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Brent

Second Supplementary: Audit and Standards Advisory Committee

Thursday 26 July 2018 at 6.00 pm
Boardrooms 7&8 - Brent Civic Centre, Engineers Way, Wembley HA9 0FJ

Membership:

Members	Substitute Members
Mr Ewart (Chair)	
Councillors:	Councillors:
A Choudry (Vice-Chair) Kansagra Lo Mashari Nerva	S Butt, Kabir, Long and Stephens Councillors: Colwill and Maurice

Independent Members:
Ms Bruce
Mr Cawley
Ms Darr
Ms McArthur

Independent Advisor:
Mr Sullivan

For further information contact: Nikolay Manov, Governance Officer
Tel: 020 8937 1348; Email: nikolay.manov@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:
www.brent.gov.uk/committees

The press and public are welcome to attend this meeting.

recycle for Brent

Notes for Members - Declarations of Interest:

If a Member is aware they have a Disclosable Pecuniary Interest* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest** in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

***Disclosable Pecuniary Interests:**

(a) **Employment, etc. -** Any employment, office, trade, profession or vocation carried on for profit gain.
(b) **Sponsorship -** Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
(c) **Contracts -** Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
(d) **Land -** Any beneficial interest in land which is within the council's area.
(e) **Licences-** Any licence to occupy land in the council's area for a month or longer.
(f) **Corporate tenancies -** Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
(g) **Securities -** Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

(a) Anybody of which you are a member or in a position of general control or management, and:

- To which you are appointed by the council;
- which exercises functions of a public nature;
- which is directed is to charitable purposes;
- whose principal purposes include the influence of public opinion or policy (including a political party of trade union).

(b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

Agenda

- 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.

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External Audit Report 2017/18

London Borough of Brent

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July 2018

Content

The contacts at KPMG in connection with this report are:

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This report is addressed to London Borough of Brent (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Sayers, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Important notice

This report is presented in accordance with our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to London Borough of Brent (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the Authority's Audit Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

Limitations on work performed: This Report is separate from our audit opinion and does not provide an additional opinion on the Authority's financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting. The following work is ongoing:

Financial statements audit:

- Receipt of signed accounts from First Wave Housing Limited and group instruction confirmation from PWC – we have been informed the accounts will not be signed until 31 July 2018
- Outstanding work on the updated consolidated group accounts and EFA statement
- Minor follow up queries
- Final casting of updated accounts
- Final Partner review of file
- Closedown procedures including receipt of management representation letter

Section One

Summary

Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Authority's financial statements for the deadline of 31 July 2018, following the Audit Committee adopting them and receipt of the management representations letter.

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements for the deadline of 31 July 2018.

We have completed our audit of the financial statements. We have read the Narrative Report and the Annual Governance Statement (AGS). Our key findings are:

- There is one minor unadjusted audit difference and six adjusted audit differences to the Authority's accounts and one adjusted audit difference to the Pension Fund , which we have explained in appendix 2.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- In additional to our routine requests we are asking for management representations over confirmation that there have been no variations made to the PFI contracts.

We reviewed the Narrative Report and AGS and have no matters to raise with you.

We did not receive any queries or objections from local electors this year.

We are now in the completion stage of the audit and anticipate issuing our opinion by 31 July 2018. We also intend to issue our 2017/18 Annual Audit Letter by 31 August 2018. The audit cannot be formally concluded and an audit certificate issued as we are considering an electors objection relating to 2015/16. Until we have completed our consideration of this, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014.

Value for money – see section 3 for further details

Based on the findings of our work, we have concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion for the deadline of 31 July 2018.

KPMG

Summary

Other matters

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

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

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider or the public should know about.

We have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Authority's 2017/18 financial statements.

We are satisfied that the Authority has addressed the recommendations raised in our ISA260 report in 2016/17. We have made four new recommendations as a result of our 2017/18 work. The key recommendations relate to the Fixed Asset Register and preparing a complete year end trial balance for the Pension Fund. All recommendations are shown in appendix 1.

We also undertake the audit of the Housing Subsidy Benefit Claim, Teachers' Pension Return and the Pooling of Housing Capital Receipts Grant. These have not yet been started and the deadlines are 30 November. The fees for this work are explained in Appendix 4.

