at <http://www.brent.gov.uk/Democracy.nsf/>.
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

ANNUAL GOVERNANCE STATEMENT (continued)

2.3 The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

3. The governance framework

3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are set out over the following pages against the six core principles upon which the CIPFA/SOLACE Framework is based. The six core principles being as follows:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

3.2 Each of these core principles are broken down into a number of supporting principles and these are used by the Council on an annual basis to review and summarise the key elements of the overall governance framework, as well as to identify specific actions needed to address any weaknesses and/or to achieve further improvement in the year ahead. The arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.

3.3 The tables set out over the following pages provide an overview of the key elements of the governance arrangements against the six core principles, together with any actions to be focussed upon during the 2010/11 financial year.

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
1. Develop and promote the authority's purpose and vision	<p>In November 2006 the Council agreed its Corporate Strategy for the following four year period. The aims and targets set out in the Strategy are consistent with those set out in the Community Strategy and have been used to support the development of the Local Area Agreement (LAA) 2008.</p> <p>The priorities of the Corporate Strategy are regularly promoted via The Brent Magazine, the website, press releases and targeted campaigns.</p> <p>At service area level, service priorities are extensively consulted on with users and other relevant stakeholders. Service Plans are presented annually to Lead Members prior to finalisation.</p>	<p>A new Corporate Strategy will be developed by September 2010 to reflect the priorities under the new administration</p> <p>Director of Policy and Regeneration</p>
2. Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	<p>Implementation of the Corporate Strategy is monitored by the Executive. The LAA is monitored by the Local Strategic Partnership (LSP) and Executive.</p> <p>Implementation of Service Plans at service area level are monitored throughout the year by Departmental Management Teams (DMTs) using a range of embedded systems and processes.</p>	
3. Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.	<p>In 2009 the IDEA framework was used to assess the LSP and establish a new governance structure. The LSP Strategic Forum makes recommendations to the LSP Executive regarding priorities.</p> <p>The Council and its partners on the LSP identified 35 priorities for inclusion in the LAA for 2008 to 2011.</p> <p>At service area level, objectives of partnerships are documented in the Service Plans and within contract documentation.</p>	
4. Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	<p>A joint review of performance and summary of accounts has been produced annually over the last two years and summarised in the Brent Magazine.</p> <p>Progress against the Corporate Strategy was last published in August 2009.</p>	
5. Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	<p>The Corporate Strategy set out specific improvement targets across the range of council services. These are reflected in our LAA priorities, and also within Service Plans, and are monitored through the corporate PerformancePlus system. Performance reports on all Council and partnership improvement priority areas are reported to the Executive and the CMT on a quarterly basis.</p> <p>Significant improvements in monitoring of shared Community Plan objectives have taken place with quarterly monitoring reports on the LAA targets being considered by the LSP.</p> <p>A new Improvement and Efficiency Strategy was published in 2008 and an action plan prepared which is now being addressed through the One Council programme.</p>	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
	<p>At service area level, additional mechanisms are in place to monitor the quality of service being delivered, be this directly or through partner organisations.</p> <p>The bi-annual Residents Attitude Survey is a further source of information regarding service users' satisfaction with the services being provided. The last survey was carried out in 2009/10.</p>	
6. Put in place effective arrangements to identify and deal with failure in service delivery.	<p>Potential service failure is identified through the PerformancePlus system and Service Plans. These are regularly reviewed and referred to the Corporate Management Team for a corporate response and remedial action.</p> <p>Performance issues in relation to specific partner organisations / contractors are dealt with at service area level in accordance with agreed contract management procedures. Issues are escalated as appropriate.</p>	
7. Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	<p>The Improvement & Efficiency Strategy was published during 2008/09 which set out the framework for improving value for money and performance over the next four years.</p> <p>A comprehensive benchmarking exercise of the Council's services was undertaken in conjunction with RSe Consulting. The results of this work led to the identification of areas to be included in the first wave of service reviews as part of the Improvement and Efficiency Strategy.</p> <p>Additional benchmarking of services included CIPFA benchmarking clubs for support services and a comparative review of efficiency savings and service costs with Hounslow and Hammersmith & Fulham Councils.</p> <p>Deloitte MCS Ltd have benchmarked the cost of the finance function as a result of the One Council review of finance.</p> <p>The One Council Programme Board measures progress against the Improvement and Efficiency Action Plan which underpins the Improvement and Efficiency Strategy. The council now brings together finance, activity and performance monitoring in a single performance and finance review report which enables officers and members to have a more holistic view of progress across the council on Value for Money. In addition, development of a value for money tool-kit for managers is one of a range of measures to support managers delivering better value for money. Unit costs are also used to measure progress in key areas e.g. on the children's transformation agenda.</p> <p>In addition PWC have benchmarked the council's staffing structure which has informed the Staffing and Structure Review.</p>	

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CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles

ANNUAL GOVERNANCE STATEMENT (continued)

The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
1. Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.	Article 2 of the Constitution describes the role of Members of the Council, the Executive, Mayor, Full Council and overview and Scrutiny.	
	Up to date job descriptions are in place for Senior Officers. Monitoring Officer Advice Notes give advice to Members on decision making and standards of conduct. Local Democracy and Standards WebPages are updated regularly.	
	All Executive decisions and key decisions by officers are recorded	
2. Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.	Roles and responsibilities are covered in the Constitution	
	Up to date job descriptions are in place for Senior Officers.	
3. Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required.	Clearly set out in the Constitution.	
	The Borough Solicitor maintains a register of officer authorisations. The Constitution is renewed and reported to full Council every May.	
4. Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.	Covered in the Constitution and job descriptions.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
5. Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	Chief Executive and Leader agreed respective roles following election in May 2006 and met on a weekly basis. New arrangements have been made with the new Leader following the local election in May 2010 with regular meetings taking place..	
6. Make a senior officer (usually the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	Covered in the Constitution and job description.	
	Covered by statute and Financial Regulations.	
	All Executive reports have to be cleared by the Director of Finance & Corporate Resources. Director attends all Leader's briefings and meetings of the Executive and full Council.	
	Independent assurance on the adequacy and effectiveness of the overall systems of internal control, including internal financial control, is provided by the Council's external auditors, internal auditors and a number of other external bodies / inspectorate. Both the internal and external auditors report to the Audit Committee on a quarterly basis.	
7. Make a senior officer (other than the Responsible Financial Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with.	Covered in the Constitution and job descriptions.	
	Covered by statute and Financial Regulations.	
	All reports have to be cleared by the Borough Solicitor who attends all Leader's briefings and meetings of the Executive and full Council. A lawyer also attends all other committee meetings and is responsible for issuing the legislation tracker, monitoring officer advice notes and legal bulletins.	
8. Develop protocols to ensure effective communication between members and officers in their respective roles.	These are Covered in Part 7 of the Constitution and in the Access to Information protocol.	
9. Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if	The scheme of Member allowances has been reviewed by the Constitutional Working Group (CWG) and there have been two interim reports recommending changes to the allowances scheme. As at the end of March 2009, the scheme was subject to a further review. This has since been reported to Full Council in May 2009.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
applicable).	The scheme is published annually in accordance with the relevant 2003 regulations	
10. Ensure that effective mechanisms exist to monitor service delivery.	The PerformancePlus system is now fully operational across the Council and a standard service planning template was refreshed in 2010 with a focus upon delivering the Improvement and Efficiency objectives.	
	An integrated quarterly Performance and Finance monitoring report is now produced. This is reviewed by the Executive, CMT and the Performance & Finance Select Committee.	
11. Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	The principal mechanisms for stakeholder consultation include the Place Survey, completed 2008 and the Brent Residents' Attitude Survey, completed 2009.	Improvements to area forums are being recommended as part of a review. A further round of recruitment to the Citizens' Panel is planned for July 2010. Improvements are being made to the Consultation Portal (Head of Consultation)
	On-going consultation on the organisation's vision, strategic plans and priorities is undertaken through a number of established consultation mechanisms. These include five area consultative forums, six service user consultative forums, the Brent Youth Parliament and the Brent Citizens' Panel. The Citizens' Panel was refreshed through further rounds of recruitment using the 2008 Place Survey and the 2009 Residents' Attitude Survey. Panel membership now stands at just over 2,000. Outcomes of consultation are fed back through the Consultation Portal website. Promote council policy and services via The Brent Magazine, the council website and wider media. Use the staff magazine – Insight – the intranet, Brent Brief and Take 5 to communicate with staff. Launch of 'Bmyvoice' in March 2010, a website specifically for engaging and communicating with Brent's younger residents.	
12. When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the	The term 'partnership' is defined in the Constitution and a partnership map has been established.. Protocols and guidelines for the operation of joint working have been agreed by the LSP and covers roles and responsibilities, protocols for financial administration and staff management. In January 2008 a partnership conference was held in Brent, addressed by the Local Government Ombudsman, to consider the issue of complaints within partnerships and a protocol for handling partnership complaints	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
partnership and to the authority.	has been established.	
13. When working in partnership: ensure that there is clarity about the legal status of the partnership ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	So far guidance has been given on specific projects such as South Kilburn Neighbourhood Trust, WLA Joint Procurement Unit and other WLA initiatives.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
1. Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	<p>Executive members have undertaken a range of training including media and presentation skills and key members have had support from an external mentor. This will be ongoing.</p> <p>The Member Code of Conduct includes the 10 general principles of conduct, including respect for others, leadership and stewardship. The Constitution contains the Planning Code of Practice, Licensing Code of Practice, Code of Practice on Publicity and the protocol for Member Officer Relations. Members and Chief Officers work collaboratively on the Policy Coordination Group, Leader's Briefing, Service Planning and Budget Awaydays.</p> <p>The Leader meets weekly with the Chief Executive and also addresses the Corporate Roadshows and the Senior Managers Conference.</p>	Training will be given to all new members following the local election in May 2010
2. Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	A new Code of Conduct for Officers was agreed in 2005. Other codes, including the IT Usage Policy and Harassment Policy are all held on the intranet and are subject to regular review. Staff are made aware of their responsibilities through general communications, such as the Chief Executive Newsletter, Insight Magazine and via attachments to payslips, as well as at team briefings.	
	The Brent Member Code of Conduct reflects the model code published by the government.	
3. Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	The Constitution contains various other codes including: Licensing, Planning, Member Officer relations. Advice notes are issued by the Borough Solicitor regarding conduct.	
	The registers of Members' interests and Members' gifts and hospitality are now placed on the web site enabling easy public access.	
	<p>A new Conflict of Interest Policy for staff was issued in 2009/10 and is currently being rolled out. This provides clear guidance regarding contractual and other potential conflicts.</p> <p>A new Gifts and Hospitality Policy for staff has been issued.</p>	<p>Ensure new Conflict of Interest Policy and Gifts and Hospitality Policy are embedded</p> <p>Service Area Directors</p>

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
4. Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.	The Member Code of Conduct includes reference to Leadership and Stewardship and other values. The Code of Conduct and competency framework which has been developed for managers and staff together with a management charter sets out the expected behaviours for officers, including Leadership and working with others.	
5. Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	Standards of conduct for Members are set out in the Constitution.	
	Protocol for Member/officer relations is set out in Constitution.	
	Standards Committee has remit to monitor compliance.	
6. Develop and maintain an effective standards committee.	The terms of reference for the Standards Committee are set out in the Constitution. The Committee has an independent chair and vice chair., and two alternate independent members available The Committee has an annual work programme and is supported by the Borough Solicitor.	
7. Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	The organisation's shared values are reflected in various policies and procedures, such as the Planning Code of Practice and its Access to Information Rules, both which encourage transparent, informed and well reasoned decision making. These are reinforced by the guidance notes issued to members from time to time in the form of Monitoring Officer Advice Notes and in legal bulletins. The Corporate Strategy also includes clear corporate values for the Council. The One Council programme requires an explicit framework that recognises the importance of high standards in relation to personal behaviour, professional conduct and organisational governance.	
8. In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	As part of the process for agreeing the 35 improvement priorities for the LAA partners, there is a commitment to a number of values around addressing inequality, focusing on preventative actions and delivering value for money through the LAA. They have also signed up to a 'Compact Agreement' setting out the principles for partnership working and how they engage with the voluntary and community sector.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
1. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is responsible.	The Executive are responsible for the implementation of policy and ensuring the effectiveness of service delivery.	
	Scrutiny is responsible for monitoring the performance of the Executive.	
	The Corporate Management Team monitor delivery of the One Council programme through a Programme Board and a Programme Management Office.	
	The Chair of Overview and Scrutiny is given an opportunity to report back to every full Council meeting. Call in arrangements in the Constitution allows Overview and Scrutiny to review decisions made by the Executive. Forward Plan Select Committee is able to scrutinise decisions before they are made.	
2. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for Full Council, most are made by the Executive or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual Members. In accordance with the Local government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process including call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.	
	Decision making meetings of the Executive are open to the public.	
	Copies of reports and decisions are available on the intranet and through the One Stop Shop and Libraries.	
	All meetings are clerked by well trained and experienced committee support officers and lawyers are present to provide advice on law and procedure.	
3. Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	The registers of Members' interests and gifts and hospitality are now placed on the web site enabling easy public access.	
	The Monitoring Officer prepares an annual report to the Standards Committee.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
4. Develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee.	The Audit Committee has met quarterly during the year. The terms of reference are set out in the Constitution.	
	The provision of the internal audit function within the Council is through the Audit & Investigations Team, working in partnership with Deloitte & Touche Public Sector Internal Audit Ltd. The Audit Committee approve the annual Internal Audit Plan and receive progress reports at each quarterly meeting.	
	External audit is provided by the Audit Commission. Their plans, interim reports and annual audit letter are all presented to the Audit Committee.	
5. Put in place effective transparent and accessible arrangements for dealing with complaints.	The Council has a well regarded corporate complaints procedure that has been praised and endorsed by the Local Government Ombudsman (LGO), as set out in the annual LGO letter and our annual report on complaints which is submitted to the Overview and Scrutiny Committee. Complaints are initially handled by service area managers and, if appealed, by trained complaints officers within departments. A central team is also in place with the Policy & Regeneration Unit to handle escalated complaints on behalf of the Chief Executive and to oversee the process as a whole.	
6. Ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Executive receives a briefing (Leaders Briefing) two weeks prior to the Executive meeting when members can ask detailed technical questions of officers.	
7. Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	All reports must be cleared by Finance and Legal and contain financial and legal implications. Legal and Finance officers are available as needed to give clear robust advice	
8. Ensure that risk management is embedded into the culture of the organisation; with members and managers at all levels recognising	The Risk Management Strategy has been revised and was presented to Audit Committee in December 2008. A revised Corporate Risk Guidance document has also been produced and circulated across the Council. Risk management training for Members took place in March 2009.	Further work to be done on the development of positive risk

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
that risk management is part of their job.	<p>As per the revised Strategy, Members have a key role in the management of risk via the following:</p> <ul style="list-style-type: none"> • The Deputy Leader and Lead Member for Corporate Resources have overall responsibility for ensuring that working risk management processes are in place; • The Executive / Council consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects; and • The Policy Co-ordination Group, combining the Executive and Corporate Management Team, review corporate risks through regular Corporate Hotspots monitoring reports. <p>Links to Business Continuity established. Additional guidance on project risk provided Additional training provided to DMTs and corporate risk owners. Participation monitored.</p>	<p>guidance however the latest training provided to DMTs and Corporate Groups included some advice on the need to consider positive risk aspects as part of the evaluation process (Head of Procurement Strategy & Risk Management / Assistant Director of Regeneration / Head of Emergency Planning & Business Continuity) E-learning tool not yet developed, additional work required to specify the level and variety of training to be offered. (Head of Procurement Strategy & Risk Management)</p>

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
	Corporate Hotspots include the highest category – likelihood and impact – of cross-council level and service area level risks, e.g. significant risks to the achievement of key strategic objectives, to the finances of the authority, to the health and well-being of residents and/or staff, or to the reputation of the authority.	
	Financial Hotspots are identified and reviewed across each of the Service Areas on a monthly basis by the Strategic Finance Group. In each case the risk is assessed in terms of the minimum and maximum impact from a monetary perspective. In addition, an indication is provided as to whether the risk has been included in the year-end forecast for each Service Area, thereby providing a link between risk management and budget monitoring.	
	Risks are also identified as part of the budget setting process. Major spending risks were identified for 2009/10 and in each case a 'worst case' monetary figure was recorded and reported at SFG.	
	A consistent, standard risk template has been devised and is utilised for the drafting of Service Plan related risk. Risks are linked to both Service Plan objectives and Council objectives. Reporting cycles established, reports provided to Corporate Groups to match meeting cycle. Feedback gathered. Risks evaluated and amended where appropriate	(Head of Procurement Strategy & Risk Management) Assurance framework to be fully developed. (Head of Procurement Strategy & Risk Management / Internal Audit)
	Risks within the One Council programme are fully documented within the reporting framework of the programme. These are reported fortnightly to the Programme Board. A risk log is maintained on a separate Excel spreadsheet. These are project risks and are not separately identified within the Risk Register. Operational risk arising from the One Council change programme will be recorded in departmental registers.	
9. Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with	There is a Whistleblowing Policy in place. This has been publicised to staff and is on the intranet under 'Raising Concerns'. Whistleblowing allegations are dealt with, in the first instance, by the Audit & Investigations Team.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
the authority have access.		
10. Actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	See above section 6. In addition regular Monitoring Officer Advice Notes are issued. Regular training is provided to ensure Members understand areas of risk	
11. Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	See above section 6. In addition regular Monitoring Officer Advice Notes are issued. Advice is tailored and specific regarding the Authority's capability and capacity to take relevant action including liability of the organisation	
12. Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.	Legal comment and consultation on reports. Monitoring Officer Advice Notes issued and Legislation Trackers in place.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
1. Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	<p>The Council runs a Member development programme which is reported to the Standards Committee annually. The Borough Solicitor provides training to new and existing Members on decision making and standards of conduct.</p> <p>The Council has a Corporate Learning & Development Plan and programme which is reviewed and evaluated on an annual basis to meet the strategic and service objectives of the Council. The programme is also developed on the basis of a training needs analysis of individual staff as a result of annual performance appraisal. Each new member of staff is required to undergo induction training. However, induction rates are still below 100%.</p>	<p>A concerted plan to ensure all new starters attend mandatory induction is required. CMT to monitor and ensure compliance within departments.</p> <p>(Head of Learning & Development and Strategic HR Managers)</p>
2. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.	Officers have an annual appraisal containing developmental objectives linked to the Corporate Strategy and Departmental Service Plans. The Council's Corporate Learning and Development Plan and service offering are based on the needs identified in individual appraisals and Service Plans. Workforce Development Plans have now been completed for all Service Areas including current and future skills and staffing requirements.	
	Each role has a job description and role specification.	
3. Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	As part of the development of departmental Service Plans and Workforce Development Plans, analysis is being undertaken to identify the skills required for future service delivery to ensure that officers are fully skilled to deliver quality services.	
	<p>Whilst many areas/professions have a clear career structure, work is being undertaken to develop career pathways, generic job roles and a talent management system. A new management development centre has been established to assist in the further development of junior and middle managers. The current workforce development planning work includes succession planning. A Talent management and succession planning scheme was approved by CMT in March 2009. The development of job families and generic job roles is being addressed via a One Council project covering Remuneration and Performance issues.</p>	<p>Staffing and structure review project and remuneration and performance review will address career and talent management frameworks for the organisation going (Assistant Director, HR)</p>

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
4. Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	<p>The Learning & Development Plan and service offering reflect the skills and knowledge required to deliver the corporate strategy and is reviewed on an annual basis to ensure continuing improvement and alignment to the goals of the Council. Individuals are encouraged to develop through their annual appraisal, six monthly reviews and regular one-to-ones which focus on improving performance and achievement of corporate/departmental objectives.</p> <p>A new appraisal system has been developed based on the competency framework which includes providing a customer focussed service, and leadership and influencing skills. The corporate training offering also offers courses on customer care and working with partners.</p> <p>As indicated above, the Council has an annual corporate Learning & Development programme based on strategic objectives including the Council's performance improvement priorities. A national performance management training programme has recently been piloted for staff in conjunction with the corporate Policy and Performance team.</p> <p>The annual review of the Member development programme was reported to the Standards Committee in March 2009.</p>	<p>Achieving higher levels of staff appraisal is a priority for the organisation to focus on improving performance. A review of the appraisal scheme to improve implementation and quality is required.</p> <p>(Head of Learning & Development)</p>
5. Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs.	<p>Standards for performance are set out in the Corporate Strategy and individual Service Plans. Quarterly reports on service and financial performance are produced and considered by the CMT, Executive and Performance & Finance Select Committee. This includes performance on key partnership targets within the LAA.</p> <p>A summary of the Council's performance is published each year in the Brent Magazine and delivered to all households.</p> <p>All performance data is available on the Council's website.</p>	
6. Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	<p>Area and Service User Consultative forums (ACfs and SUCfs) are chaired by Members and supported by lead officers from the service areas.</p> <p>SUCfs include: Pensioners forum; Black and Minority Ethnic forum; Voluntary Sector forum; Private Sector Housing forum; and Brent Disabled User forum.</p> <p>The Brent LINK (Local Information Network) was set up in July 2008.</p> <p>A new partnership Brent Engagement Strategy 2010-2014 has been developed.</p>	<p>Improvements in the running of area forums are being planned as part of a review.</p> <p>The work of the Brent LINK is scrutinised through a contract monitoring process.</p> <p>New Engagement</p>

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
		Strategy to be launched at the end of May 2010 (Head of Consultation)
	The Youth Parliament has been operating since March 2007 and provides an opportunity for children and young people to present their views to the Council. The Youth Parliament has been operating since March 2007 and provides an opportunity for children and young people to present their views to the Council. Brent Youth Parliament worked on the development of a website specifically for young people in the borough. 'Bmyvoice' was launched in March 2010.	
	Regular ward meetings provide a forum for Members to discuss matters of concern with officers and shape how services are provided at the neighbourhood level. Depending on the issues being addressed, these meetings may be attended by the Police and other relevant partner agencies.	
	All committee meetings are held in public, with the exception of any elements relating to exempt or confidential information.	
7. Ensure that career structures are in place for members and officers to encourage participation and development.	Whilst many areas/professions have a clear career structure, work is being undertaken to develop career pathways, generic job roles and a talent management system. A new management development centre has been established to assist in the further development of junior and middle managers. The current workforce development planning work includes succession planning. A Talent management and succession planning scheme was approved by CMT in March 2009.	Complete work in relation to career pathways, generic job roles and talent management. (Assistant Director, HR) Talent management scheme to be introduced during 2009/10. (Assistant Director, HR)

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
1. Make clear to themselves, all staff and the community, to whom they are accountable and for what.	<p>Council policy and services are promoted to residents via The Brent Magazine produced monthly, the Council website and wider media.</p> <p>Neighbourhood Bulletins are produced for each of the 21 wards twice a year to directly communicate response to issues raised by local residents.</p> <p>Use the staff magazine - Insight, the intranet, and internal briefing programme to communicate with staff. Brent Brief, a fortnightly briefing document to allow managers to deliver corporate, service area and team information was introduced in March 2009. Take 5, a fortnightly e-bulletin to all staff was introduced in January 2010.</p>	<p>Continue using and further developing / improving all forms of communication.</p> <p>(Director of Communication & Diversity)</p>
2. Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.	<p>A new Consultation & Engagement Strategy, Brent Engagement Strategy 2010 – 2014 has been developed in line with the new duty to inform, consult and involve, and the requirements of the Comprehensive Area Assessment (CAA) process.</p> <p>The Consultation Portal will be further developed to establish more effective ways of evaluating consultation activity.</p>	<p>Strategy to be published at the end of May 2010.</p> <p>Consultation Portal to include a Consultation Diary and a News Centre (Head of Consultation)</p>
3. Produce an annual report on scrutiny function activity.	An annual report is presented to the Overview & Scrutiny Committee in July each year.	
4. Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively.	<p>The Brent Consultation Board, established 2009, scrutinises all major consultation projects. The Consultation Board has overseen the development of the new Brent Engagement Strategy.</p> <p>New strategy promotes evaluation of consultation and engagement activity.</p>	<p>Core training on consultation strategy and techniques being developed.</p> <p>(Head of Consultation)</p>
5. Hold meetings in public unless there are good reasons for confidentiality.	All meetings are held in public. Some parts of meetings are held in private when exempt or confidential information might be disclosed. This is subject to the agreement of the members present.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
6. Ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	As per Core Principle 5, section 6, Brent's consultation network includes area and service user consultative forums, the Brent Youth Parliament and the Brent Citizens' Panel and the Brent LINK (Brent Local Information Network). Service user consultative forums cover Pensioners, Black and Minority Ethnic, Voluntary Sector, Private Sector Housing and Disabled Users. Other consultation, voluntary sector and user groups are currently being mapped by the Consultation Team.	Mapping of other consultation and voluntary sector groups is ongoing. (Head of Consultation)
	2009 Residents' Attitude Survey undertaken in 2009. The results of the 2009 Residents' Attitude Survey were published in the December 2009 issue of The Brent Magazine.	Residents' Attitude Survey findings available on council website. . (Head of Consultation)
7. Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result.	A Communication Strategy 2007-2010 has been agreed by CMT. All major consultations need to be referred to the Consultation Board at the planning stage. New Brent Engagement Strategy sets out standard for ensuring proper feedback to consultees.	A Communication Strategy to support the Corporate Strategy will be produced for 2010-2014. Further development of consultation portal in progress. (Head of Consultation)
8. On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in	The Annual Review was published in October 2009 as part of The Brent Magazine.	

ANNUAL GOVERNANCE STATEMENT (continued)

CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability		
The local code should reflect the requirements for local authorities to:	Position at March 2010	Actions Needed to Address Weaknesses and responsible officer
the previous period.		
9. Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	All Committee Reports, Agendas and Minutes are made available through the council's web site.	
10. Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	The Council's managing change policy includes guidance on staff and trade union consultation. A draft engagement policy has also been developed. The role of the line manager in people management has been documented and is shortly to be published which includes guidance on engagement. The content of this is being incorporated into the Council's new people management courses.	

ANNUAL GOVERNANCE STATEMENT (continued)

4. Review of effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit & Investigation's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework, is described below:

The Council

- Has monitored performance against the Corporate Strategy Objectives by taking an annual report and has set the annual budget in accordance with the Corporate Strategy priorities;
- Receives the annual budget report which summarises the financial position and the transactions for the year and considers the annual performance plan; and
- Has agreed a Constitution which sets out the decision making structure, delegated authority, standing orders and financial regulations. These underpin the internal control framework.

The Executive

- Makes key decisions in accordance with the Budget and Policy Framework;
- Has sessions with the Corporate Management Team twice per year to consider the medium term financial strategy and its linkages with the council's policy priorities; and
- Meets monthly with the Corporate Management Team to receive an update on the Council's financial position and monitoring reports from the Strategic Finance Group.

The Audit Committee

- Has met four times during 2009/10 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter;
- Maintains an overview of the Council's Constitution in respect of contract standing orders and financial regulations;
- Monitors the effective development and operation of risk management and corporate governance in the Council; and

ANNUAL GOVERNANCE STATEMENT (continued)

- Reviews the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- Monitors the Council's Treasury Management policies.

The Standards Committee

- Receives reports from the council's Monitoring Officer on issues concerning member conduct and would consider reports referred from Ethical Standards Officers or the Monitoring Officer which require investigation and/or determination.

The Forward Plan Select Committee

- Enables pre-scrutiny of Executive decisions by non-executive members.

Overview & Scrutiny

- Oversees and scrutinises decisions made by the Executive;
- Has cross cutting sub-committees to examine detailed performance information on a six monthly basis, namely the Health Select Committee, Childrens Select and the Performance & Finance Committee.

The Performance & Finance Select Committee

- Receives reports on budget monitoring and considers the Annual Performance Plan and quarterly "Vital Signs" document. It also considers individual areas such as Adult Social Care, Waste Strategy, Customer Contact and Revenues and Benefits.

Budget Panel

- Is a sub-committee of Overview & Scrutiny and participates in the budget setting process by examining the robustness of the budget; the ability to deliver savings; key revenue budget outputs and decisions; and key capital budget outputs and decisions.

Audit & Investigations

- Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Produce an Annual Audit Report including the Head of Audit annual opinion on the Council's internal controls; and
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Service Directors and copied to the relevant Service or Corporate Area Director. Recommendations for improvement are made in each report. Each significant audit report is followed up after a suitable period and any failure to implement recommendations is noted and reported back to the relevant director and the Audit Committee.

ANNUAL GOVERNANCE STATEMENT (continued)

External Audit

- The Director of Finance & Corporate Resources meets with the Council's external auditors on a monthly basis and, if appropriate, they raise any concerns they have regarding the internal control environment. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised.

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

5.1 Set out below are a number of significant governance issues which have been identified, together with a summary of the actions taken to date, or which are being proposed for 2010/11 to deal with these.

We have included an indication as to the progress made against those issues raised in the 2008/09 Annual Governance Statement.

- The One Council programme is now well underway with robust governance arrangements. Delivery against this programme is fundamental to the financial health of the council and delivery of efficient and effective services to the public. This will remain the key area of focus for the council.
- The Council is also progressing with the construction of a new civic centre and with a significant schools expansion programme under the Building Schools for the Future (BSF) programme. This major transformation agenda will require significant levels of resource and co-operation from staff across the Council.
- From a treasury management perspective, the collapse of the Icelandic banks left the Council with two outstanding deposits: one for £10m with Heritable Bank and one for £5m with Glitnir Bank. The Council has been working with other local authorities, the Local Government Association (LGA) and other organisations such as the Chartered Institute of Public Finance and Accountancy (CIPFA), to recover the two loans or to mitigate the effects of non-recovery until the situation is resolved. Members have been updated on the position throughout and the Treasury Management Strategy and Annual Investment Strategy for 2009/10 reflected this. To date £3.5 million has been recovered from Heritable Bank and the latest estimate is that 90% in total will be recovered. In relation to Glitnir, the full amount will be refunded if the Council's status as a preferred creditor is determined by the Icelandic Courts.
- There is, however, significant uncertainty concerning the new Government's plans to cut public spending and how this may impact upon the council's ability to deliver against its priorities. Specifically, there are risks concerning continued delivery of the BSF programme and the impact this may have on the provision of adequate school places across the borough.

STATEMENT OF ACCOUNTING POLICIES

1. **Code of Practice** - The general policies adopted in preparing these accounts are in accordance with the 2009 Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA - Statement of Recommended Practice (SORP).

INCOME AND EXPENDITURE

2. **Debtors and Creditors** - The revenue accounts of the Council have been compiled on an accruals basis in accordance with Financial Reporting Standard (FRS) 18.
3. **Cost of Support Services** - Brent's structure means that some finance, personnel and IT functions are undertaken directly by Service Units. Other support services are located in Service Areas and in the corporate centre of Brent.

The full costs of support services have been charged to services in the Income and Expenditure Account in accordance with CIPFA's '*Best Value Accounting Code of Practice*'. Charges have been made on a variety of bases. The main basis of charging is staff time. In some cases other appropriate statistics have been used, for example, Human Resources charges were based on staff numbers and One Stop Shops costs were based on time weighted enquiries.

4. **Pensions** - The Council participates in the two following pension schemes which provide members with defined benefits related to pay and service.

Teachers: This is an unfunded scheme administered by the Department for Children, Schools and Families.

Other Employees: Other employees, subject to certain qualifying criteria, are eligible to join the funded Local Government Pension Scheme.

Retirement benefits are accounted for according to the principles of FRS17. The accounts recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.

5. **Revenue Grants** - Revenue grants are matched with the expenditure to which they relate. They are accounted for on an accruals basis.

CAPITAL ASSETS

6. **Fixed Assets** - All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Repairs and maintenance expenditure is charged direct to service revenue accounts.

STATEMENT OF ACCOUNTING POLICIES (Continued)

Fixed assets are valued on the basis required by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

Individual categories of assets are valued on the following basis:

- ◆ Land, operational properties and other operational assets are included in the balance sheet at their Open Market Value (OMV). The exceptions to this are school buildings and Social Services establishments that are included at their Depreciated Replacement Cost (DRC). Council dwellings are valued using a beacon principle based on their OMV but adjusted to reflect their value as social housing in accordance with ACOP.
- ◆ Non-operational assets, including investment properties and assets that are surplus to requirements, 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 historic cost, net of depreciation.
- ◆ Intangible fixed assets represent expenditure which has been properly capitalised but which does not result in, or remain matched with, tangible fixed assets. Expenditure on purchasing intangible fixed assets such as computer software has been capitalised at cost.

Revaluations of fixed assets are planned on a five year cycle with a proportion of the asset base being revalued each year. Material changes to asset valuations resulting from works or similar investment outside of the agreed revaluation of assets cycle will be adjusted in the period as they occur. From 2010/11 the introduction of the International Finance Reporting Standards will require, where appropriate, the recognition of components to existing assets. Where expenditure in year creates or significantly enhances a component there will be a revaluation of that asset.

At 1st April 2009 those land and building assets held at 1st April 2004 values were revalued completing that 5 year cycle. Council dwellings were revalued at 31st March 2006 and their values have been up-rated to 31st March 2010 using Land Registry indices to reflect changes in property values.

Depreciation

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

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

Housing Revenue Account dwellings are depreciated by an assessment 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.

Impairment

Impairment reviews on groups of assets are undertaken on an annual basis by the valuer. Where impairment is identified as being due to the consumption of benefit the loss is charged to the relevant service revenue account. In other cases impairment is initially set off against asset balances in the Revaluation Reserve.

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.

Expenditure in relation to assets which the Council does not own or derive any material benefit is referred to as Revenue Expenditure Funded from Capital under Statute.

Income from the Sale of Fixed Assets

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

The treatment of capital receipts is determined by the Local Government Act 2003. Under this Act and its supporting regulations, the Council is required to pay to the Secretary of State any 'pooled' HRA receipts. The value of these 'pooled' receipts is calculated as 75% of HRA dwellings and 50% of HRA land. The remaining proportions and 100% of General Fund capital receipts can be used to finance capital expenditure.

7. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) included within the 2009/10 Accounts has been calculated on the basis of the 2008/09 outturn position, amended for the inclusion of PFI projects as per the requirements of the introduction of the International Financial Reporting Standards. In accordance with the revised regulations for the calculation of MRP issued in 2008 the Council adopted the following policy for non-HRA assets:

- For supported borrowing, the council will continue with the existing method (Option 1).

STATEMENT OF ACCOUNTING POLICIES (Continued)

- For prudential borrowing, the council will adopt Option 3, 'the asset life method', and an 'annuity' approach for calculating repayments. The proposed asset lives which will be applied to different classes of assets are as follows:
 - Vehicles and equipment – 5 to 15 years;
 - Capital repairs to roads and buildings – 15 to 25 years;
 - Purchase of buildings – 30 to 40 years;
 - New construction – 40 to 60 years;
 - Purchase of land – 50 years (unless there is a structure on the land with an asset life of more than 50 years, in which case the land would have the same asset life as the structure).

These policies do not apply to HRA assets.

- 8. Charges to Revenue** - The General Fund is charged with a depreciation charge 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.

External interest payable and the provision for depreciation are charged to the Income and Expenditure Account. Depreciation charges are reversed in the Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

- 9. Contributions from the Capital Adjustment Account** - These represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. Expenditure is included in the Income and Expenditure Account and written off to the Capital Adjustment Account.

- 10. Premature Redemption of Debt** - The practice for the Income and Expenditure Account, in accordance with the SORP as amended by Regulations, 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.

STATEMENT OF ACCOUNTING POLICIES (Continued)

The practice for the HRA is different because it is determined by the Housing Subsidy rules. 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 an authority in the position of Brent is usually to maintain gross borrowing at the authority'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.

- 11. 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 credited initially to the Government grants deferred account. Amounts are released over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Government grants and contributions are subsequently reversed out of the Income and Expenditure Account.

- 12. Leasing** - The Council has acquired a number of assets, mainly vehicles, plant and computer equipment, by means of leases. In accordance with accounting convention, 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.

STATEMENT OF ACCOUNTING POLICIES (Continued)

13. **Private Finance Initiative (PFI)** - Contracts and other arrangements that have been determined as “service concessions” are accounted for under International Finance Reporting Standards(IFRIC 12) and the Code of Practice on Local Authority Accounting in the United Kingdom 2009-10 (the “Code of Practice”) published by CIPFA.

The Council has analysed its contracts and other arrangements and has determined the five arrangements below to be “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;
- In 2006/07 a 25 year project to provide and maintain a new sports centre and related facilities in Willesden.
- In 2008/09 a 20 year project to provide and maintain social housing and replacement residential facilities for people with learning disabilities.

The council has entered into two other contracts to meet the definition of a Service Concession:

- In 2005/06 a 32 year agreement to provide and maintain social housing within Stonebridge.
- In 2006/07 a 5 year agreement to refurbish a sports centre in Wembley.

Where this change has resulted in new assets being identified these assets are recognised at fair value being the relevant elements of the capital cost in the PFI operators financial model, as recommended by the Code of Practice. The newly recognised assets will be re-valued by 31st March 2011.

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 balances is amortised to the Income and Expenditure account 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 calculated in line with the requirements of the Code of Practice and written down accordingly. 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.

STATEMENT OF ACCOUNTING POLICIES (Continued)

14. **Stocks** - Stocks and stores are valued at the lower of cost and net realisable value.
15. **Provisions** - The Council makes provision in compliance with FRS 12 where there is an 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 28 to the Core Financial Statements there is a provision for unrecovered debts which has been netted off against the debtors figure on the balance sheet (see note 24 to the Core Financial Statements)
16. **Reserves** - These are amounts set aside for earmarked purposes out of the balances on the Council's funds. Further details of Earmarked Reserves are given in Note 35 to the Core Financial Statements.
17. **Investments** - Long term investments are shown in the accounts at the original cost price, plus brokerage and fees. Short term investments are valued at cost. Valuations are supplied by the Council's external Cash Fund Managers, who invest in certificates of deposit, cash deposits and government fixed interest gilts. Any losses in market value compared with the cost of the investment are recognised in the Revenue Account.

As set out in the Notes to the Balance Sheet (Note 30) £15m has been deposited with Icelandic banks that have subsequently gone into administration. It is anticipated that around £13m will be recovered over the period to 2013.

18. **VAT** - This is included in the income and expenditure accounts only to the extent that it is irrecoverable.
19. **Interest in Companies** - Brent Housing Partnership is a subsidiary of the London Borough of Brent. It is the only organisation that meets the criteria for inclusion in Brent's group accounts. Group accounts are included in this document after Brent's single entity financial statements.
20. **Financial Liabilities** – Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure account 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 Income and Expenditure account is the amount payable for the year in the loan agreement.

STATEMENT OF ACCOUNTING POLICIES (Continued)

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure account 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 Income and Expenditure account spread over the life of the loan by an adjustment to the effective interest rate.

Where premia and discounts have been charged to the Income and Expenditure account, 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 Income and Expenditure account 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 Statement of Movements on the General Fund balance.

21. 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
- Fair value through income and expenditure

Loans and Receivables

Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure account 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 Income and Expenditure account 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 Income and Expenditure account.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure account.

STATEMENT OF ACCOUNTING POLICIES (Continued)

Available for Sale assets

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure account when it becomes receivable by the council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available for Sale reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure account, along with any net gain / loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure account.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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.

22. Group Accounts

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions of the Council and its subsidiary Brent Housing Partnership (BHP) Limited. BHP is an Arms Length Management Organisation (ALMO). The financial statements in the Group Accounts are prepared in accordance with the policies set out above.

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

This Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Note	2009/10 Gross Expenditure £000	2009/10 Income £000	2009/10 Net Expenditure £000	2008/09 Net Expenditure £000
1. On its Services the Council Spent				
Education	338,639	(292,388)	46,251	41,075
Cultural Services	25,133	(3,520)	21,613	14,270
Highways, Roads and Transport	34,291	(17,361)	16,930	17,817
Environmental	33,055	(3,858)	29,197	28,632
Planning and Development	12,851	(3,379)	9,472	6,715
Housing (General Fund)	318,423	(296,279)	22,144	29,952
Adult Social Care	107,124	(20,084)	87,040	79,439
Children's Social Services	47,152	(6,024)	41,128	37,120
Courts	216	(472)	(256)	206
3. Central Services	87,247	(50,200)	37,047	10,490
Net Cost of General Fund Services	1,004,131	(693,565)	310,566	265,716
Housing Revenue Account	<u>35,910</u>	<u>(65,461)</u>	<u>(29,551)</u>	<u>(13,674)</u>
Net Cost of Services	1,040,041	(759,026)	281,015	252,042
(Profit)/Loss on Disposal of Fixed Assets			241	(602)
4. Levies			9,280	7,872
5. (Surplus)/Deficit on Trading Accounts			(259)	(235)
Interest Payable			29,824	32,817
Amounts payable into Housing Capital Receipts Pool			667	633
HRA share of Corporate and Democratic Core			252	179
Amortised premiums and discounts			(543)	8,050
HRA investment income/mortgage interest			(945)	(976)
6. Interest and Investment Income			(2,184)	(6,956)
Pensions Interest Cost and Expected Return on Pensions Assets			<u>33,870</u>	<u>21,440</u>
Net Operating Expenditure			351,218	314,264
Income from Collection Fund			(99,741)	(96,567)
General Government Grants			(30,397)	(19,479)
Area Based Grant			(16,405)	(16,209)
Distribution from Non-Domestic Rates Pool			<u>(131,697)</u>	<u>(139,925)</u>
(Surplus)/Deficit for the Year			<u>72,978</u>	<u>42,084</u>

2009/10 STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE (SMGFB)

The Income and Expenditure (I&E) Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed. Consequently depreciation charges in the I&E Account are reversed in the SMGFB so only external interest payments and provision for the repayment of principal are charged against council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under-spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2009/10 £000	2008/09 £000
(Surplus)/Deficit for the Year on the Income and Expenditure Account	72,978	42,084
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year (see table on the next page for further details)	(73,373)	(41,939)
(Increase)/Decrease in General Fund Balance for the Year	(395)	145
General Fund Balance brought forward	(22,640)	(22,785)
General Fund Balance carried forward	(23,035)	(22,640)
Amount of General Fund Balance held by schools under local management schemes	(14,072)	(14,586)
Amount of General Fund Balance generally available for new expenditure	(8,963)	(8,054)
	(23,035)	(22,640)

DETAILS OF RECONCILING TRANSACTIONS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year

	2009/10 £000	2009/10 £000	2008/09 £000	2008/09 £000
- Depreciation and impairment of fixed assets (Note 7)	(88,993)		(54,445)	
- Government grants deferred amortisation	5,797		5,033	
- Write downs of deferred charges to be financed from capital resources	(4,685)		(10,130)	
- Net profit/(loss) on sales of fixed assets	(241)		602	
- Net charges made for retirement benefits in accordance with FRS17	(18,220)		(7,140)	
- Net premia charged to services	5,465		(3,457)	
		(100,877)		(69,537)

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year

- Minimum revenue provision for capital financing (Note 7)	9,727		7,453	
- Capital expenditure charged in year to the General Fund Balance	11,897		14,021	
- Capital expenditure funded by the Housing Revenue Account	5,756		2,725	
- Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool (Note 19)	(667)		(633)	
		26,713		23,566

Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

- Transfer to/(from) HRA balances	(2,254)		1,920	
- Net transfer to/(from) earmarked reserves	(2,295)		2,172	
- Transfer to/(from) Major Repairs Reserve	5,340		(60)	
		791		4,032

Net additional amount required to be debited/ (credited) to the General Fund balance for the year

(73,373) (41,939)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate change in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/10 £000	2008/09 £000
(Surplus) or Deficit for the Year on the Income and Expenditure Account	72,978	42,084
(Surplus) or Deficit arising on Revaluation of Fixed Assets (see note 23 to Core Financial Statements)	(94,102)	49,626
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities (see note 15 to Core Financial Statements)	176,790	130,210
Other (Gains) and Losses		15
Total recognised (Gains) or Losses for the Year	155,666	221,935

BALANCE SHEET

The Balance Sheet summarises in its top section all the assets that the Council owns and the liabilities that it owes to others. The bottom section sets out how the net assets of the Council are allocated between usable resources, resources that have been set aside to finance capital expenditure, unrealised gains from increases in asset values, and reserves needed to manage the complexities of local authority accounting.

BALANCE SHEET AS AT 31st MARCH 2010

Note	31.03.10		31.03.09	
	£000	£000	£000	£000
20.	Fixed Assets			
	Council Dwellings	717,876	698,609	
	Other Land and Buildings	545,088	524,888	
	Vehicle, Plant, Furniture and Equipment	24,881	20,563	
	Infrastructure	141,090	134,075	
	Intangible Assets	1,894	1,070	
	Non-Operational Assets			
	- Investment Properties	233	-	
	- Commercial Properties	6,527	6,179	
	- Assets under construction	23,750	3,231	
	Net Fixed Assets			1,388,615
22.	Investments (Long Term)			54,654
23.	Long Term Debtors			504
	Total Long Term Assets			1,443,773
	Current Assets			
	Stock and Work in Progress	262	421	
	Payments in Advance	8,650	6,304	
24.	Debtors	110,744	119,064	
24.	Less provision for bad debts	(45,503)	(50,183)	
	Short Term Investments	48,628	42,835	
	Cash at Bank	17,844	8,882	
	Cash in Hand	137	184	
				127,507
	Current Liabilities			
	Short Term Borrowing	(52,057)	(79,699)	
25.	Creditors	(62,577)	(66,922)	
	Deposits	(1,583)	(1,630)	
	Receipts in Advance	(9,980)	(9,438)	
				(157,689)
	Net Current Assets/(Liabilities)			(30,182)
	Total Assets Less Current Liabilities			1,413,591
26.	Long Term Borrowing			(593,473)
	Long Term Creditors			(24,467)
28.	Provisions			(4,561)
29.	Government Grants Deferred			(132,780)
33.	Capital Grants Unapplied			(21,713)
14.	Liability related to defined benefit pension schemes			(478,870)
	Total Assets Less Liabilities			157,727

BALANCE SHEET (Continued)

Note	31.03.10		31.03.09	
	£000	£000	£000	£000
	The Council finances this from:			
30.	140,820			53,575
31.	488,554			542,948
37.	(36,316)			(43,037)
32.	140			-
34.	7,096			7,392
	4,198			116
35.	46,240			48,535
14.	(673,880)			(478,870)
	Balances:			
36.	23,035		22,640	
	2,174		4,428	
		25,209		27,068
		2,061		157,727

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2009/10		2008/09	
	£000	£000	£000	£000
Revenue Activities				
- Cash Outflows				
Cash Paid to and on Behalf of Employees	345,436		331,498	
Other Operating Cash Payments	338,708		387,231	
Housing Benefit Paid	266,803		187,579	
Payments to the Capital Receipts Pool	667	951,614	633	906,941
- Cash Inflows				
Rents (after Rebates)	(19,786)		(18,973)	
Council Tax Income	(75,780)		(76,904)	
NNDR Income from National Pool	(131,697)		(139,925)	
Revenue Support Grant	(30,397)		(19,479)	
Area Based Grants	(16,405)		(16,209)	
DWP Grants for Rebates	(269,574)		(211,046)	
Other Government Grants (See Note 49)	(338,596)		(331,041)	
Cash received for Goods and Services	(91,744)		(69,757)	
Other operating cash receipts	(32,349)	(1,006,328)	(54,894)	(938,228)
Servicing of Finance				
- Cash Outflows				
Interest Paid	29,824		33,065	
Premia Paid	0		8,451	
- Cash Inflows				
Interest Received	(2,184)	27,640	(5,747)	35,769
Total Revenue Activities Cash (Surplus)/Deficit (See Note 50)		(27,074)		4,482
Capital Activities				
- Cash Outflows				
Purchase of Fixed Assets	103,048		91,268	
Purchase of long-term investments	0		0	
Other capital cash payments	0	103,048	0	91,268
- Cash Inflows				
Sale of Fixed Assets	(15,751)		(1,832)	
Capital Grants Received	(47,690)	(63,441)	(40,006)	(41,838)
Net Cash (Inflow)/Outflow Before Financing		12,533		53,912
Management of Liquid Resources				
Net Increase/Decrease in short term deposits	(28,898)	(28,898)		(14,400)
Financing				
- Cash Outflows				
Repayments of Amounts Borrowed	727,620	727,620		505,150
- Cash Inflows				
New Loans Raised	(20,000)		(60,000)	
New Short Term Loans	(700,170)	(720,170)	(490,700)	(550,700)
(Increase)/Decrease in Cash (See Note 51)		(8,915)		(6,038)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 1: INCOME AND EXPENDITURE ACCOUNT

The figures for the costs of individual services have been compiled in accordance with CIPFA's Best Value Accounting Code of Practice. This includes the allocation of overheads to services, charging depreciation to services and the treatment of past service contributions to meet the Pension Fund deficit. In addition information is shown in accordance with CIPFA's latest Service Expenditure Analysis.

NOTE 2: PRIOR PERIOD ADJUSTMENTS

The 2009 SORP contains revised accounting requirements for the treatment of Private Finance Initiatives (PFI) and similar contracts plus the treatment of Collection Fund income.

PFI's are now accounted for in accordance with International Financial Reporting Standards (IFRS).

Brent collects National Non-Domestic Rates and some Council Tax on behalf of the government and the Greater London Authority respectively. The amounts collected where Brent is acting as an agent are no longer shown in the Core Financial Statements.

The 2008/09 accounts and the balance sheet at 31st March 2009 have been re-stated to take account of the difference in accounting requirements compared to last year's audited accounts. The main changes are shown below:

	Audited 2008/09 Accounts £000	Adjustments required by 2009 SORP £000	Restated 2008/09 Accounts £000
Income and Expenditure Account			
Cultural Services	14,374	(104)	14,270
Highways, Road and Transport	17,781	36	17,817
Housing General Fund	28,292	1,660	29,952
Statement of Movement on the General Fund Balance			
(Surplus)/Deficit for Year on the I&E Account	40,492	1,592	42,084
Made up of:			
Depreciation and Impairment of Fixed Assets	(53,862)	(583)	(54,445)
Minimum Revenue provision	8,462	(1,009)	7,453
Statement of Total Recognised Gains and Losses			
(Surplus)/Deficit arising on Revaluation of Fixed Assets	51,218	(1,592)	49,626
Balance Sheet			
Fixed Assets			
Other Land and Buildings	510,445	14,443	524,888
Infrastructure	128,861	5,214	134,075
Debtors	133,041	(13,977)	119,064
Provision for Bad Debts	(60,247)	10,064	(50,183)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

	Audited 2008/09 Accounts £000	Adjustments required by 2009 SORP £000	Restated 2008/09 Accounts £000
Creditors	(70,513)	3,591	(66,922)
Receipts in advance	(10,502)	1,064	(9,438)
Long Term Creditors	-	(24,467)	(24,467)
Revaluation Reserve	(65,913)	12,338	(53,575)
Capital Adjustment Account	(543,309)	361	(542,948)
Deferred Credits	(260)	(7,132)	(7,392)
Collection Fund	1,500	(1,500)	-
Cash Flow Statement			
NNDR payments to national pool	88,242	(88,242)	
Precepts paid	29,304	(29,304)	
Council Tax Income	(99,966)	23,062	(76,904)
NNDR Income	(99,428)	99,428	-
Other Operating Cash Receipts	(49,950)	(4,944)	(54,894)

NOTE 3: CENTRAL SERVICES

Central Services for 2009/10 comprise the following elements:

	2009/10 Gross Expenditure £000	2009/10 Income £000	2009/10 Net Expenditure £000	2008/09 Net Expenditure £000
Corporate and Democratic Core	7,134	(21)	7,113	5,066
Central Services to the Public	70,036	(36,959)	33,077	10,650
Other Operating Income and Expenditure	10,077	(13,220)	(3,143)	(5,226)
	87,247	(50,200)	37,047	10,490

NOTE 4: LEVIES

The Council is required to pay levies to a number of bodies shown below:

	2009/10 £000	2008/09 £000
Lee Valley Regional Park	293	289
London Pension Fund Authority	386	399
Environment Agency	191	191
West London Waste Authority	8,410	6,993
	9,280	7,872

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 5: TRADING ACCOUNTS

The following activities operate on a 'trading account' basis.

Activity	2009/10		2008/09	
	Turnover £000	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000
Finance	329	(27)	351	4
Grounds Maintenance	574	(117)	893	(131)
Transport	5,938	65	6,874	55
Lead Tenants	7,070	(180)	8,558	(163)
TOTAL	13,911	(259)	16,676	(235)

Financial Information Solutions (FIS) - FIS provides financial services to Environment and Culture and a number of other Council units.

Grounds Maintenance - Grounds maintenance is the ex-DLO function of the Parks Service and only includes those contracts subject to external competition.

Brent Transport Service (BTS) - BTS provide home to school transport for schools, transport services for adult and children's social care, courier service for the Council and a small number of fleet management contracts for other Council units.

Lead Tenant Accounts - The Council operates a number of lead tenant accounts for its main office buildings. All the costs of running these buildings are charged to these accounts and the tenants are charged a rental based on market rents plus a service charge.

NOTE 6: INTEREST RECEIVABLE

Interest receivable was £2.184m in 2009/10 (£6.956m in 2008/09). There were no unrealised gains or losses included as interest receivable in the 2008/09 or 2009/10 revenue accounts.

NOTE 7: DEPRECIATION AND IMPAIRMENT OF ASSETS

General Fund Depreciation and Impairment of all Council assets chargeable to income and expenditure accounts total £88.422m.

Depreciation - This contribution to the Capital Adjustment Account represents the difference between depreciation charged and the minimum revenue provision (MRP) as follows:

	2009/10 £000	2008/09 £000
Statutory MRP	9,727	8,462
Provision for General Fund Depreciation	(21,413)	(18,972)
Additional Charge/(Credit) to/(from) Statement of Movement on the General Fund Balance	(11,686)	(10,510)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Impairments - This represents instances where there has been a significant decline in a fixed asset valuation which has arisen as a result of obsolescence, physical damage or a change in the environment in which the authority operates.

	2009/10 £000
Capital Adjustment Account	68,265
Financial Instruments Adjustment Account re: Icelandic banks (Note 30 and 40)	(1,256)
	67,009

NOTE 8: CONTRIBUTION FROM THE CAPITAL ADJUSTMENT ACCOUNT

This contribution represents the net write-off of expenditure in relation to assets which the Council does not own or from which the Council does not derive any material benefit or expenditure which government direction allows to be capitalised. This expenditure is referred to as Revenue Expenditure Funded from Capital under Statute.

	2009/10 Grant £000	2009/10 Expenditure £000	2008/09 Expenditure £000	2008/09 Grant £000
Renovation Grants	1,562	3,933	4,730	1,490
Regeneration	2,112	3,277	4,130	3,112
Leased Buildings	500	1,649	7,373	2,500
Voluntary Aided Schools	1,710	1,710	479	319
Social Housing Grant	-	-	8	-
Single Status	-	-	831	-
Total Contribution	5,884	10,569	17,551	7,421

The net amount is included within the following items in the Net Cost of Services:

	2009/10 £000	2008/09 £000
Planning and Economic Development	1,169	1,019
Housing General Fund	2,813	7,431
Central Services	703	1,520
Education	-	160
	4,685	10,130

NOTE 9: DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families (DCSF), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resource.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Details of the deployment of DSG receivable in 2009/10 are as follows:

	<u>Schools Budget Funded by Dedicated Schools Grant</u>		
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Original grant allocation to Schools Budget for the current year in the authority's budget	21,070	168,485	189,555
Adjustment to finalised grant allocation	-	-	-
DSG receivable for the year	21,070	168,485	189,555
Actual expenditure for the year	24,719	168,485	193,204
(Over)/underspend for the year	(3,649)	-	(3,649)
Brought Forward from 2008/09	672	-	672
(Over)/underspend carried forward to 2010/11	(2,977)	-	(2,977)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 10: EMPLOYEES' REMUNERATION

The number of employees whose remuneration in 2009/10 and 2008/09, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band	2009/10			2008/09		
	Schools Staff	Officers	Total Employees	Schools Staff	Officers	Total Employees
£50,000 - £54,999	233	68	301	169	62	231
£55,000 - £59,999	76	38	114	75	33	108
£60,000 - £64,999	55	25	80	52	23	75
£65,000 - £69,999	38	32	70	33	29	62
£70,000 - £74,999	17	5	22	20	11	31
£75,000 - £79,999	19	4	23	10	-	10
£80,000 - £84,999	10	1	11	15	1	16
£85,000 - £89,999	6	11	17	2	12	14
£90,000 - £94,999	3	2	5	3	-	3
£95,000 - £99,999	3	2	5	3	3	6
£100,000 - £104,999	5	5	10	4	4	8
£105,000 - £109,999	2	6	8	2	7	9
£110,000 - £114,999	1	-	1	-	-	-
£115,000 - £119,999	1	-	1	-	-	-
£120,000 - £124,999	-	-	-	1	-	1
£125,000 - £129,999	1	1	2	-	-	-
£130,000 - £134,999	-	1	1	-	-	-
£135,000 - £139,999	-	-	-	-	1	1
£140,000 - £144,999	-	5	5	-	4	4
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	1	1
£190,000 - £194,999	-	1	1	-	1	1
Total	470	207	677	389	192	581

Due to revised definition of remuneration, some of the numbers shown for 2008/09 have been amended from the figures in the 2008/09 audited accounts.

The table above includes senior employees. Further details of senior employees' remuneration is shown in Note 11.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 11: SENIOR EMPLOYEES' REMUNERATION

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

Postholder	2009/10						2008/09				
	Note	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 £
Chief Executive – G Daniel	1	205,077	-	205,077	44,807	249,884	212,350	-	212,350	44,603	256,953
Director of Housing & Community Care		140,508	-	140,508	32,176	172,684	140,508	-	140,508	32,176	172,684
Director of Children & Families		140,508	-	140,508	32,176	172,684	140,508	-	140,508	32,176	172,684
Director of Finance & Corporate Resources		140,508	-	140,508	32,176	172,684	140,508	-	140,508	32,176	172,684
Director of Environment & Culture		140,508	-	140,508	32,176	172,684	140,508	-	140,508	32,176	172,684
Director of Policy & Regeneration		140,508	-	140,508	32,176	172,684	139,157	-	139,157	31,867	171,024
Director of Business Transformation (from 09.02.09)	2	130,471	-	130,471	29,878	160,349	18,528	-	18,528	4,243	22,771
Director of Human Resources & Diversity (until 02.02.09)	2	-	-	-	-	-	112,040	42,362	154,402	25,657	180,059
Director of Communications & Diversity	2	126,008	-	126,008	28,856	154,864	99,978	-	99,978	22,895	122,873
Borough Solicitor (until 29.01.10)	3	91,726	-	91,726	21,005	112,731	108,084	-	108,084	24,751	132,835
		1,255,822	-	1,255,822	285,426	1,541,248	1,252,169	42,362	1,294,531	282,720	1,577,251

Note 1: The Chief Executive's salary in 2008/09 included £17,577 for his duties as returning officer for the GLA elections paid by the GLA. The Chief Executive's salary in 2009/10 includes £9,410 for acting as returning officer for the European elections paid by the Government and £862 for returning officer duties in the Council by-election paid by the Council. The Chief Executive's salary, excluding returning officer duties, was £194,773 in 2008/09 and £194,805 in 2009/10.

Note 2: There was a restructure of some senior Council posts in February 2009. This included the deletion of the post of Director of Human Resources and Diversity and the creation of the post of Director of Business Transformation. The annualised salary of the Director of Human Resources and Diversity in 2008/09 was £135,105. The annualised salary of the Director of Business Transformation in 2008/09 was £135,105.

Note 3: After the Borough Solicitor left the Council the duties were undertaken by an interim appointment. Brent paid £24,945 for these interim services for this post in 2009/10. The annualised salary of the Borough Solicitor was £108,084 in 2009/10.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 12: EXPENDITURE ON LEASING

Operating Leases

Operating leases where the Council is the lessee relating to land and buildings were:

	2009/10 £'000	2008/09 £'000
Operational Land & Buildings (GF)	4,232	2,498
Operational non-residential (HRA)	0	312
Operational residential (HRA)	490	2,292
Total	4,722	5,102

The payments the authority is committed to make in 2010/11 in relation to operational leases for land and buildings are:

	Operational Land & Buildings (GF) £'000	Operational non-residential (HRA) £'000	Operational Residential (HRA) £'000	Total £'000
Within one year	2,349	0	120	2,469
Within two to five years	6,807	0	478	7,285
In more than five years	33,432	0	6,697	40,129
Total	42,588	0	7,295	49,883

Operating leases where the Council is the lessee relating to other asset classes were:

	2009/10 £'000	2008/09 £'000
Vehicles	74	87
Plant	1	24
Equipment	241	0
Other	0	0
Total	316	111

In 2009/10 the undischarged obligation in respect of operating leases was £15,000 (31.3.2009 £63,000). The payments the authority is committed to make in 2010/11 in relation to operational leases for other purposes are:

	Vehicles £'000	Plant £'000	Equipment £'000	Other £'000	Total £'000
Within one year	15	0	90	0	105
Within two to five years	0	0	181	0	181
In more than five years	0	0	0	0	0
Total	15	0	271	0	286

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The council is required to assess Private Finance Initiative and other similar contracts under IFRIC 12 to determine if they should be on balance sheet. The substance of on balance sheets contracts recognised under IFRIC 12 is that they are finance leases, details of assets and liabilities for these contracts are disclosed in note 43.

In addition to this assessment, the council is required to disclose embedded leases in line with the principles of IFRIC 4 where arrangements would be service concession, but there is no control over residual value. IFRIC 4 requires disclosure of the total payment required where payments cannot be separated in separate payments for services and for assets. The following payments are for an entire contract where payments cannot be separated.

	2009/10 £000
Total	1,518

The payments the authority is committed to make in 2010/11 in relation to this embedded lease are:

	£000
Total within one year	1,653
Total next 2-5 years	3,431
Total after 5 years	0
Total	5,084

Operating leases where the Council is the lessor relating to land and buildings were:

	2009/10 £'000	2008/09 £'000
Non-operational Land & Buildings (GF)	2,012	1,728
Non-operational non-residential (HRA)	247	0
Total	2,259	1,728

The value of assets held for use in operating leases is:

	31.03.10 £'000	31.03.09 £'000
Non-operational Land & Buildings (GF)		
Gross Book Value	45,400	30,055
Less: Accumulated Depreciation	(1,912)	(2,975)
Net Book Value	43,488	27,080
Non-operational non-residential (HRA)		
Gross Book Value	0	0
Less: Accumulated Depreciation	0	0
Net Book Value	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Income from operating leases within the HRA is principally from lease of rooftop sites for telecommunications these sites are considered to have nil value as they cannot be separated from the building.

There are no other financing leases, other than those disclosed as service concessions in Note 43, where the Council is either the lessee or the lessor.

NOTE 13: PENSION ARRANGEMENTS

Pensions are provided for all full-time Council employees under the requirements of statutory regulations. In certain circumstances these regulations extend to cover part-time employees. The principal schemes in operation are:

TEACHERS - This is a defined benefit scheme administered by the Department for Children, Schools and Families (DCSF). In 2009/10 Brent paid £13.6m (2008/09 £13.2m). The Council contributed at a rate of 14.1% of pensionable pay for the period (14.1% in 2008/09), and in addition is responsible for all pension payments relating to added years awarded by the authority together with the related increases. These amounted to a further £2.0m in 2009/10 (2008/09 £2.0m).

OTHER EMPLOYEES - Pensions are provided from the Pension Fund, the accounts of which have been produced separately. The employer's contributions, at rates advised by the Fund's actuaries, are charged to revenue as incurred. The Council's actuaries recommended an employer's contribution of 22.9% of pensionable pay in 2009/10 (22.9% of employees contributions in 2008/09). In 2009/10 the Council paid employer contributions of £26.1m (2008/09 £25.0m), representing 21.8% of pensionable pay of all employees. The Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2009/10 Brent made no discretionary payments (2008/09 zero). Expenditure in 2009/10 on added years awarded by the authority amounted to £3.1m (£3.0m 2008/09) representing 2.6% of pensionable pay.

Pension payments made during 2009/10 in accordance with SSAP 24 "*Accounting for Pension Costs*" are £15.5m representing 12.9% of pensionable pay.

The 2007 Actuarial Valuation indicates that the assets of the fund cover 72% of fund liabilities following a fall in investment returns offset by falling interest rates, and increasing member longevity. Employer contributions have been set to cover the deficit over 25 years.

Employer rates as a percentage of pensionable pay are as follows:

2005/06	20.1%
2006/07	21.6%
2007/08	23.1%
2008/09	22.9%
2009/10	22.9%
2010/11	22.9%

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 14: RETIREMENT BENEFITS

In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS 17) the London Borough of Brent is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

The London Borough of Brent participates in the Local Government Pension Scheme and acts as an Administering Authority. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. Brent also has unfunded liabilities related to added years service given to both teachers and other staff.

The most recent valuation was carried out as at 31st March 2007, and has been updated by independent actuaries to the London Borough of Brent Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31st March 2010. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

London Borough of Brent's contribution rate over the accounting period was 22.9% of pensionable pay. The contribution rate certified for London Borough of Brent at the 31st March 2007 valuation is 22.9% of pensionable pay.

These figures include the past service element of the contribution rate.

Disclosure under FRS17 (LGPS funded benefits)

Introduction

The disclosures below relate to the funded liabilities within the London Borough of Brent Pension Fund (the "Fund") which is part of the Local Government Pension Scheme. London Borough of Brent participates in the Fund which provides defined benefits, based on members' final pensionable salary. In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Investment markets have risen during 2009/10, increasing the value of assets. However, liabilities have risen far more rapidly as a result of higher anticipated inflation, increased longevity and the use of a lower discount rate reflecting the impact of quantitative easing by the Bank of England.

Contributions for the accounting period ending 31st March 2010

The Employer's regular contributions to the Fund for the accounting period 31st March 2010 are estimated to be £26.64M. In addition, Pension Fund Contributions may be required to cover early retirements.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Assumptions

The latest actuarial valuation of London Borough of Brent 's liabilities took place as at 31st March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

Principal financial assumptions (% per annum)

	31.03.10	31.03.09	31.03.08	31.03.07
Inflation	3.9	3.4	3.7	3.2
Rate of general increase in salaries *	5.4	4.9	5.2	4.7
Rate of increase to pensions in payment	3.9	3.4	3.7	3.2
Rate of increase to deferred pensions	3.9	3.4	3.7	3.2
Discount rate	5.5	6.7	6.8	5.3

* In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31st March 2007.

Principal demographic assumptions

Post retirement mortality	31.03.10	31.03.09
Males		
Base table (in 2007)	PNMAOO with allowance for MC* improvement factors to 2007	PNMAOO with allowance for MC* improvement factors to 2007
Scaling to above base table rates (normal health)	100%	100%
Cohort improvement factors (from 2007)	80% of LC**	80% of LC**
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	23.2	23.1
Future lifetime from age 65 (currently aged 45)	25.6	25.4
Females		
Base table (in 2007)	PNFAOO with allowance for MC* improvement factors to 2007	PNFAOO with allowance for MC* improvement factors to 2007
Scaling to above base table rates (normal health)	100%	100%
Cohort improvement factors (from 2007)	60% of LC**	60% of LC**
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	25.2	25.0
Future lifetime from age 65 (currently aged 45)	27.4	27.3

* MC (Medium Cohort)

** LC (Lower Cohort)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Expected return on Assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS17.

	Long-term expected rate of return at 31.03.10 (% pa)*	Asset split at 31.03.10 (%)	Long-term expected rate of return at 31.03.09 (% pa)*	Asset split at 31.03.09 (%)	Long-term expected rate of return at 31.03.08 (% pa)	Asset split at 31.03.08 (%)
Equities	8.0	56.2	7.0	43.2	7.6	53.1
Private Equity/ infrastructure	13.0	9.6	7.0	9.2	7.6	3.0
Hedge Funds	8.3	9.2	6.5	10.6	7.1	7.7
Currency	-	0.0	10.0	0.0	10.0	7.5
Property	8.5	6.0	6.0	8.4	6.6	8.0
Gov. Bonds	4.5	3.3	4.0	4.6	4.6	6.7
Corp. Bonds	5.5	14.0	5.8	6.8	6.8	2.1
Cash/other**	8.0	1.7	5.0	17.2	7.1	12.0
Total	8.0	100.0	6.3	100.0	7.4	100.0

The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

Narrative description of the basis used to determine expected return

London Borough of Brent employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31st March 2010.

Reconciliation of funded status to balance sheet

	Value as at 31.03.10 £m	Value as at 31.03.09 £m	Value as at 31.03.08 £m
Notional value of assets	402.70	306.84	405.45
Present value of liabilities	977.48	697.01	660.95
Net pension asset / (liability)	(574.78)	(390.17)	(255.50)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Analysis of Income and Expenditure / Profit and Loss charge

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Current service cost	15.51	15.48
Past service cost	0.46	0.00
Interest cost	46.60	44.90
Expected return on assets	(18.50)	(29.14)
Curtailment cost	0.00	0.00
Settlement cost	<u>0.00</u>	<u>0.00</u>
Expense recognised	<u>44.07</u>	<u>31.24</u>

Changes to the present value of liabilities during the accounting period

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Opening present value of liabilities	697.01	660.95
Current service cost	15.51	15.48
Interest cost	46.60	44.90
Contributions by participants	7.38	7.18
Actuarial (gains)/losses on liabilities*	236.99	(7.45)
Net benefits paid out [#]	(26.47)	(24.05)
Past service cost	0.46	0.00
Net increase in liabilities from disposals and acquisitions	0.00	0.00
Curtailments	0.00	0.00
Settlements	<u>0.00</u>	<u>0.00</u>
Closing present value of liabilities	<u>977.48</u>	<u>697.01</u>

* Includes changes to the actuarial assumptions.

Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Changes to the fair value of assets during the accounting period

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Opening fair value of assets	306.84	405.45
Expected return on assets	18.50	29.14
Actuarial gains / (losses) on assets	70.40	(135.66)
Contributions by the employer	26.05	24.78
Contributions by participants	7.38	7.18
Net benefits paid out [#]	(26.47)	(24.05)
Net increase in assets from disposals and acquisitions	0.00	0.00
Settlements	<u>0.00</u>	<u>0.00</u>
Closing fair value of assets	<u>402.70</u>	<u>306.84</u>

[#] Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £??M for the period ending 31st March 2010.

Actual return on assets

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Expected return on assets	18.50	29.14
Actuarial gain / (loss) on assets	<u>70.40</u>	<u>(135.66)</u>
Actual return on assets	<u>88.90</u>	<u>(106.52)</u>

Analysis of amount recognised in STRGL*

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Total actuarial gains/(losses)	(166.59)	(128.21)
Total gain/(loss) in STRGL	(166.59)	(128.21)

* STRGL (Statement of Total Recognised Gains & Losses)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

History of asset values, present value of liabilities and surplus/deficit*

	As at 31.03.10 £m	As at 31.03.09 £m
Fair value of assets	402.70	306.84
Present value of liabilities	<u>977.48</u>	<u>697.01</u>
Surplus/(deficit)	<u>(574.78)</u>	<u>(390.17)</u>

* FRS17 requires the history to show this period plus the previous four periods if applicable. Asset values for all but the first two of these periods should be shown at current bid price. The asset values for the most recent three periods are shown at current bid price in this draft disclosure note. In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at midmarket value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 and 2005 are shown at mid-market value and have not been remeasured as permitted by FRS17 (as revised). Information for years other than the two years above can be obtained from this and previous FRS17 disclosures.

History of experience gains and losses*

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Experience gains/(losses) on assets	70.40	(135.66)
Experience gains/(losses) on liabilities [#]	7.90	(2.81)

* FRS17 requires the experience gains / (losses) to be disclosed for the current accounting period plus the previous four accounting periods if applicable. Information for periods other than the two periods shown above can be obtained from previous FRS17 disclosures. For those employers with unfunded liabilities it has only been a requirement to split out the funded and unfunded experience from 2008 onwards. The table below relates to funded and unfunded benefits.

	2008/09		2007/08		2006/07		2005/06	
	Amount (£m)	% of Assets/ Liabilities	Amount (£m)	% of Assets/ Liabilities	Amount (£m)	% of Assets/ Liabilities	Amount (£m)	% of Assets/ Liabilities
Actual return less expected return on assets	(135.66)	44.41	(73.48)	16.82	2.00	0.46%	42.43	10.7%
Experience gains and losses on pension liabilities	(3.90)	0.50	(20.04)	2.83	(1.87)	0.43%	(5.49)	0.8%
Changes in assumptions underlying the present value of pension liabilities	9.35	1.19	124.29	17.54	1.72	0.39%	(51.99)	7.8%
Total	(130.21)		30.77		1.85		(15.05)	

[#] This item consists of gains / (losses) in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Disclosure under FRS17 (LGPS and Teachers' unfunded benefits)

Introduction

The disclosures below relate to unfunded pension arrangements established by London Borough of Brent. These are defined benefit arrangements based on members' final pensionable salary. In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The value of the liabilities has risen as a result of higher anticipated inflation, increased longevity and the use of a lower discount rate reflecting the impact of quantitative easing by the Bank of England.

Contributions for the accounting period ending 31st March 2011

In the accounting period ending 31st March 2011 the Employer expects to pay £5.31m directly to beneficiaries.

Assumptions

The latest actuarial valuation of unfunded LGPS benefits took place as at 31st March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation results for FRS17 purposes were:

Principal financial assumptions (% per annum)

	31.03.10	31.03.09	31.03.08
Inflation	3.8	3.4	3.7
Rate of increase to pensions in payment	3.8	3.4	3.7
Discount rate	5.5	6.7	6.8

Principal demographic assumptions

Post retirement mortality	31.03.10	31.03.09
Males		
Base table (in 2007)	PNMAOO with allowance for MC* improvement factors to 2007	PNMAOO with allowance for MC* improvement factors to 2007
Scaling to above base table rates (normal health)	100%	100%
Cohort improvement factors (from 2007)	80% of LC**	80% of LC**
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	23.2	23.1

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Post retirement mortality	31.03.10	31.03.09
Females		
Base table (in 2007)	PNFAOO with allowance for MC* improvement factors to 2007	PNFAOO with allowance for MC* improvement factors to 2007
Scaling to above base table rates (normal health)	100%	100%
Cohort improvement factors (from 2007)	60% of LC**	60% of LC**
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	25.2	25.0

* MC (Medium Cohort)

** LC (Lower Cohort)

Reconciliations of funded status to balance sheet

	Value as at 31.03.10 £m	Value as at 31.03.09 £m	Value as at 31.03.08 £m
Present value of liabilities	99.10	88.70	86.02
Net pension (liability)	(99.10)	(88.70)	(86.02)

Analysis of Income and Expenditure/Profit and Loss charge

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Current service cost	0.00	0.00
Past service cost	0.00	0.00
Interest cost	5.77	5.68
Curtailement cost	0.00	0.00
Settlement cost	<u>0.00</u>	<u>0.00</u>
Expense recognised	<u>5.77</u>	<u>5.68</u>

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Changes to the present value of unfunded liabilities during the accounting period

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Opening present value of liabilities	88.70	86.02
Current service cost	0.00	0.00
Interest cost	5.77	5.68
Actuarial (gains) / losses on liabilities*	9.74	2.00
Net benefits paid out	(5.11)	(5.00)
Past service cost	0.00	0.00
Net increase in liabilities from disposals and acquisitions	0.00	0.00
Curtailments	0.00	0.00
Settlements	<u>0.00</u>	<u>0.00</u>
Closing present value of unfunded liabilities	<u>99.10</u>	<u>88.70</u>

* Includes changes to the actuarial assumptions

Analysis of amount recognised in STRGL*

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Total actuarial gains / (losses)	(9.74)	(2.00)
Total gain (loss) in STRGL	(9.74)	(2.00)

* STRGL (Statement of Total Recognised Gains & Losses)

History of present value of liabilities and surplus / deficit

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Present value of liabilities	99.10	88.70
Surplus / (deficit)	(99.10)	(88.70)

* FRS17 requires the history to show this period plus the previous four periods if applicable. Information for years other than the two periods shown above can be obtained from this and previous FRS17 disclosures.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

History of experience gains and losses*

	Period ending 31.03.10 £m	Period ending 31.03.09 £m
Experience gains / (losses)#	2.94	(1.09)

* FRS17 requires the experience gains/(losses) to be disclosed for the current accounting period plus the previous four accounting periods if applicable. It has, however, only been a requirement for experience gains and losses relating to unfunded liabilities to be split out from the unfunded liabilities from 2008 onwards. In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6th April 2007. This disclosure note presents the history of liabilities, and experience gain/(loss) on liabilities, for periods ending 2009 and 2010. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits.

This item consists of gains/(losses) in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Movement in Pensions Reserve

The movement in net surplus/deficit for the year to 31st March 2010 is as follows:

	£m	£m
Net surplus/(deficit) at beginning of year		(478.87)
Movement in year:		
Operating Charge:		
Current service cost	(15.51)	
Past service costs	(0.46)	(15.97)
Total Operating Charge		
Contributions:		
Contributions paid	31.16	31.16
Finance Income:		
Expected return on Pension Fund assets	18.50	
Interest on pension scheme liabilities	(52.37)	
Total Finance Income		(33.87)
Actuarial gain/(loss)		(176.33)
Net surplus/(deficit) at end of year		(673.88)

NOTE 15: RELATED PARTY TRANSACTIONS

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

Central Government provides grant income for the council which is shown in the Cash Flow Statement and Note 49 to the Core Financial Statements.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Councillors and Chief Officers complete related party transactions forms each year. A number of voluntary organisations which received grants from the London Borough of Brent in 2009/10 have Brent Members as Directors, Trustees or employees. The following information has been obtained from Members' 2009/10 Declarations of Related Party Transactions:

	£000
Brent Arts Council	10
Brent Irish Advisory Service	38
Middlesex ITEC	29
Tricycle Theatre	218

One councillor is a director of an organisation which provided services to the council costing £166,000. The contract was entered into in compliance with the Council's standing orders.

Further information is available from the Register of Members' Declarations of Interest.

London Borough of Brent Pension Fund - administrative support is provided to the Fund. UK equities are managed in-house. The Pension Fund's accounts are shown separately in this document.

Pooled Budgets - Details of partnerships with Brent tPCT and the North West London Mental Health Trust are shown in Note 20 to the Core Financial Statements.

Subsidiary Company - Brent has one subsidiary, Brent Housing Partnership (BHP) Limited. Further details are provided in the Group Accounts later in this document which combine Brent and BHP's accounts.

NOTE 16: MEMBERS' ALLOWANCES

Total payments including National Insurance costs in 2009/10 were £906,000 (£886,000 in 2008/09). The scheme for Members' allowances and amounts paid to each Member under the scheme are publicly available.

NOTE 17: POOLED BUDGETS

The Council entered into partnership agreements under Section 31 of the Health Act 1999 with Brent NHS Trust for pooled budget arrangements of the Senior Management Teams and related expenditure of the Learning Disability Partnership Board and the Integrated Community Equipment Service Partnership Board. The London Borough of Brent is the host partner for Learning Disabilities and Occupational Therapy equipment. There is also a Section 31 arrangement with the North West London Mental Health Trust (NWLMT) which is the host partner for Mental Health.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The Partnerships' income and expenditure for 2009/10 was:

	Learning Disabilities £000	Mental Health £000	Occupational Therapy £000
Funding: London Borough of Brent	(406)	(461)	(715)
Brent NHS Trust	(94)	-	(715)
NWLMHT	-	(1,075)	-
Total Funding	(500)	(1,536)	(1430)
Expenditure	503	1,554	1539
Net Overspend/(Underspend)	3	18	109
2008/09 Net Overspend/(Underspend)	-	-	367

NOTE 18: AUDIT COSTS

The London Borough of Brent incurred the following fees relating to external audit and inspection:

	2009/10 £000	2008/09 £000
- Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with Section 5 of the Audit Commission Act 1998.	470	441
- Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1999.	20	27
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above under Section 28 of the Audit Commission Act 1998.	86	100
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above.	-	-

NOTE 19: HOUSING CAPITAL RECEIPTS

Under section 11 of the Local Government Act 2003, the Secretary of State determined from 1st April 2004 onwards to replace the "set aside" means of redistribution for housing capital receipts, with the pooling regime. Councils are now required to pay over to the Secretary of State 75% of Right to Buy and 50% of other housing land capital receipts, subject to defined exemptions and deductions, for pooling centrally and distribution on a needs basis.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 20: FIXED ASSETS

	Operational Assets					Non-Operational Assets				Total Assets £000's	
	Council Dwellings £000's	Land & Buildings £000's	VPF&E £000's	Infrastructure £000's	Intangible Assets £000's	Total Operational £000's	Investment Properties £000's	Commercial Properties £000's	Asset under construction £000's		Total Non Operational £000's
Cost or Valuation											
At 1 st April 2009	720,236	560,503	42,047	159,861	1,106	1,483,753	0	6,519	3,252	9,771	1,493,524
Additions	24,670	30,636	9,431	10,870	824	76,431	233	0	20,765	20,998	97,429
Disposals	(440)	(15,834)	(12)	0	0	(16,286)	0	0	0	0	(16,286)
Revaluations	2,593	(5,283)	0	0	0	(2,690)	0	146	0	146	(2,544)
At 31 st March 2010	747,059	570,022	51,466	170,731	1,930	1,541,208	233	6,665	24,017	30,915	1,572,123
Depreciation and Impairments											
At 1 st April 2009	(21,627)	(35,615)	(21,484)	(25,786)	(36)	(104,548)	0	(340)	(21)	(361)	(104,909)
Charge for 2009/10	(7,556)	(12,185)	(5,113)	(3,855)	0	(28,709)	0	(13)	(246)	(359)	(28,968)
Disposals	0	377	12	0	0	389	0	0	0	0	389
Impairments	0	(16)	0	0	0	(16)	0	0	0	0	(16)
Revaluations	0	22,505	0	0	0	22,505	0	215	0	215	22,720
At 31 st March 2010	(29,183)	(24,934)	(26,585)	(29,641)	(36)	(110,379)	0	(138)	(267)	(405)	(110,784)
Balance Sheet Amount at 31 st March 2010	717,876	545,088	24,881	141,090	1,894	1,430,829	233	6,527	23,750	30,510	1,461,339
Balance Sheet Amount at 1 st April 2009	698,609	524,888	20,563	134,075	1,070	1,379,205	0	6,179	3,231	9,410	1,388,615
Nature of Asset Holding											
Owned	717,876	522,030	24,881	141,090	1,894	1,407,771	233	6,527	23,750	30,510	1,438,281
Finance Lease	-	-	-	-	-	-	-	-	-	-	-
PFI	0	23,058	0	0	0	23,058	0	0	0	0	23,058
	717,876	545,088	24,881	141,090	1,894	1,430,829	233	6,527	23,750	30,510	1,461,339

The five year cycle of land and building asset valuations from 1st April 2004 to 1st April 2009 has been completed by James Young, BSc, MRICS. Voluntary Aided schools are not included since they are not council assets. Council dwellings were revalued by FPD Savills at 31st March 2006 and their values have been up-rated to 31st March 2010 using Land Registry indices to reflect changes in property values. Impairment reviews on groups of assets are undertaken on an annual basis. Where impairment is identified as being due to the consumption of benefit the loss is charged to the relevant service revenue account, otherwise it is written off against the Revaluation Reserve.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 21: CAPITAL EXPENDITURE

The Council's in-year capital expenditure was financed as follows:

	2009/10 £000	2008/09 £000
Borrowing	13,697	53,441
Government Grants	47,568	21,862
Capital Receipts	14,780	1,698
Major Repairs Reserve	8,814	11,793
General Fund Revenue Contributions	6,025	6,085
HRA Revenue Contributions	5,756	2,725
Capital Accruals	1,289	2,749
Capital Funding Account	6,408	7,936
	104,337	108,289

NOTE 22: LONG TERM INVESTMENTS

The Council invested £100,000 to become a founder member of Greater London Enterprise (GLE) in 1986. GLE exists to support employment and business opportunities in London. The initial investment can only be realised through GLE being wound-up. It is estimated that the Council's stake in GLE is worth approximately £1m.

In 2006/07 the Council invested £161,000 to become a member of the London Authorities Mutual Limited (LAML) plus a further £100,000 in 2007/08. Insurance provision for some policies was provided to the Council in 2007/08.

The remaining long term investments are deposits with building societies for more than one year after 31st March 2010.

NOTE 23: LONG TERM DEBTORS

These are debtors which fall due after a period of at least one year, analysed as follows:

	31.03.10 £000	31.03.09 £000
Sale of Council Houses	189	231
Loan to BHP	10,638	-
Other	307	273
	11,134	504

In August 2009 the Council entered into a loan agreement with Brent Housing Partnership limited to make available a sterling term loan facility in an aggregate amount of up to £17,802m to fund the freehold and leasehold purchase of properties at Granville Road. The long term debtor of £10.638m relates to the first tranche drawdown on this loan facility in 2009/10.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 24: DEBTORS AND BAD DEBT PROVISION

An analysis of debtors is shown below:

	31.03.10 £000	31.03.09 £000
Housing Rents	2,283	3,434
Government Departments and Local Authorities	34,225	30,691
Council Tax Payers	24,766	31,790
Council Tax/NNDR Summons Costs	4,462	5,549
Parking	7,574	5,656
HRA	6,954	6,329
Housing Benefit Overpayments	11,841	9,912
Adult Social Care	8,259	10,829
Sundry	10,380	14,874
	110,744	119,064

An analysis of the provision for bad debts is shown below:

	31.03.10 £000	31.03.09 £000
Council Tax Payers	17,994	23,024
Council Tax/NNDR Summons Costs	4,278	5,113
Parking	6,499	4,966
HRA (including Housing Rents)	4,601	6,814
Housing Benefit Overpayments	9,311	8,246
Adult Social Care	700	661
Sundry	2,120	1,359
	45,503	50,183

NOTE 25: CREDITORS

An analysis of creditors is shown below:

	31.03.10 £000	31.03.09 £000
Government Departments and Local Authorities	13,091	16,475
Housing Revenue Account	11,774	18,587
Consolidated Loans Pool	27	19
Collection Fund	602	700
Adult Social Care	1,641	1,588
Children and Families	21,525	15,636
Environment and Culture	5,104	7,102
Other	8,813	6,815
	62,577	66,922

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 26: LONG TERM BORROWING

Loans that mature within one year are shown under short term borrowing. The analysis of long term loans by maturity is shown below:

	31.03.10 £000	31.03.09 £000
Between 1 – 2 years	-	-
Between 2 – 5 years	-	-
Between 5 – 10 years	10,165	-
Between 10 – 20 years	5,136	5,136
Between 20 – 30 years	30,012	30,012
Between 30 – 40 years	95,134	95,134
Between 40 – 50 years	412,216	402,166
More than 50 years	61,025	61,025
	613,688	593,473
Under the 2007 Statement of Recommended Practice (SORP), the Fair Value of these loans is assessed as:	688,357	688,664

The calculation of fair value is based on the discount rates assessed by the Public Works Loans Board (PWLB) when authorities wish to redeem debt prematurely. Similar discount rates have been applied to market debt as to PWLB debt.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy / sell at an appropriate price, with no other motive in their negotiations than to secure a fair price.

As the average interest rate payable on the debt is 4.55%, and loans could be borrowed at a lower rate as at 31st March, the fair value of the debt is higher than its book cost. The authority would be required to pay a large premium to discharge the debt.

The borrowing is treated as loans and receivables, and shown at amortised cost.

The risks involved in managing debt and investment portfolios are discussed in Note 38.

NOTE 27: IMPAIRMENT OF DEPOSITS WITH ICELANDIC BANKS

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £15m deposited across 2 of these institutions, with varying interest rates and maturity dates as follows:

		Interest Rate %	Maturity
Heritable	£10m	5.85	13.11.08
Glitnir	£5m	5.85	12.12.08

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7th October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17th April 2009 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions regarding timing of recoveries:

June 2010	5%
September 2010	5%
December 2010	5%
March 2011	5%
June 2011	5%
September 2011	5%
December 2011	5%
March 2012	5%
June 2012	5%
September 2012	5%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6th October 2008.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs was made to creditors on 6th February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 14th November 2008 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

The authority has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14th November 2008 in the future. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 25% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 25p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31st March 2010.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14th November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £1,899k has been transferred to the Financial Instruments Adjustment Account. Loss of interest has been borne in full by the General Fund.

Discussions are ongoing with DCLG to amend Regulations to allow the authority to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account and Pension Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 28: PROVISIONS

These monies have been set aside to cover the following potential liabilities:

	31.03.09 £000	Additions £000	Reductions £000	31.03.10 £000
Uninsured Losses	4,109	15	(97)	4,027
Disrepair Cases	94	-	-	94
Leasing – Dilapidations	107	-	-	107
Housing Repairs	200	-	-	200
Gloucester Close	26	-	-	26
Quainton Street S106	20	30	(4)	46
Chalkhill	-	353	-	353
Travellers Site Legal Fees	5	-	(5)	-
	4,561	398	(106)	4,853

Uninsured Losses - The Council meets a proportion of its insurance liabilities and claims from the Uninsured Losses provision. The level of the provision is reviewed annually on the basis of information from the Council's advisers. The Council estimates that the amount held as a provision plus additional amounts to be provided in 2009/10 will be more than sufficient to meet all claims that are likely to be settled in 2009/10.

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

Leasing/Dilapidations - To settle claims and damages by freeholders of properties leased by the Council.

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

Gloucester Close - Historic debt raised against leaseholders of Gloucester Close. The majority of the debt was written off in 2004/05. The balance on this account will be reviewed again in 2010/11.

Quainton Street S106 - Ongoing court case.

Chalkhill - Works to be carried out on Chalkhill estate.

Travellers Site Legal Fees - Legal fees of repossession for breach of tenancy agreement and illegal occupation.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 29: GOVERNMENT GRANTS DEFERRED ACCOUNT

	£000
Balance at 1 st April 2009	132,780
Grants Received in Year	41,684
Grants Released to Revenue	(5,797)
Balance at 31st March 2010	168,667

Capital Grants received for the purchase of fixed assets which are to be depreciated will be transferred to this account. Approved amounts will then be released to match the depreciation charge over the natural life of the asset.

NOTE 30: REVALUATION RESERVE

	£000
Balance at 1 st April 2009	(53,575)
Movements in Year:	
Net Asset Revaluations and Additions	(91,838)
Depreciation for Valuations and Disposals	4,593
Impairment of Assets	-
Balance at 31st March 2010	(140,820)

The Revaluation Reserve accounts for amounts where the current value net book value of an asset is above its historic cost. It represents the accumulated amount of revaluation gains less amounts written off owing to depreciation and impairment.

The Revaluation Reserve is a relatively new reserve and therefore the closing balance only shows revaluation gains accumulated since 1st April 2007.

NOTE 31: CAPITAL ADJUSTMENT ACCOUNT

	£000
Balance at 1 st April 2009	(542,947)
Movements in Year:	
Capital Receipts Applied	(14,780)
Capital Grants Released	(5,797)
General Fund Revenue Contributions to Capital Expenditure	(6,025)
Capital and Other Funding Account	(6,408)
HRA Contributions to Capital Expenditure	(5,756)
Major Repairs Reserve	(8,813)
Less:	
Transfer to Revenue (Note 7)	11,598
Disposals and Impairment	78,133
Net Expenditure written off (Note 8)	4,685
HRA Depreciation (see HRA Note 6)	7,556
Balance at 31st March 2010	(488,554)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The Capital Adjustment Account records the consumption of historic cost over the life of the asset and deferred charges over the period that the authority benefits from the expenditure. The account also records the resources set aside to finance capital expenditure.

NOTE 32: CAPITAL RECEIPTS UNAPPLIED

These are capital receipts which are available for financing new capital expenditure.

	2009/10 £000	2008/09 £000
Balance of Usable Receipts at 1 st April 2009	0	499
Add - Receipts from Sale of Assets etc.	15,587	1,832
Less – Pooled Payments	(667)	(633)
Less - Receipts Applied to New Capital Expenditure	(14,780)	(1,698)
Balance of Usable Receipts at 31st March 2010	140	0

NOTE 33: CAPITAL GRANTS UNAPPLIED

	2009/10 £000	2008/09 £000
Grants unapplied brought forward	21,713	3,570
Grants received during year	45,351	40,006
Grants applied during year	(5,884)	(7,421)
Grants transferred to Deferred Account	(41,684)	(14,442)
Grants unapplied carried forward	19,496	21,713

Note 21 shows £47.568m applied to fund capital spending in 2009/10. This consists of capital grants applied of £5.884m and grants transferred to deferred account of £41,684m.

NOTE 34: DEFERRED CREDITS

This comprises deferred capital receipts from the sale of Council houses and income from Private Street Works.

	2009/10 £000	2008/09 £000
Balance brought forward	7,392	328
Movement during the year	(296)	7,064
Balance carried forward	7,096	7,392

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 35: EARMARKED RESERVES

	31.03.09 £000	Additions £000	Reductions £000	31.03.10 £000
Section 106 and Commuted Car Parking	10,841	2,481	(2,301)	11,021
Care of the Elderly	235	2	(3)	234
Capital Funding	1,302	728	0	2,030
NNDR Revaluation Refunds	114	27	(133)	8
Systems Development	500	820	(772)	548
Middlesex House and Lancelot Road	3,558	2,076	(955)	4,679
Housing Revenue Account	3,051	1,618	(550)	4,119
Nurseries	548	0	(234)	314
Standards Fund	4,276	0	(622)	3,654
Property	2,243	0	(9)	2,234
Single Regeneration Budget	307	87	0	394
Local Public Service Agreement (LPSA)	750	0	(750)	0
JFS School PFI	2,014	164	0	2,178
Supporting People	2,203	373	(1,400)	1,176
Chalkhill Community Building	1,871	0	0	1,871
Viewstar Replacement	104	0	(59)	45
Granville Plus	123	0	0	123
Brent Performance Fund	236	224	0	460
Willesden Sports Centre PFI	1,430	230	0	1,660
Remuneration Strategy	1,664	0	(429)	1,235
Local Housing Allowance	664	28	(369)	323
Dedicated Schools Grant Balance	672	0	(672)	0
Wembley Youth and Community	250	0	0	250
Boiler Refurbishment	362	0	(362)	0
Long Term Sickness	713	0	(250)	463
Local Development Framework	200	0	0	200
South Kilburn Delivery	696	0	(696)	0
Transformation	712	10	(712)	10
Working Neighbourhood Fund	2,303	1,342	(1,874)	1,771
Capital Finance	1,616	0	(1,616)	0
Performance Reward Grant	0	491	0	491
Brent NHS Trust Settlement	1,137	750	(592)	1,295
Area Child Protection	132	41	0	173
Destination Wembley	577	0	(314)	263
Concessionary Fare	0	863	0	863
Homeless Strategy	0	100	0	100
Vehicle Purchase	0	205	0	205
Tackle Extremism	75	114	(75)	114
External Schools Active Grant	33	153	(33)	153
Affordable Housing PFI	0	576	0	576
Miscellaneous	1,023	2,848	(2,864)	1,007
	48,535	16,351	(18,646)	46,240

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Section 106 and Commuted Car Parking - Amounts received under Section 106 of the Town and Country Planning Act 1990 which are earmarked for particular purposes arising from the related developments.

Care of the Elderly - Monies bequeathed by a former resident to be utilised for providing services for the elderly within the borough.

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

NDR Revaluation Refunds - Monies earmarked to fund valuation appeals of Council properties.

Systems Development - To finance improvements and enhancements in the Borough's Information Technology and Communication (ITC) systems.

Middlesex House and Lancelot Road - In 1987 the Council entered into financial arrangements in connection with a loan raised by Network Housing Association (NHA) to fund the purchase and conversion of Middlesex House and a new building at Lancelot Road. These were to be primarily utilised to house homeless families. The Council leases the properties from NHA.

The Council entered a revised arrangement with NHA in 2000/01 effective from 1st April 1997. This included the Council paying grants to NHA which are calculated annually based on factors, such as the level of RPI, included in the agreement.

The maximum amount that the Council can be called upon to pay NHA in each financial year is set out in a model included in the agreement. The reserve represents this amount which is transferred annually less any actual expenditure which is charged to the revenue account.

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

Nurseries - Monies earmarked for the education of nursery school children in the borough.

Standards Fund - Unspent Standards Fund balances may be carried forward into the following financial year to be spent by 31st August.

Property - Monies earmarked to be spent on repairs, maintenance and dilapidations to council freehold and leasehold buildings. Also to support more efficient use of office accommodation and new ways of working.

Single Regeneration Budget (SRB) - Monies set aside to cover the set up/closure costs of SRB schemes.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Local Public Service Agreement (LPSA) - Grant for local public service agreements.

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

Supporting People - Monies underspent in previous year. During 2006/07 services were reviewed and managed to reduce contract values. The underspend will be utilised to balance funding cuts and set up new services in Brent. The grant conditions say this must be carried forward to spend on housing support.

Chalkhill Community Building - Monies earmarked for the development of a new community building on the Chalkhill estate.

Viewstar Replacement - Monies earmarked for the third stage of the new Housing Benefits document imaging system for filing and work allocation – phases 1 and 2 have been completed.

Granville Plus - Balance remaining for the redevelopment of community facilities to include a children centre in South Kilburn.

Brent Performance Fund - The fund is used to pay for various service improvements across the Council. The underspend is being carried forward to fund initiatives in 2010/11.

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

Remuneration Strategy - Monies for the development and the implementation of the single status agreement for employees and other recruitment and retention initiatives.

Local Housing Allowance - Reserve for on-going implementation costs of the new Local Housing Allowance commencing in April 2008 – costs for staff training, software development, publicity, start-up activities.

DSG Balance - Balance carried forward of Dedicated Schools Grant.

Wembley Youth and Community - Monies provided for the renovation of the Wembley Youth and Community Centre.

Boiler Refurbishment - Refurbishment of the boiler at the Centre for Staff Development.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Long Term Sickness - Monies expected to be required to pay for long term sickness in schools funded by contributions from schools.

Local Development Framework – Costs set aside for cost of inquiry.

South Kilburn Delivery - Costs to be incurred in the delivery of the project plan for South Kilburn.

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

Working Neighbourhood Fund - Programme of employment and skills provision through Brent into work.

Capital Financing Reserve - To smooth the impact of interest rate falls in 2009/10.

Performance Reward Grant – Funding set aside to deliver council priority initiatives.

Brent NHS Trust Settlement - Brent NHS Trust indicated that a number of patients that it funded for care should transfer to the local authority. The Council did not accept the legal basis for many of these changes. However, the majority of cases have now been resolved between the two bodies. Part of this settlement requires the Council to earmark £1.4m in this reserve. It will be utilised to fund joint initiatives between the Council and Brent NHS which will be agreed by both parties.

Area Child Protection - Money received from Brent Local Safeguarding Childrens Board for childrens services to promote the welfare of children.

Destination Wembley - Monies carried forward to meet commitments in Wembley Regeneration area.

Concessionary Fares - For Adult and Social Care to meet shortfall of concessionary fare costs in 2010/11.

Homeless Strategy - Additional grant received for Homelessness Strategy Project for 2010/11.

Vehicle Purchase - For Children and Families to purchase new vehicles for the start of the Vehicle Procurement Programme.

Tackle Extremism – Funding for challenge and innovation fund.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Extended Schools Activities Grant - Sports England and Free Swimming ring-fenced grants were paid in 2009/10 and the balance of the grant to spend for 2010/11.

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

Miscellaneous - This comprises of a variety of miscellaneous small reserves each totalling below £100,000. Some of these small reserves have relevance to more than one Service Area.

NOTE 36: GENERAL FUND BALANCES

The balance held on the General Fund comprises:

	31.03.10 £000	31.03.09 £000
Schools	14,072	14,586
Other	8,963	8,054
	23,035	22,640

Schools balances are committed to be spent on the Education service.

NOTE 37: FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

Premia incurred and General Fund discounts earned in prematurely redeeming debt are shown here. Premia are apportioned between the General Fund and Housing Revenue Account (HRA), and charged to the HRA over the remaining life of the redeemed debt or 10 years, whichever is shorter, and to the General Fund over the life of the debt which was raised to replace it. If an opportunity arises to capitalise the General Fund component, this is normally exercised, as it represents an efficient way of managing the portfolio. Discounts are offset against premia before amortising the balance unless separate amortisation is required, as for the HRA. These are shown separately in Note 30.

The 2007 SORP has changed the accounting treatment of premature redemption of debt. Previously premia were charged over the life of the replacement debt. Under the new SORP, if debt is extinguished (the net present value of cash flows changes by at least 10%, or the replacement loan is not taken out with the same lender on the same day as premature redemption) the premia/ discounts are taken to the Income and Expenditure account.

For 2007/08, none of the loans were modified (exchange of loan instruments with the existing lender is simultaneous, and the present value of the cash flows under the new loan vary by less than 10%) but were extinguished. There were no premature redemptions carried out in 2009/10.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Regulations issued by the Department of Communities and Local Government have been designed to ensure that the accounting changes do not impact on the council tax payer, so that the premia or discounts arising on the early redemption of debt in 2009/10 that may have been charged to the General Fund may be spread over an appropriate period. Adjustments are made through a Financial Instruments Adjustment Account.

The amounts included in the balance sheet are as follows:

	£000
Deferred Premia on the Premature Redemption of Debt	37,743
Discounts on Premature Redemption of Debt	<u>(3,326)</u>
	34,417
Impairment of deposits with Icelandic Banks (see Note 30 to the Core Financial Accounts)	1,899
	<u><u>36,316</u></u>

NOTE 38: SHORT TERM INVESTMENTS

Key Risks

The Council's investment activities expose it to a variety of financial risks, including:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of interest rate movements or other market changes.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years establishing:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

- Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These items are required to be reported and approved as part of the Council's annual Council Tax setting budget. They are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

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

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

	Amount at 31 March 2010 £000 (a)	Historical experience of default % (b)	Estimated maximum exposure to default £000
Deposits with banks and financial institutions	21,728	0	5,750
Building societies	26,604	0	0
Certificates of deposit	22,141	0	0
Total short term investments	70,473		5,750
Trade debtors	74,235	58.7	43,562
	<u>144,708</u>		<u>49,312</u>

The short term investments are loans and receivables and shown at amortised cost, with the exception of £22.141m which are fair value through profit and loss, but still at amortised cost.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The certificates of deposit have a capital value of £21.9m and accrued value of £22.141m. As at 1st April 2009, the capital value was £22.05m and the accrued value was £22.772m. Our treasury adviser, Arlingclose, has advised that the certificates of deposit should not be defined as 'available for sale' assets as the maturity of the assets is less than 12 months.

On a small number of occasions, the upper lending and term limits have been waived to allow efficient management of the portfolio with sound counterparties. The Council expects some losses from non-performance by its Icelandic counterparties in relation to deposits, and has allowed for this in the impairment calculation. The Council does not expect any losses from non-performance by other counterparties.

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

The past due amount can be analysed by age as follows:

	£000
Less than three months	13,411
Three to six months	4,362
Six months to one year	11,686
More than one year	44,776
	<u>74,235</u>

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

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

Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loans Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to councils. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets (up to three years).

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of borrowing is as follows:

	£000
Less than one year	52,056
Between one and two years	-
Between two and ten years	10,165
Between ten and 15 years	5,136
More than fifteen years	512,058
Market loans	86,330
	<u>665,745</u>

The maturity analysis of investments is as follows:

	£000
Less than one year	48,624
Between one and two years	21,849
	<u>70,473</u>

Market risk – The variation in interest paid is 1% on the principal sum except for fixed rate long term loans. The variation in fair value is a pro rata figure assessed by comparing current rates with the average rate paid on current debt and adjusting the difference between fair value and nominal value to 1%. The figure is highly approximate as the actual figure will be sensitive to the detail pattern of rates at the time of assessment, the commercial circumstances of the parties to the loan, the detailed maturity profile, the proposed details of refinancing and the direction of movement of rates.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account may rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments affect Income and Expenditure Account and the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposures appropriately. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. The risk of interest rate loss is partially mitigated by Government grant payable on financing costs for the Housing Revenue Account.

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

	£000
Increase in interest payable on variable rate borrowings	520
Increase in interest receivable on variable rate investments	240
Impact on Income and Expenditure Account	<u>280</u>
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	<u>260</u>
Decrease in fair value of fixed rate investment assets	
Impact on STRGL	<u>0</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	<u>280</u>

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

Price risk - The Council, excluding the pension fund, does not invest in equity shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Fair Value

The council follows the CIPFA Treasury Code, and only invests in very high quality institutions so that the risk of capital loss is minimised. The in-house team makes cash deposits for periods up to three years. The external manager (Aberdeen Asset Management) is allowed to invest in a wider range of instruments (cash, gilts, supranational bonds, certificates of deposit) with institutions that are named on the council's lending list. The manager has invested in cash and certificates of deposit (CDs) with less than one year to maturity. As CDs are more volatile than cash, the council has accounted for them at market value as at 31st March 2010.

NOTE 39: PROVISION FOR CREDIT LIABILITIES

This comprises amounts set aside from revenue and capital receipts to repay loans and credit arrangements as required by the Local Government and Housing Act 1989. From 1st April 1994 it is accounted for on a memorandum basis and is not a separate entry on the balance sheet. During the year all amounts set aside were utilised for the repayment of debt.

	2009/10 £000	2008/09 £000
Balance brought forward	-	-
Minimum Revenue Provision	9,727	8,462
Reserved Capital Receipts	-	-
	9,727	8462
Amount of Debt Repaid	(9,727)	(8,462)
Balance Carried Forward	-	-

NOTE 40: CONTINGENT LIABILITIES

The Council has a number of contingent liabilities listed below. The potential maximum liability for all the issues could be in the region of £27m.

Potential claims from two parties arising out of a planning agreement have been notified to the Council which disputes liability. No provision is being made.

The Council has a series of loan guarantees as detailed below:

The Council has a liability in respect of mortgages guaranteed under the Equity Sharing Scheme. The total value of the mortgages originally guaranteed was £900,000.

The Council has entered into a number of agreements, including guarantees and indemnities, leases and management agreements with Housing Associations and other bodies both for private sector leasing schemes and for accommodation for the homeless. It is not considered necessary to make any direct provision in respect of these agreements.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The Court of Appeal ruling on the Allerdale case cast doubt over the enforceability of at least some of the guarantees and indemnities previously given by the Council listed above.

The Council is guarantor of a lease entered into by a company wholly owned by it.

As a result of a House of Lords judgement in 2002, in respect of the 1983 Mental Health Act, some social services clients who received services from the Council under a particular section of the Act may be entitled to a refund of some or all of the charges made to them by the Council. The Council cannot quantify the liability and will deal with any claims as they arise.

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

The Council has provided a guarantee of £609,500 as part of its membership of the London Authorities Mutual Limited (LAML) a mutual insurance fund and company limited by a guarantee set up by a number of London Boroughs. The LAML is established to provide the Boroughs with various types of insurance coverage from 1st April 2007. At present, the guarantee is currently not enforceable as the High Court rules that Brent (and local authorities generally) did not have the power to grant a guarantee to LAML either under S. 111 of the Local Government Act 1972 or S.2 of the Local Government Act 2000. The Council has appealed to the Supreme Court. LAML is in provisional liquidation as a company and will be wound up in due course and as a result, the guarantee will no longer be enforceable irrespective of the outcome of the appeal before the Supreme Court. The Court of Appeal also ruled that the Council is liable for legal costs and damages for not carrying out a procurement exercise when insurance contracts were awarded to LAML. Unless the Supreme Court overturns the rulings of the Court of Appeal and the High Court, the costs orders against Brent Council are enforceable when the proceedings are completed.

The Council may be required to make a payment to leaseholders in respect of possible defects in statutory notices; the Council has however been advised that an application for dispensation from the consequences of the defects should be successful. No specific provision has been made.

Two claims for compensation for land taken under Compulsory Purchase Orders in connection with the Wembley Park Estate Access Corridor have been lodged with the Lands Tribunal. The Council believes it has made adequate provision for any claim on the whole scheme. One of the claims has reached settlement on the amount of compensation owing but the amount of legal costs of the claim payable by the Council has yet to be resolved. A settlement figure has been reached for the second claim but the issue of the amount of legal costs which the Council should pay to the claimant in the second claim is currently outstanding.

The Council has received a claim from a company that owns a piece of land, which it bought from the Council, stating that the Council is liable to decontaminate the land. The Council is resisting the claim and is making no specific provision.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The Council has granted a performance guarantee bond to the Homes and Community Agency (HCA) to guarantee the performance of a grant agreement between Brent Housing Partnership (BHP) and the HCA so that BHP can obtain funding from the HCA to build three affordable family homes in respect of a housing scheme in the Stonebridge area.

The Council may receive claims for back-pay relating to the negotiation of a national Single Status agreement (an exercise that employees are paid the same for carrying out jobs of equal value). This note should not be regarded as an acceptance of liability in any case.

NOTE 41: COUNCIL'S ASSETS

The Council's fixed assets principally include:

	31.03.10	31.03.09
Council Dwellings		
Council Dwellings	9,027	9,061
Land and Buildings		
Secondary Schools	13	13
Primary Schools	59	59
Nursery Schools	4	4
Special Schools	5	5
Pupil Referral Unit	3	2
Libraries	12	12
Social Services Establishments	86	86
Administrative Buildings	4	4
Car Parks	15	15
Infrastructure		
Kilometres of Roads	487	471
Community Assets		
Acres of Parks and Open Spaces	1,000	1,000
Acres of Allotments	49	49

NOTE 42: CAPITAL COMMITMENTS

Capital commitments are shown below. These include both schemes under contract and those it would be prudent to provide for:

	31.03.10 £000	31.03.09 £000
Capital Commitments	50,580	42,727
	50,580	42,727

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Capital commitments at 31st March 2010 are shown below:

	£000
Children & Families:	
Schools	24,285
Non-Schools	448
Environment & Culture:	
Roads & Highways	5,442
Leisure, Sport & Parks	1,378
Environmental Initiatives	2,180
Housing & Community Care:	
Adults	488
Works to dwellings	9,109
Finance & Corporate Resources:	
ICT schemes	273
Administrative Building	313
Policy and Regeneration	5,081
Central Items	1,734

NOTE 43: PRIVATE FINANCE INITIATIVE (PFI) AND SERVICE CONCESSIONS

The accounting rules for the treatment of PFI's and service concessions has changed this financial year to use International Finance Reporting Standards. These changes have been adapted for local authorities by the Code of Practice on Local Authority Accounting in the United Kingdom 2009-10 published by CIPFA.

Under IFRIC 12 the council has to determine if specific types of contract or arrangement have to be recognised as service concessions on its balance sheet. Accordingly, a detailed assessment of the councils contracts and arrangements has been carried out with the result that the projects detailed below are now accounted for as service concessions.

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.
- In 2006/07 a 25 year project to provide 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 a 20 year project to provide and maintain social housing and replacement residential facilities for people with learning disabilities. Legal title to the residential facilities for people with learning disabilities transfers to Brent. Brent controls the residual value of the 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.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Two agreements also meet the definition of a Service Concession:

- In 2005/06 a 32 year agreement to provide and maintain social housing within Stonebridge. This contract is unusual for service concessions recognised on balance sheet under IFRS as the assets have already been recognised on balance sheet, as Brent Council has freehold or leasehold of these properties. The Code of Practice has been followed to recognise the liabilities for the contractual payments under this scheme, and to bring these liabilities on balance sheet.
- In 2006/07 a 5 year agreement to refurbish a sports centre in Wembley. This Sports Centre is on balance sheet, and the value of these refurbishments is controlled by Brent Council when the contract ends.

The following value of assets has been recognised on the balance sheet funded by PFIs and service concessions:

	£000
PFI and Service Concession Assets as at 1.4.09	27,865
Movements in year:	
Additions and enhancements	3,083
Depreciation, transfers and revaluations	(916)
PFI and Service Concession Assets as at 31.3.10	30,032

Note: The leisure centre at Wembley was revalued in 2009-10 as an entire property including the refurbishments paid for by the service concession. A depreciation charge of £13.8 thousand has been estimated for these assets on the basis of the historic cost and included in the depreciation charge for the year. Additions to assets include a £1.89 million prepayment for the Social Housing PFI resulting from the transfer of assets to reduce the unitary payment.

These assets are funded by the following liabilities:

	£000
PFI And Service Concession Liabilities as at 1.4.09	(25,226)
Movements in year:	
Repayments of liabilities	714
Additional liabilities	(918)
PFI And Service Concession Liabilities as at 31.4.10	(25,430)

Where a PFI asset is paid for by third party payments, the Code of Practice on Local Authority Accounting in the United Kingdom 2009-10 requires recognition of deferred income, recognised the expected future third party payments. The following deferred income balance has been recognised in line with the Code of Practice:

	£000
Deferred Income as at 1.4.09	(7,132)
Deferred Income amortisation	255
Deferred Income as at 31.3.10	(6,877)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

	Operating Costs £000	Interest Charge £000	Creditor repayment £000	Finance costs - contingent rental £000	Fixed asset lifecycle costs £000	Total £000
Next Year	3,345	1,900	551	196	632	6,623
Near 2-5 years	13,378	13,107	8,925	1,618	2,866	39,894
Next 6-10 years	19,313	13,056	13,645	4,303	4,767	55,084
Next 11-15 years	12,712	7,993	16,059	7,313	6,056	50,134
Next 16-20 years	12,392	2,860	12,361	6,510	9,097	43,221
Next 21-25 years	3,803	490	2,904	2,116	5,109	14,423
Next 26-30 years	669	44	723	784	2,003	4,224

NOTE 44: ANALYSIS OF NET ASSETS EMPLOYED

	31.03.10 £000	31.03.09 £000
General Fund	(392,450)	(213,075)
Housing Revenue Account	394,511	370,802
	2,061	157,727

The FRS 17 deficit relating to the pension fund (£673.88m at 31.03.10) has been mainly charged to the general fund. This is why negative net assets are shown above for the general fund.

NOTE 45: AREA BASED GRANTS(ABG)

An Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. Local authorities are free to use it as they see fit – it is not ring-fenced.

From 2008/09 onwards, Area Based Grants replaced the previous arrangements under which local authorities received LAA grants to achieve LAA targets to support the delivery of local, regional and national priorities in their areas.

The ABG is required to be shown as part of Government Grants (not attributable to specific services) at the end of the Income and Expenditure Account and not in the Net Cost of Services.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 45: OTHER GOVERNMENT GRANTS CASH FLOW

	Funding Bodies	2009/10 £000	2008/09 £000
AIDS and HIV	DH	248	325
Asylum Seekers	HO	880	1,877
Childcare Affordability	LDA	469	1,005
Crime and Disorder Partnerships	HO	281	255
Dedicated Schools (DSG)	DE	189,555	185,106
Diploma Grant 14-19 Olds	DE	441	0
Free Swimming	DCMS	229	0
Homeless Strategy	CLG	1,157	875
Housing Benefits for Council Tenants (HRA)	DWP	29,652	29,173
Housing Subsidy	CLG	20,294	15,909
LAA Reward Grant	CLG	1,817	0
Local Authority Business Growth Incentive (LABGI)	CLG	383	4,266
LAA Pump Priming	CLG	9,651	8,180
Learning and Skills Council	DE/DIUS	26,400	26,676
Leaving Care Grant	DWP	528	414
London Pay Addition	DE	735	0
Magistrates Courts	MOJ	467	518
Partnerships for Older People	DH	0	363
Planning Delivery	CLG	337	367
Positive Activities for Young People	CLG	0	234
Private Finance Initiative	CLG	2,849	2,849
Regeneration Budget	CLG	3,828	6,428
Social Reform Grant	DWP	1,069	460
Standards Fund	DE	31,972	31,129
Supporting People	CLG	12,807	12,807
Tackling Extremism	CLG	202	0
Targeted Mental Health in Schools	DE	218	0
Think Family	DE	430	0
Training and Development	DE	0	293
Other Grants	Misc	1,697	1,532
		338,596	331,041

Funding Bodies:

- DH - Department of Health
- DWP - Department of Works and Pensions
- DE - Department of Education
- HO - Home Office
- DIUS - Department for Innovation, Universities and skills
- CLG - Communities and Local Government
- DEFRA - Department for Environment, Food and Rural Affairs
- LDA - London Development Agency
- MOJ - Ministry of Justice

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 46: RECONCILIATION OF SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO NET CASH FLOW

	2009/10 £000	2008/09 £000
Net (Surplus)/Deficit on the Income and Expenditure Account	72,978	20,187
Additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see Statement of Movement on the General Fund Balance)	(73,372)	(20,042)
HRA surplus for the year	2,254	(1,920)
	1,860	(1,775)
Non Cash Transactions		
Minimum Revenue Provision	(9,727)	(8,463)
Major Repairs Reserve	(4,022)	(7,215)
Other Provisions/Earmarked Reserves	6,377	(8,297)
Capital expenditure charged in year to General Fund Balance	(11,898)	(14,021)
Capital expenditure charged in year to the Housing Revenue Account	(5,756)	(2,725)
Capital Grants applied in year	5,884	7,421
Write downs of deferred charges to be financed from capital resources	4,685	10,130
Transfer from Usable Capital Receipts to meet payments to the Housing Receipts Pool	667	633
Accruals Items		
Increase/(Decrease) in Stock and WIP	(159)	289
Increase/(Decrease) in Debtors	261	19,077
(Increase)/Decrease in Creditors	(15,207)	5,923
Increase/(Decrease) in Payments in advance	456	2,864
(Increase)/Decrease in Receipts in advance	(542)	(2,643)
(Increase)/Decrease in Deposits	47	(173)
(Increase)/Decrease in Deferred Premia	0	3,457
(Increase)/Decrease in Discounts on premature debt redemption	0	0
Net Revenue Cash Flow (Surplus)/Deficit	(27,074)	4,482

NOTE 47: INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	Balance 31.03.10 £000	Balance 01.04.09 £000	Movement In Year £000
Cash	17,981	9,066	8,915
2008/09 Comparative			6,038

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 48: ANALYSIS OF CHANGES IN NET DEBT

	Balance 31.03.10 £000	Balance 31.03.09 £000	Movement In Year £000
Cash in Hand	137	184	(47)
Cash at Bank/(Overdrawn)	17,844	8,882	8,962
	<u>17,981</u>	<u>9,066</u>	<u>8,915</u>
Short Term Borrowing	(52,057)	(79,699)	27,642
Long Term Borrowing	(613,689)	(593,473)	(20,216)
	<u>(647,765)</u>	<u>(664,106)</u>	<u>16,341</u>
Short Term Investments	48,628	42,835	5,793
Total	<u>(599,137)</u>	<u>(621,271)</u>	<u>22,134</u>

NOTE 49: POST BALANCE SHEET EVENTS

Since the end of the financial year on 31st March 2010 no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

NOTE 50: GOVERNMENT GRANTS (NOT ATTRIBUTABLE TO SPECIFIC SERVICES)

Government Grant shown in the Income and Expenditure Account comprises the following amounts:

	2009/10 £000	2008/09 £000
Formula Grant	30,397	19,479
Area Based Grant	16,405	16,209
	46,802	35,688

HOUSING REVENUE ACCOUNT - 2009/10

The Housing Revenue Account (HRA) records the financial transactions relating to the Council's housing stock i.e. it reflects the Council's landlord role.

This account shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs, and how these are met by rents, subsidy and other income. The Housing Revenue Account has to be self financing and there is a legal prohibition on cross subsidy to or from Council Tax Payers.

HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

<u>Note</u>	2009/10 £000	2008/09 £000
<u>Income</u>		
Dwelling Rents	(45,076)	(45,237)
Non Dwelling Rents	(599)	(663)
Charges for Services and Facilities	(247)	(279)
Transfer from General Fund	(138)	(546)
HRA Subsidy Receivable	(19,401)	(15,495)
Sums directed by the Secretary of State	0	0
Housing Benefit Transfers	0	0
Total Income	(65,461)	(62,220)
<u>Expenditure</u>		
Repairs and Maintenance	9,247	8,367
Supervision and Management	15,523	18,492
Rent and Rates	3,345	3,519
Depreciation of Fixed Assets	7,623	7,276
5 Impairment of Fixed Assets	0	11,023
Bad or Doubtful Debts	(11)	(189)
Debt Management Expenses	183	58
Sum directed by Secretary of State	0	0
Total Expenditure	35,910	48,546
Net Cost of Services included in the Council's Income and Expenditure Account	(29,551)	(13,674)
HRA share of Corporate and Democratic Core	252	179
Net Cost of HRA Services	(29,299)	(13,495)
HRA share of the operating income and expenditure included in the Council's Income and Expenditure Account		
(Gain) or Loss on Sale of HRA Fixed Assets	(559)	(366)
Interest payable and similar charges	15,298	16,039
Amortised Payment and Discount	4,922	4,593
HRA Investment Income/Mortgage Interest	(944)	(976)
Pension interest cost and expected return on pensions assets	277	306
(Surplus) or Deficit for the Year on HRA Services	(10,305)	6,101

HOUSING REVENUE ACCOUNT - 2008/09 (Continued)

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2009/10 £000	2008/09 £000
(Surplus) or deficit for year on the HRA Income and Expenditure Account	(10,305)	6,101
Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance		
- Gain or (loss) on sale of HRA fixed assets	559	366
- Impairment of fixed assets	0	(11,023)
- Net charges made for retirement benefits in accordance with FRS17	(404)	(527)
- Capital expenditure funded by the Housing Revenue Account	5,756	2,725
- Transfer to/(from) Major Repairs Reserve	5,340	(60)
- Employer's contributions payable to the Brent Pension Fund and retirement benefits payable direct to pensioners	241	365
- Transfer to other earmarked reserves	1,068	133
Decrease/(Increase) in HRA Balance for the Year	2,255	(1,920)
Housing Revenue Account Balance brought forward	(4,429)	(2,509)
Housing Revenue Account Balance carried forward	(2,174)	(4,429)

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 9,361 to 9,238, a net reduction of 123 dwellings. These reductions result from Right to Buy sales, reductions in HRA Leased Properties, conversions of two or more dwellings into larger units, and estate regeneration programmes. They were offset to some extent by new additions during the year.

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

	31.03.10	31.03.09
Leasehold	211	300
Freehold	9,027	9,061
Total	9,238	9,361

NOTE 2: RENT ARREARS

The level of rent arrears at 31st March 2010 was £2.08m. Movements on the arrears and related provisions are shown below.

	Arrears £000	Provision £000	Net Arrears £000
Balances at 31.03.2009	3,207	2,754	453
HRA Leased Properties	(2,713)	0	(2,713)
HRA Leased Properties Provision	0	(494)	494
Amounts written off and other adjustments during the year	1,586	(521)	2,107
(Decrease)/Increase in Provision	0	202	(202)
Balances at 31.03.10	2,080	1,941	139

The balances of the arrears and provisions at 31st March 2010 include Housing Rent Debtors on Housing Revenue Account (HRA) Leased Properties account. During the year the HRA Leased schemes came to an end. As part of the final financial settlements with the relevant housing association, the related closing balance debtors of £2.71m in 2008/09 were settled. The rent arrears account for the movement between the balance of arrears at 31st March 2009 and 31st March 2010.

NOTE 3: FIXED ASSETS

	Council Dwellings £000	Non- Operational £000	Total £000
Gross Book Value at 1st April 2009	720,236	5,150	725,386
Revaluation	2,593	1,146	3,739
Expenditure during the Year	24,671	0	24,671
Disposals	(440)	0	(440)
Gross Book Value at 31.03.2010	747,060	6,296	753,356
Accumulated Depreciation B/fwd	(21,628)	(128)	(21,756)
Depreciation/adjustment for the Year	(7,556)	(60)	(7,616)
Net Book Value at 31.03.10	717,876	6,108	723,984

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

NOTE 4: VACANT POSSESSION VALUE OF HRA DWELLINGS

The vacant possession value of dwellings within the HRA at 1st April 2009 was £1.800 billion. The difference between this value and the balance sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than open market value.

NOTE 5: IMPAIRMENT OF FIXED ASSETS

HRA dwellings are valued at Existing Use Value. The Council calculates any arising impairment or gain on the properties held within the HRA through the application of a regional annual housing indexation factor. The indexation factor for 2009/10 is 0.36% which when applied to the Gross Book Value at 31st March 2009 for Council Dwellings of £720m resulted in an upward revaluation adjustment of £3m. During the financial year 2009/10 the council undertook an impairment review of the HRA assets and found that there were no factors that necessitated an impairment charge to the HRA account.

NOTE 6: MAJOR REPAIRS RESERVE

The Major Repairs Reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

	2009/10 £000	2008/09 £000
Balance at 1 st April 2009 (2008)	116	4,694
Transfer to Major Repairs Reserve	7,556	7,275
Transfer from Major Repairs Reserve	(60)	(60)
Major repairs allowance 2010/11 B/Fwd	5,400	0
Capital expenditure financed from Major Repairs Reserve	(8,814)	(11,793)
Balances at 31.03.10 (2009)	4,198	116

NOTE 7: HRA SUBSIDY

	2009/10 £000	2008/09 £000
Management Allowance	7,490	7,566
Maintenance Allowance	12,360	12,548
Major Repairs Allowance 2010/11 B/Fwd	5,400	-
ALMO Allowance	4,320	4,320
Capital Charges	20,907	21,499
MRA	7,556	7,216
Interest on Receipt	(17)	(23)
Other Reckonable Expenditure	1,865	2,411
Rent Allowance Constraint	0	0
	59,881	55,338
Guideline Rent Income	(40,514)	(40,069)
Housing Subsidy Due for the Year	19,367	15,469
Prior Year Audit Adjustment	34	26
	19,401	15,495

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

The HRA subsidy figures are calculated in accordance with the HRA Subsidy Determinations issued by the central government department DCLG for the relevant financial year.

NOTE 8(A): HRA CAPITAL EXPENDITURE FUNDING IN 2009/10

	2009/10 £000	2008/09 £000
Borrowing	8,066	1,784
External Contribution	2,035	300
Revenue Contribution	5,756	2,726
Major Repairs Reserve	8,814	11,793
Total	24,671	16,603

NOTE 8(B): HRA CAPITAL RECEIPTS IN 2009/10

	2009/10 £000	2008/09 £000
Land	0	0
Houses	1,803	375
Other Properties	0	0
Total	1,803	375

NOTE 9: DEPRECIATION

	2009/10 £000
Operational Assets	
- Dwellings	7,556
- Other land and buildings	0
Non-operational assets	60
Total	7,616

NOTE 10: NET INTEREST RATE CHARGED TO THE HRA

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

	31.03.10 £000	31.03.09 £000
Interest on HRA mid year Capital Financing Requirement	15,298	16,039
Total	15,298	16,039

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

NOTE 11: TRANSFER TO PENSION RESERVE

The 2009/10 HRA has been produced in accordance with the requirements of Financial Reporting Standard (FRS) 17 – Retirement Benefits. FRS17 is described further in the notes to the Core Financial Statements.

The adjustment to Net Cost of Services in the HRA in 2009/10 and 2008/09 was:

	2009/10 £000	2008/09 £000
Direct Employee Costs	163	133
Premature Retirement Compensation	0	0
Adjustment	163	133

NOTE 12: BRENT HOUSING PARTNERSHIP

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

COLLECTION FUND

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

COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

Notes		2009/10 £000	2008/09 £000
	Income		
1	Income from Council Tax	88,776	99,890
	Transfers from General Fund		
	- Council Tax Benefits	32,116	28,754
4	Collection Fund Deficit	1,500	1,500
2	Income from Non Domestic Rates	89,265	95,442
		211,657	225,586
	Expenditure		
3	Precepts and Demands	130,414	127,021
2	Non-Domestic Rates:-		
	- Payment to National Pool	88,844	95,026
	- Cost of Collection Allowance	421	416
	Provision for uncollectable amounts (net of write-offs)	(8,022)	3,123
		211,657	225,586
	Deficit/Surplus for Year	0	0
	Collection Fund Account Reserves		
	Fund Balance Brought Forward	(1,500)	(1,500)
	Increase/(Decrease) in Fund Balance	0	0
	Fund Balance Carried Forward	(1,500)	(1,500)

COLLECTION FUND (Continued)

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 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was 95,279 for 2009/10. This basic amount of Council Tax for a Band D property £1,368.76 for 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

Proportion of Band D Charge	Number of Band D Equivalent Properties	
Band A	0.67	1,268
Band B	0.78	7,344
Band C	0.89	24,172
Band D	1.00	27,198
Band E	1.22	24,072
Band F	1.44	8,200
Band G	1.67	5,031
Band H	2.00	<u>437</u>
		<u>97,722</u>
		x 97.5% Collection Rate = 95,279

The total for 2009/10 is lower than for 2008/09 due to a large amount of old uncollectable debts being officially written off (£12.6m), which is reflected in the reduction in the provision for uncollectable amounts. The final income of £122.392m for 2009/10 (including the provision for non-payment, and adjustments to debits during the year) was receivable from the following sources:

	£000
Billed to Council Tax Payers	90,276
Council Tax Benefits	32,116
	122,392

This total includes the adjustment required for the collection fund deficit of £1,500,000 (see Note 4).

COLLECTION FUND (Continued)

NOTE 2: NATIONAL NON-DOMESTIC RATES (NNDR)

Non Domestic Rates are organised on a national basis. The Government specified a rate of 48.5p in the £ for 2009/10 (48.1p for small businesses having a rateable value of below £10,000) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nation-wide re-valuation of all properties which took effect from 1st April 2005. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £220,287,228 at 31st March 2010, but pays the proceeds into a national NDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a Formula Grant calculation. The amounts collected from the ratepayers on behalf of the Government and paid into the Pool can be analysed as follows:

	2009/10 £000	2008/09 £000
Gross Debit	105,902	102,064
Transitional Relief	380	(263)
Charitable Relief	(5,827)	(5,013)
Provision for Uncollectible Amounts	(1,890)	(1,822)
Other Adjustments	(2,819)	3,385
Empty/Void Relief	(6,481)	(2,909)
Net NNDR Income	89,265	95,442
Cost of Collection Allowance Payable to General Fund	(421)	(416)
Amount Payable to NNDR Pool	88,844	95,026

The increase in empty/void relief in 2009/10 is due to new legislation which increased the entitlement to relief on empty properties for smaller ratepayers.

NOTE 3: PRECEPTS

	2009/10 £000	2008/09 £000
London Borough of Brent	100,895	97,717
Greater London Authority	29,519	29,304
	130,414	127,021

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

COLLECTION FUND (Continued)

NOTE 4: ESTIMATED SURPLUS AND DEFICIT

An adjustment is also made for each authority paying a precept to the Greater London Authority in respect of the estimated surplus or deficit for the previous year on the Collection Fund.

	2009/10 £000	2008/09 £000
London Borough of Brent	1,154	1,149
Greater London Authority	346	351
Deficit	1,500	1,500

GROUP ACCOUNTS

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

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

BHP is a limited company. It is limited by a guarantee with no share capital. It is fully owned by the London Borough of Brent. The London Borough of Brent has an obligation to meet BHP's pension fund liabilities. BHP's accounts may be obtained from their financial controller, Greg Trenear at Chancel House, Neasden Lane, London, NW10 2UF, e-mail address greg.treear@bhphousing.co.uk.

BHP's accounts have been consolidated as a subsidiary using the merger basis of combination.

The following group financial statements have been prepared:

- Group Income and Expenditure Account
- Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit
- Group Statement of Total Recognised Gains and Losses
- 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.

GROUP INCOME AND EXPENDITURE ACCOUNT

The Group Income and Expenditure Account shows expenditure and how it was financed.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	2009/10 Gross Expenditure £000	2009/10 Income £000	2009/10 Net Expenditure £000	2008/09 Net Expenditure £000
Education	338,639	(292,345)	46,294	41,109
Cultural Services	25,132	(3,520)	21,612	14,737
Highways, Roads and Transport	34,291	(17,358)	16,933	17,821
Environmental	33,055	(3,858)	29,197	28,633
Planning and Development	12,372	(3,376)	8,996	6,715
Housing (General Fund)	318,381	(296,122)	22,259	30,422
Adult Social Care	107,101	(20,084)	87,017	79,439
Children's Social Services	47,152	(6,024)	41,128	37,120
Courts	216	(472)	(256)	206
Central Services	87,239	(49,447)	37,792	11,845
Net Cost of General Fund Services	1,003,578	(692,606)	310,972	268,047
Housing Revenue Account	35,634	(66,421)	(30,787)	(16,914)
Net Cost of Services	1,039,212	(759,027)	280,185	251,133
Profit/loss on Disposals of Fixed Assets			241	(602)
Levies			9,280	7,872
(Surplus)/Deficit on Trading Accounts			(259)	(224)
Interest Payable			29,824	32,817
Interest Receivable			667	633
Contribution to Housing Pooled Capital Receipts			252	179
HRA Share of Corporate and Democratic Core			(543)	8,050
Amortised premiums and discounts			(945)	(976)
HRA investment income/mortgage interest			(1,865)	(7,101)
Pensions interest cost and expected return on pensions assets			34,110	21,560
Taxation Paid			47	47
Net Expenditure			350,994	313,388
Distribution From:				
General Government Grants			(99,741)	(19,479)
Non-Domestic Rate Pool			(30,397)	(139,925)
Income from Collection Fund			(16,405)	(96,567)
Area Based Grant			(131,697)	(16,209)
(Surplus)/Deficit for the Year			72,754	41,208

**RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR
TO THE GROUP SURPLUS OR DEFICIT**

	2009/10 £000	2008/09 £000
(Surplus) or deficit on Brent's Single Entity Income and Expenditure Account for the year	72,978	42,084
BHP Surplus	(224)	(876)
Group (Surplus) or Deficit for the Year	72,754	41,208

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10 £000	2008/09 £000
Net (Surplus) or Deficit for the Year	72,754	41,208
(Surplus) or Deficit Arising on Revaluation of Fixed Assets	(94,040)	49,626
Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	176,790	136,980
Other (Gains) and Losses	-	15
Total Recognised (Gains) or Losses for the Year	155,504	227,829

GROUP BALANCE SHEET

The Group Balance Sheet shows the financial position of the group as a whole and summarises its assets and liabilities.

GROUP BALANCE SHEET AS AT 31st MARCH 2010

	31.03.10		31.03.09	
	£000	£000	£000	£000
Fixed Assets				
Council Dwellings	717,876		698,608	
Other Land and Buildings	560,088		525,605	
Vehicle, Plant, Furniture & Equipment	24,881		20,647	
Infrastructure	141,090		134,075	
Intangible Assets	1,894		1,070	
Non-Operational Assets				
Investment Properties	233		0	
Commercial Properties	6,527		6,179	
Assets under construction	23,750		3,231	
Net Fixed Assets		1,476,339		1,389,415
Investments (Long Term)		20,214		54,654
Long Term Debtors		496		504
Total Long Term Assets		1,497,049		1,444,573
Current Assets:				
Stock and Work in Progress	380		529	
Payments in Advance	8,650		6,304	
Debtors	111,791		119,057	
Less provision for bad debts	(45,503)		(50,183)	
Short Term Investments	48,628		42,835	
Cash at Bank	18,521		11,548	
Cash in Hand	137		185	
		142,604		130,275
Current Liabilities:				
Short Term Borrowing	(52,057)		(79,699)	
Creditors	(64,531)		(66,402)	
Deposits	(1,583)		(1,630)	
Receipts in Advance	(9,980)		(9,438)	
		(128,151)		(157,169)
Net Current Assets/(Liabilities)		14,453		(26,894)
Total Assets Less Current Liabilities		1,511,502		1,417,679
Long Term Borrowing		(613,689)		(593,473)
Long Term Creditors		(24,606)		(24,467)
Provisions		(4,853)		(4,561)
Government Grants Deferred		(168,667)		(132,780)
Capital Grants Unapplied		(19,496)		(21,713)
Liability related to defined benefit pension schemes		(683,100)		(488,090)
Total Assets Less Liabilities		(2,909)		152,595
This is financed from:				
Miscellaneous Brent Reserves		(23,148)		130,659
Balances:				
General Fund	23,035		22,640	
Housing Revenue Account	2,174		4,428	
BHP Trading Surplus	3,782		3,558	
BHP Pension Deficit	(8,752)		(8,690)	
		20,239		21,936
		(2,909)		152,595

GROUP CASH FLOW STATEMENT

This statement groups together both revenue and capital income and expenditure. It provides a link between the Balance Sheet at the beginning of the year, the revenue account for the year and the Balance sheet at the end of the year. It summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2009/10		2008/09	
	£000	£000	£000	£000
Net Cash(Inflow)/Outflow from Revenue Activities		(65,260)		(29,493)
Servicing of Finance				
- Cash Outflows				
Interest Paid	29824		33,065	
Premia Paid	0		8,451	
- Cash Inflows				
Interest Received	(2,184)	27,640	(5,892)	35,624
Total Revenue Activities Cash (Surplus)/Deficit (See Note 2)		(37,620)		6,131
Taxation Paid		47		56
Capital Activities				
- Cash Outflows				
Purchase of Fixed Assets	115,537		92,099	
Purchase of long term investments	0	115,537	0	92,099
- Cash Inflows				
Sale of Fixed Assets	(15,751)		(1,832)	
Capital Grants Received	(47,690)	(63,441)	(40,006)	(41,838)
Net Cash (Inflow)/Outflow Before Financing		14,523		56,448
Management of Liquid Resources				
Net (Inflow)/Outflow from Short Term Deposits		(28,898)		(14,400)
Financing				
- Cash Outflows				
Repayments of Amounts Borrowed		727,620		505,150
- Cash Inflows				
New Loans Raised	(20,000)		(60,000)	
New Short Term Loans	(700,170)	(720,170)	(490,700)	(550,700)
(Increase)/Decrease in Cash (See Note 3)		(6,925)		(3,502)

NOTES TO THE GROUP ACCOUNTS

NOTE 1: SUMMARY OF TRANSACTIONS INCLUDED IN GROUP BALANCE SHEET

<u>2008/09</u>	LBB £000	BHP £000	Total £000
Debtors	118,864	193	119,057
Cash at Bank	8,882	2,666	11,548
Creditors	60,748	5,654	66,402

<u>2009/10</u>	LBB £000	BHP £000	Total £000
Debtors	110,664	1,127	111,791
Cash at Bank	17,844	677	18,521
Creditors	58,249	6,282	64,531

NOTE 2: RECONCILIATION OF SURPLUS TO NET CASH FLOW

	2009/10 £000	2008/09 £000
Surplus/(Deficits) for the Year on the Group		
Net Income and Expenditure Account	(72,754)	(41,208)
Additional amount required by statute and non-statutory best practices to be debited or credited (see Brent's Statement of Movements on the General Fund Balance)	73,372	41,939
HRA	(2,254)	1,920
	(1,636)	2,651
Non Cash Transactions		
Minimum Revenue Provision	9,727	8,463
Major Repairs Reserve	4,022	7,215
Other Provisions/Earmarked Reserves	(6,377)	8,297
Capital expenditure charged in year to General Fund Balance	11,898	14,021
Capital expenditure charged in year to the Housing Revenue Account	5,756	2,725
Capital Grants applied in year	(5,884)	(7,421)
Write downs of deferred charges to be financed from capital resources	(4,685)	(10,130)
Transfer from Usable Capital Receipts to meet payments to the Housing Receipts Pool	(667)	(633)
Accruals Items		
(Increase)/Decrease in Stock and WIP	149	(274)
(Increase)/Decrease in Debtors	(1,195)	(19,170)
Increase/(Decrease) in Creditors	26,473	(8,370)
(Increase)/Decrease in Payments in advance	(456)	(2,864)
Increase/(Decrease) in Receipts in advance	542	2,643
Increase/(Decrease) in Deposits	(47)	173
Increase/(Decrease) in Deferred Premia	0	(3,457)
Net Revenue Cash Flow Surplus/(Deficit)	37,620	(6,131)

NOTES TO THE GROUP ACCOUNTS

NOTE 3: INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	Balance 31.03.10 £000	Balance 01.04.09 £000	Movement In Year £000
Cash	18,658	11,733	6,925
2008/09 Comparative			3,502

BRENT PENSION FUND

The Brent Pension Fund

The Brent Pension Fund is part of the Local Government Pension Scheme (LGPS) and is open to all local government employees, with the exception of police, fire fighters and teachers who have their own schemes.

Administering authority

The London Borough of Brent is the administering authority for the fund. It has responsibility for the collection of contributions, the payment of benefits and the investment of the fund under the Local Government Pension Scheme Regulations 1997 (as amended).

Brent Pension Fund Sub Committee

As part of its responsibility as administering authority, Brent Council has established the Brent Pension Fund Sub Committee to oversee as 'trustee' for the fund. The Sub Committee meets quarterly to discuss investment strategy and objectives, to examine legislation and other developments as they may affect the fund, and to review the performance of the fund managers.

Chair	Councillor Crane
Vice-Chair	Councillor H. Patel
Member	Councillor Bacchus
Member	Councillor Hashmi
Member	Councillor D. Brown
Member	Councillor C Patel
Member	Councillor Detre

Co-opted members

North West London College	Mr. A. Patel
GMBU	Mr. G. Fraser
Independent Adviser	Mr V Furniss

Brent Pension Fund responsibilities – Pension Fund Sub Committee

As set out in the scheme of governance, only councillors have voting rights because management of the Fund is part of their legal responsibility. The Sub Committee takes executive decisions.

During 2009/10, members attended sub committee meetings and received training as follows:

Member	Meetings attended	Training attended
G. Crane	3	1
H Patel	5	2
J Bacchus	5	1
S Hashmi	4	1
D Brown	-	-
C Patel	2	1
J Detre	4	1
A Patel	2	-
G Fraser	2	1

BRENT PENSION FUND (Continued)

Fund managers

The fund managers act as the council's agents and have authority to purchase and sell stocks as appropriate.

The following fund managers manage individual portfolios:

Fund Managers	Asset Class	£M	per cent
Henderson Global Investors (Jennifer Ockwell)	Fixed Interest	83.2	18.3
AllianceBernstein (Doug Stewart)	Global Equities	128.9	28.3
Brent Finance and Corporate Resources (Bina Chauhan-Wild)	UK Equities	103.2	22.7
Aviva Investors (Catriona Allen)	UK and European Property	27.3	6.0
Gartmore Investment Managers (Martin Powis)	UK Small Caps	15.5	3.4
Yorkshire Fund Managers (Geoff Sankey)	Private Equity	2.7	0.6
Capital Dynamics (Angela Willetts)	Private Equity	35.8	7.9
Fauchier Partners (Alex Dolbey)	Hedge Fund	41.8	9.2
Mellon Global Investors (Alaistair Stewart)	Global Tactical Asset Allocation	11.5	2.5
Alinda Capital Partners (Simon Riggall)	Infrastructure	5.0	1.1
		454.9	100

Custodians

The Fund uses two custodians for segregated portfolios as follows:

BNP Paribas Security Services (Fixed Interest) – contact Jennifer Ockwell (Henderson)

Bank of New York Europe Limited (Global Equities, UK Equities & Property) – contact Colin Waters

Table A: Value of the fund as at 31st March

YEARS	2006 £'000	2007 £'000	2008 £'000	2009 £'000	2010 £'000
VALUE	456,747	498,500	472,040	339,573	455,596

Table B: Fund membership and contributions 2005/06 to 2009/10

	2005/06	2006/07	2007/08	2008/09	2009/10
Number of contributing employees as at 1 April	5,644	5,849	5,922	6,075	5896
Deferred	4,679	5,159	5,380	5,713	6096
Pensioners and dependants	4,881	5,024	5,161	5,269	5438
	£M	£M	£M	£M	£M
Employee contributions	6.7	7.1	7.4	8.5	8.8
Employer contributions	21.5	25.6	28.4	28.1	29.8
Total contributions	28.2	32.7	35.8	36.6	38.6

BRENT PENSION FUND (Continued)

Statement of Actuary for the year ended 31 March 2010

INTRODUCTION

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Brent Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997.

ACTUARIAL POSITION

1. Rates of contributions paid by the participating Employers during 2009/10 were based on the actuarial valuation carried out as at 31 March 2007.
2. The valuation as at 31 March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date (of £499.0M) covering 72% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration. The main reasons for the improvement in the funding ratio since 31 March 2004 were higher than expected investment returns on the Fund's assets and additional employer contributions paid to reduce the deficit revealed at the 2004 valuation. These had been partially offset by the impact of changes in the actuarial assumptions used, including changes to reflect higher price inflation expectations and longevity improvements.
3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2008 was as set out below:
 - 14.8% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

Plus

- 7.7% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over a recovery period of 25 years from 1 April 2008.

These figures were based on the Regulations in force, or enacted by Parliament and due to come into force, at the time of signing the valuation report and, in particular, allowed for the following changes to the Fund benefits since the previous valuation:

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.
- Changes were made consistent with the Finance Act 2004.
- A new scheme had been put in place which came into effect as at 1 April 2008. All existing members transferred to the new scheme as at that date.

BRENT PENSION FUND (Continued)

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.
5. The rates of contributions payable by each participating Employer over the period 1 April 2008 to 31 March 2011 are set out in a certificate dated 27 March 2008 which is appended to our report of the same date on the actuarial valuation.
6. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.
7. The main actuarial assumptions were as follows:

Discount rate for periods

Scheduled Bodes

In service Discount rate:	6.45% a year
Left service Discount rate:	6.45% a year

Admitted Bodes

In service Discount rate:	6.20% a year
Left service Discount rate:	5.20% a year

Rate of general pay increases	4.7% a year
Rate of increases to pensions in payment	3.2% a year
Valuation of assets	market value

8. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2010 which is currently being carried out. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2011 to 31 March 2014 are required by the Regulations to be signed off by 31 March 2011.
9. This statement has been prepared by the Actuary to the Fund, Hewitt Associates Limited, for inclusion in the accounts of the London Borough of Brent. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2007. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This statement must not be considered without reference to the formal valuation report which details fully the context and limitations of the actuarial valuation.

Hewitt Associates Limited does not accept any responsibility or liability to any party other than our client, London Borough of Brent, in respect of this statement.

Table C: Employer Contribution Rates

	2008/09 per cent	2009/10 per cent	2010/11 per cent	2011/12 per cent
Brent	22.9	22.9	22.9	22.9

BRENT PENSION FUND (Continued)

List of Scheduled Bodies and Admitted Bodies

Scheduled bodies	Employee contributions £ 000s	Employer contributions £ 000s
London Borough of Brent	6,621	22,858
Alperton Community School	65	236
ARK Academy	8	19
Avigdor Hirsch Torah Temimah School	2	6
Cardinal Hinsley High School	41	148
Claremont High School	31	112
College of North West London	413	1,157
Brent Housing Partnership	359	750
Convent of Jesus & Mary RC Language College	39	137
Capital City Academy	71	243
The Copland Community School & Technology Centre	78	285
Furness Primary School	14	54
JFS	47	163
Crest Boys	27	96
Crest Girls	34	122
Kilburn Park School	5	22
Kingsbury High School	110	399
Islamia Primary School	14	10
Malorees Junior School	8	30
Manor Day School	44	169
Michael Sorbell Sinai School	17	62
North West London Jewish Day School	12	43
Oakington Manor Primary School	21	79
Preston Park Primary School	27	105
Preston Manor High School	61	219
Queens Park Community School	48	169
Sudbury Primary School	25	95
St Gregory's RC School	26	95
St Joseph's RC School	27	98
	8,295	27,981
Admitted bodies: contributing		
Age Concern	0	7
Brent Association of Disabled People	2	4
Brent Society for Mentally Handicapped Children (Mencap)	8	25
Churchill contracts Ltd	1	2
Goldsborough Homecare and Nursing Services Ltd	62	522
Local Employment Access Project	18	54
National Autistic Society	173	580
Sudbury Neighbourhood Centre	6	21
Jarvis Workspace FM LTD	3	7
Wetton Cleaning Services and North Grounds Maintenance	10	68
Wetton Cleaning Services and South Grounds Maintenance	7	30
	290	1,320

BRENT PENSION FUND (Continued)

Admitted Bodies: Non-Contributing

Brent Asian Professional Association
Brent Black Mental Health Project
Brent Community Relations Council
Brent Community Transport
Brent Energy Services Team
Brent Family Service Unit
Brent Irish Advisory Service
Brent Kids Scrap Bank
Brent Mind
Brent Under Twenties First Aid Housing
Brent Voluntary Service Council
Chalkhill Asian Forum
Harlesden Young Mums Project
 - Family Outreach Project
Harlesden Methodist Church
 - Harlesden Day nursery
Hillside Under Fives Centre
Kilburn Training
Park Lane Methodist Day Nursery
Pakistan Workers Association
Welcome Senior Citizens Club
West Indian Self Effort

BRENT PENSION FUND (Continued)

PENSION FUND – GENERAL INFORMATION

Fund income

The fund receives income from the following sources:

- employees, at varying rates dependant on salary levels or date of joining the scheme
- employers, at varying rates according to their status
- investment income – dividends or interest
- capital gains on investments and
- transfer values from other funds.

INVESTMENTS

Administration of the fund

The fund managers invest in markets in accordance with their management agreements and investment regulations and the Statement of Investment Principles.

The WM Company, market leader in performance measurement and investment administration services, has measured the performance of the Fund over the year in accordance with the performance benchmarks set for the investment managers. This has been based on the asset allocation agreed for the Brent fund.

Sales and Purchases

Sales proceeds totalled £164 million (£167.7 million 2008/09) and the purchases totalled £192.6 million (£162.2 million 2008/09) during 2009/10.

BRENT PENSION FUND (Continued)

London Borough of Brent Pension Fund accounts as at 31 March 2010

	Note	2009/2010 £000s	2008/2009 £000s
Contributions and benefits			
Contributions receivable	3	38,600	36,629
Transfer values in	4	4,389	1,389
		42,989	38,018
Benefits payable	5	28,376	24,227
Payments to and account leavers	6	4,869	3,693
Administrative expenses	7	1,155	1,070
		34,400	28,990
Net additions (withdrawals) from dealings with members		8,589	9,028
Returns on investment			
Investment income	8	12,059	13,623
Change in market value of investments	9	96,810	(153,785)
Investment management expenses	10	(1,435)	(1,332)
Return on investments		107,434	(141,494)
Net increase/(decrease) in the funds during the year		116,023	(132,466)
Net assets of the scheme			
Opening net assets		339,573	472,039
Closing net assets		455,596	339,573
NET ASSETS STATEMENT 31 MARCH			
Investments	9	454,893	340,202
Current assets	11	971	852
Current liabilities	12	(268)	(1,481)
Net assets of the scheme at 31 March		455,596	339,573

BRENT PENSION FUND (Continued)

Accounting policies and notes to the accounts March 2010

1. Basis of preparation

The financial statements summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the fund, which **does** take account of such liabilities, is dealt with in the statement by the actuary on page 6 of the annual report of the Pension Fund and these financial statements should be read in conjunction with it.

2. Accounting policies

The consolidated accounts of the Pension Fund for the year to 31st March 2010 are presented in accordance with the following accounting policies:

A Statements of accounting policies

- (i) The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the pension fund for those employees.
- (ii) Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. These costs have been determined on the basis of contribution rates that are set to meet 100 per cent of the liabilities of the Pension Fund, in accordance with relevant Government Regulations.

B Basis of accounting

The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of the Pension Schemes: A Statement of Recommended Practice (revised May 2007). Chapter 2 Recommended Accounting Practice and the CIPFA Code of Practice on Local Authority Accounting.

C Asset valuation principles

- (i) UK quoted securities are valued at bid prices as at the close of business on the 31 March or at the date of the last pricing of the security.
- (ii) Overseas quoted securities are valued at bid price on the 31st March, translated into sterling in accordance with accounting policy.
- (iii) UK unquoted unit trusts and other unquoted securities including hedge funds valued at the external manager's valuation, or latest accounts.
- (iv) Fixed interest securities valued at market value excluding the value of interest accruing on the securities.

D Income from investments

Dividends on investments are credited to the Fund accounts on the ex-dividend date. Interest on fixed-interest securities is accrued on a day to day basis. Income is shown gross of taxes deducted at source in the accounts.

BRENT PENSION FUND (Continued)

E Foreign currencies

Transactions in foreign currencies are accounted for in Sterling at the rate ruling on the date of the transactions. Monetary and other assets denominated in foreign currencies are translated into sterling at exchange rates ruling on 31st March. Translation and conversion differences arising on transactions are included in the Fund Account.

F Transfer values to and from the fund

The Fund Account has been prepared on cash basis. Transfer values paid to or paid out from the Fund during the year have been included.

G Ex-gratia payments

No ex-gratia payments were met from the Fund in 2009/2010.

H Taxation

(i) Investments

The Fund is exempt from United Kingdom Capital Gains Tax. Income from overseas sources suffers a withholding tax in the country of origin, unless exemption is permitted as in the United States and Australia. A proportion of the tax deducted in some European Countries is recovered. The amounts recovered will vary from the amounts paid due to exchange rate fluctuations. All VAT paid is recoverable. Irrecoverable Overseas Withholding Tax and UK Income Tax have been written off to the Fund account in 2009/2010.

(ii) Compounded pensions

There is a liability to income tax on these items, which are small pensions converted into lump sums. The rate of tax is 20 per cent and the liability is minimal.

I Employers' contributions

In 2009/2010 employers' contributions of £29.7 million were paid (2008/09 £28.1 m). The increased contributions will allow elimination of the funding deficit over a 25 year period.

J Statement of investment principles

The Pension Fund Sub-committee agreed a revised Statement of Investment Principle in 2010 and published this both to the employers and on the Finance website. (www.brent.gov.uk/pensions)

K Related party's transactions

As administering authority for the Brent Pension Fund, the London Borough of Brent is a related party to the Fund. The authority provides administrative support, elected member leadership to the Fund, and manages the UK equity portfolio in house. Other related parties would include other pension fund employers (page 8), pension fund managers and advisor's (page 4), and senior officers and their families (page 4).

BRENT PENSION FUND (Continued)

L The administrative authority's responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of their officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Corporate Resources.
- to manage business to secure economic, efficient and effective use of resources and safeguard assets.

M Responsibilities of the Director of Finance and Corporate Resources

The Director is responsible for the preparation of the Authority's Pension Fund's Statement of Accounts, in terms of the Code and the Statement of Recommended Practice. The Director is required to present fairly the financial position of the Pension Fund (and its income and expenditure) for the year ended 31st March 2010. In preparing this statement of accounts, the Director has: selected suitable accounting policies and applied them consistently; made judgements and estimates that were reasonable and prudent; complied with the Code; kept proper up to date accounting records; and taken reasonable steps for the prevention of fraud and other irregularities.

Duncan McLeod
Director of Finance and Corporate Resources

BRENT PENSION FUND (Continued)

3. Contributions receivable

Employees contributed £8.8 million in 2009/2010. The numbers of contributing members increased during the year.

	2008/09 £000s	2008/09 £000s	2009/10 £000s	2009/10 £000s	2008/09 £000s	2009/10 £000s
Employers	ongoing	deficit	ongoing	deficit		
Brent	16,129	8,828	16,842	9,218	24,957	26,060
Scheduled	1,763	322	1,993	395	2,085	2,388
Admitted	730	330	908	412	1,061	1,320
Members						
Brent					7,178	7,384
Scheduled					810	912
Admitted					313	289
Additional voluntary contributions					225	247
					36,629	38,600

	2009/10 £000s	2008/09 £000s
4 Transfers in		
Individual Transfers in from other schemes	4,389	1,389

5 Benefits payable On retirement or death

Pensions		
Brent	20,781	19,129
Scheduled	689	645
Admitted	735	690
Lump sum retirement benefits		
Brent	4,775	2,812
Scheduled	251	222
Admitted	249	306
Lump sum death benefits		
Brent	690	423
Scheduled	16	0
Admitted	190	0
	28,376	24,227

6 Payments to and on account of leavers

Refund to members leaving service	45	16
Individual transfers to other schemes	4,824	3,677
	4,869	3,693

7 Administration expenses

Administration and processing	1,055	982
Actuarial fees	61	45
Audit fees	39	43
	1,155	1,070

BRENT PENSION FUND (Continued)

	2009/10 £000s	2008/09 £000s
8 Investment Income		
Dividend income equities	7,535	7,640
Income from fixed interest securities	2,902	4,011
Income from property unit trusts securities	1,104	1,345
Income from private equity	663	287
Interest on cash deposits	38	795
Infrastructure	68	0
Commission recapture	3	42
Miscellaneous	296	189
Class action	4	31
	12,613	14,340
Irrecoverable tax	(554)	(717)
Total investment income	12,059	13,623

9 Investments	Value at	Purchases	Sales	Change in	Value at
	31.03.09 £'000s	At cost £'000s	Proceeds £'000s	Market Value £'000s	31.03.10 £'000s
UK equities-quoted	73,308	5,212	12,928	34,733	100,325
Global equities-qt'd UK ALBERN	7,180	14,268	10,531	3,804	14,721
Global equities-quoted ALBERN	59,465	113,089	92,209	31,733	112,078
Fixed interest securities	75,485	40,359	47,443	13,391	81,792
Property UK FOF Unit Ts	18,998	942	0	538	20,478
Property european FOF Unit Ts	10,133	0	0	(3,363)	6,770
UK equities small companies	9,477	129	0	5,861	15,467
Private equity-YFM/CapDyn	25,920	12,798	0	(387)	38,331
Hedge fund	36,878	0	0	4,964	41,842
infrastructure	0	5,814	969	166	5,011
Global tactical asset allocation	5,951	0	0	5,499	11,450
	322,795	192,611	164,080	96,939	448,265
Cash deposits	16,720	0	11,184	140	5,676
Henderson Bond Future	0	(64)	15	79	0
Henderson FX	(34)	27,504	27,504	38	4
AllianceBernstein FX	(120)	179,243	178,847	(276)	0
AllianceBernstein Futures	5	258	148	(110)	5
	339,366	399,552	381,778	96,810	453,950
Investment income due	836				943
	340,202				454,893

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year.

BRENT PENSION FUND (Continued)

*Private equity and Infrastructure

The Brent pension fund has made commitments as a limited partner to nine funds managed by Capital Dynamics, the Capital Fund for London and to the Alinda Infrastructure Fund. As at 31st March 2010, outstanding commitments totalled £78m. However, previous experience indicated that funds only call around 60% of commitments, so that actual payments are likely to be much less than outstanding commitments.

Fixed interest securities	2009/10 £000s	2008/09 £000s
UK public sector	14,769	15,831
UK corporate – quoted	22,325	23,591
Overseas government quoted	8,834	3,928
Secured loans	8,630	15,558
Credit opportunities	11,534	0
Credit alpha	11,062	0
Currency fund	1,255	0
Absolute return fund	0	14,659
Infrastructure	812	1,370
Money market fund	2,571	548
	81,792	75,485

The following are pooled investment vehicles (excluding fixed interest).

	2009/10 £000s	2008/09 £000s
Property - UK fund of funds unit trust	20,478	18,998
Property - European fund of funds unit trust	6,770	10,133
UK Equities – small companies	15,467	9,477
Private equity	38,331	25,920
Hedge fund	41,842	36,878
Infrastructure	5,011	0
Global tactical asset allocation	11,450	6,000
	139,349	107,406

Derivative Contracts	2009/10 £000	2008/09 £000
Currency – Henderson	4	(34)
Futures – bonds	-	-
Futures – equities	5	5
Currency AllianceBernstein	-	(120)

BRENT PENSION FUND (Continued)

Type of derivative	Expiration	Economic exposure Value £000	Market Value £000
Henderson			
UK Sterling	28 th June 10	636	636
US Dollars	28th June 10	(631)	(627)
Euro	28th June 10	(5)	(5)
Futures UK LIFFE Long Gilt	28th June 10	1032	1033
Futures USA CBT 10 year	21st June 10	694	690
Futures USA Long Bond	21st June 10	(846)	(842)
Futures EUX Euro-bund	8th June 10	(1094)	(1100)
AllianceBernstein			
Futures DJ EURO STOXX 50	June 10	102	102
USA S&P 500	June 10	532	538

Derivative receipts and payments represent the realised gains and losses on contracts. The various derivatives are held for the following purposes:

- a) Gilt futures. The manager purchases exposure to the value of gilts at a future date, paying a margin that increases / reduces as the value of the future varies. Futures are used because the market is liquid and costs are lower.
- b) Equity futures. The manager can purchase exposure to an equity market index that rises / falls in line with market movements. Again, futures are used because they are cheap, liquid, and give additional exposure.
- c) Currency exposure is obtained through futures, and has two main purposes. First, both AllianceBernstein and Henderson took views on currency movements, seeking to make gains as currencies rose / fell. Second, the Fund has sought to protect the value of investments against adverse currency movements by fixing the sterling value in the future.
- d) Global Tactical Asset Allocation (GTAA) seeks to make gains through the relative movements in currency, bonds and equities. Exposure is gained through a pooled fund managed by Mellon.

BRENT PENSION FUND (Continued)

AVC Investments

Individuals hold assets invested separately from the main fund in the form of with profits, equity related, or building society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVCs). Members participating in this arrangement each receive an annual statement made up to 31st March confirming the value of their account and the movements in the year. The aggregate value of the AVC investments are as follows:

	2009/10 £000s	2008/09 £000s
Equitable Life	132	127
Clerical Medical	1,235	1,018
	1,367	1,145
10 Investment management expenses		
Administration, management and custody fees	1,340	1,300
Performance measurement fees	18	18
Other advisory fees	77	14
	1,435	1,332
11 Current assets		
Contributions due		
Employers	569	381
Employees	92	110
Additional voluntary contributions	2	3
Other miscellaneous debtors	308	358
	971	852
12 Current Liabilities		
Management / advisor's fees	(222)	(176)
Accrued expenses	(46)	(1,305)
	(268)	(1,481)

GLOSSARY

ACCRUALS

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

AREA BASED GRANT

Area Based Grant is paid by the Government to local authorities starting from 2008/09. It is a non-ringfenced general grant.

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CORPORATE AND DEMOCRATIC CORE

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

CORPORATE MANAGEMENT

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

GLOSSARY (Continued)

CREDITORS

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

DEBTORS

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

DEMOCRATIC REPRESENTATION AND MANAGEMENT

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

FINANCE LEASE

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

FIXED ASSETS

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

FORMULA GRANT

The amount provided by Government to local authorities in the form of Revenue Support Grant and redistributed National Non-Domestic Rates based on relative needs and council tax base.

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 authority.

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.

GLOSSARY (Continued)

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.

MINIMUM REVENUE PROVISION

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

NATIONAL NON DOMESTIC RATE (NNDR)

A flat rate in the pound set by the Central Government and levied on all non-residential premises according to their rateable value collected by the council and paid into a central pool (NNDR POOL) which is administered by the Central Government. The total collected is then redistributed to councils as part of Formula Grant.

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.

GLOSSARY (Continued)

PRECEPTS

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

PRIOR YEAR ADJUSTMENTS

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

PRUDENCE

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

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation which, together with redistributed National Non Domestic Rates, makes up total Formula Grant.

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

Guidance issued by the professional bodies on best accounting practice.

ABBREVIATIONS

ALMO	Arms Length Management Organisation
AVC	Additional Voluntary Contribution
BHP	Brent Housing Partnership
CIPFA	Chartered Institute of Public Finance and Accountancy
DCLG	Department for Communities and Local Government (part of central government)
DCSF	Department of Children, Schools and Families
FTE	Full Time Equivalent
GLA	Greater London Authority
HRA	Housing Revenue Account
IFRS	International Finance Reporting Standards
I&E Account	Income and Expenditure Account
LABGI	Local Authority Business Growth Incentive
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NNDR	National Non Domestic Rates (also called Business Rates)
PFI	Private Finance Initiative
PPP	Public Private Partnership
PWLB	Public Works Loans Board
SMGFB	Statement of Movement on the General Fund Balance
SORP	Statement of Recommended Practice
SRB	Single Regeneration Budget
SSAP	Statement of Standard Accounting Practice
STRGL	Statement of Total Recognised Gains and Losses

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