Financial statements audit

We audit your financial statements by undertaking the following:

	Accounts production stage		
Work Performed	**Before**	**During**	**After**
1. Business understanding: review your operations	✓	✓	–
2. Controls: assess the control framework	✓	–	–
3. Prepared by Client Request (PBC): issue our prepared by client request	✓	–	–
4. Accounting standards: agree the impact of any new accounting standards	✓	✓	–
5. Accounts production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	–	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages and report our key findings below:

1. Business understanding	In our 2017/18 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section. We note that since we issued our planning document guidance has been issued by the NAO in relation to the accounting for LOBO loans, with inverse floater (or similar terms). We have include this as a new area of audit focus, see page 13 .
2. Assessment of the control environment	We assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have made four new recommendations which are shown in appendix 1. We believe that these recommendations will strengthen your control environment. We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.
3. Prepared by client request (PBC)	We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with officers and this was issued as a final document to the finance team. We are pleased to report that this has resulted in improved working papers being provided.

KPMG

Financial statements audit

4. Accounting standards	We work with you to understand changes to accounting standards and other technical issues. For 2017/18 these changes were minor but included: • Updates to clarify the reporting requirements for accounting policies and going concern reporting; • The introduction of key reporting principles for the Narrative Report; and • Changes in the Pension Fund accounts to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.
5. Accounts Production	The Council produced their draft accounts by 31 May 2018 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Authority incorporated measures into its closedown plan to manage this complex process. The Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to year end to proactively address issues as they emerge. We consider that the overall process for the preparation of your financial statements is adequate. We thank Finance for their cooperation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.
6. Testing	We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. We have identified presentational changes to the accounts along with audit adjustments, mainly relating to Property, Plant and Equipment which we have presented in appendix 2.
7. Representations	You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Chief Finance Officer on 19 July 2018. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We are asking for specific representations confirming that there have been no variations made to the PFI contracts.

Financial statements audit

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements.

To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over the valuation of land and buildings, net pension liability and faster close which were identified as significant risks for the Authority within our audit plan;
- The results of the procedures we performed over the faster close, which was included in our audit plan as an area of audit focus, and accounting for LOBO loans, which became an area of audit focus during the year;
- The results of the procedures we performed over the valuation of hard to price investments which were identified as significant risks to the Pension Fund within our audit plan;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence applied to key balances in the financial statements.

Financial statements audit

Authority significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation of land and buildings The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees land and buildings revalued over a five year cycle unless it is thought that the value may have changed materially where they are revalued more frequently, for example the Civic Centre. As a result individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.	Council dwellings £657 million (16/17 £651 million) Other Land and Buildings £711 million (16/17 £639 million)	We reviewed the valuations completed by your valuer and the judgements made by the Authority in response to the information received from their valuers to ensure they had been correctly accounted for in the financial statements. Our valuer reviewed the assumptions used in the valuations to consider whether they were reasonable and in line with industry standards. We also considered the qualifications and independence of your valuer. We reviewed the overall approach to ensuring valuations were not materially misstated, which included consideration of the indexation rates used for Council dwelling and other land and buildings. We reviewed a sample of additions to confirm that they were appropriate to capitalise, and had been capitalised at the correct value, and reviewed a sample of disposals to ensure they had been correctly removed from the financial statements. We identified the following: • The Social Discount Factor for Council dwellings had not been taken account of in relation to £30 million of additions. The resulted in an adjustment being required reducing the value of Council dwellings by £22.5 million; and • The Fixed Asset Register included properties worth £2.4 million that had been transferred to I4B Holdings Limited. In addition, the electronic Fixed Asset Register could not be used to uplift values for indexation and the Authority resorted to using an excel spreadsheet. While this did not impact on the final figures, the Authority needs to identify a solution to this issue to ensure the year end process is efficient and minimise the risk of errors occurring through the use of manual work arounds.

Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Pension assets and liabilities The Authority is an admitted body of the London Borough of Brent Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. Valuation of the Local Government Pension Scheme relies on assumptions, most notably actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. Assumptions should reflect the profile of the Authority's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.	Pension assets £709 million (16/17 £674 million) Pension liabilities £1,551 million (16/17 £1,493 million)	We reviewed the controls that the Authority have in place over the information sent directly to the Scheme Actuary and agreed this to supporting evidence. We evaluate the competency, objectivity and independence of your actuary to determine whether we could place reliance on the valuations provided to the Authority. We considered the assumptions used in the valuation and compared them to the expectations of our expert.. In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets and understand how these assets are allocated across participating bodies and re-performed this allocation In addition, we reviewed the overall actuarial valuation and considered the disclosure implications in the financial statements. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 17. There are no issues we need to bring to your attention.

Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Faster close In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July. In 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by 19 June 2017 although they were not signed until 29 September 2017. Whilst this was an advancement on the timetable applied in preceding years, further work was still required in order to ensure that the statutory deadlines for 2017/18 were met.	All balances	We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work. The Authority produced their draft accounts by 31 May 2018 in accordance with the deadline. The quality of this draft was consistent with that of prior years with a similar number of audit adjustments identified.

Financial statements audit

Authority other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Other areas of audit focus	Account balances effected	Summary of findings
Group accounts The Authority brought the management of its housing stock back in house from its subsidiary Brent Housing Partnership (BHP) Limited in October 2017 but properties continue to be held in the company, which has changed its name to First Wave Housing Limited. In addition, a new housing subsidiary company, I4B Holdings Limited, that was created in 2016/17 is now expected to hold material assets at the year end and require consolidation into the group accounts. Given the accelerated audit deadline that the subsidiaries will also need to comply with, the mid year transfer of staff from BHP to the Authority and a new company preparing accounts for the first time, there a risk that inter-company balances and transactions may not be removed from the consolidation and that costs and income may be either double counted or omitted.	Group accounts	We have agreed figures used to compile the group accounts back to individual company accounts. For First Wave Housing Limited we are expecting to place reliance on the work completed by their auditors PwC. We have written to PwC with our group instructions setting out our materiality, timetable and asking them to confirm their independence. We have agreed the unaudited accounts to the figures included in the group accounts and are currently waiting for the audited accounts which were expected to be signed on 18 July 2018. We have reviewed First Wave Housing Limited ISA 260 but we are still awaiting a signed set of accounts and our group confirmations from PWC. We understand the accounts are due to be signed on 31 July 2018.We will provide an update on the position at the Audit Committee meeting. For I4B Holdings Limited, which holds approximately £46 million of assets at the year end, we have agreed their unaudited accounts to the figures included in the group accounts. As auditors of I4B Holdings Limited we have tested the material balances such as Property, Plant and Equipment and the loan from the Council to give ourselves assurance the group accounts are not materially mis-stated. As part of our work on the group accounts we identified: • The soft loan between the Council and I4B Holdings Limited had been accounted for in different ways when it should be accounted for on a consistent basis in both entities; and • The profit on the disposal of properties sold to I4B Holdings Limited during the year had not been removed. The Authority is adjusting the group accounts for these audit differences.

Financial statements audit

Other areas of audit focus	Account balances effected	Summary of findings
Accounting for LOBO loans Since we issued our planning document guidance has been issued by the NAO in relation to the accounting for LOBO loans, with inverse floater (or similar terms). The Authority has considered the impact of this guidance, which anticipates that the embedded derivative within such loans will be separated out and fair valued.	Long term borrowing £414 million (16/17 £410 million)	The Authority has LOBO loans of £80.5 million including one of £10 million which is known as an inverse floater, where the interest rate payable by the Authority decreases as interest rates increase. Following the NAO's guidance the Authority consulted their treasury expert, Arlingclose, and decided that the correct treatment was to separate out the embedded derivative and value the embedded derivative at fair value. This increased the amount the loan is shown on the balance sheet by £7.3 million with the corresponding entry being to the General Fund. The Authority deemed this was not a material change to include it as a prior year adjustment. We have reviewed the initial advice given to the Authority and considered the independent and expertise of the Authority's treasury adviser to determine whether we could place reliance on them. We have received a detailed paper setting out all the considerations made which we are currently reviewing but from the evidence seen to date and considering the NAO guidance, the proposed accounting treatment would be appropriate. We also considered the potential impact on previous years to determine whether a prior year adjustment was required and concluded that given the amounts involved accounting for it in this years accounts was appropriate.

Financial statements audit

Pension Fund significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation of hard to price investments The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. The pricing of complex investment assets may be susceptible to pricing variances given the assumptions underlying the valuation.	Investments – private equity/infrastructure £98 million (16/17 £130 million)	For year ended 31 March 2018, £98 million out of a total of £830 million of investments, or 12%, were in the harder to price category. As part of our audit of the Pension Fund, we directly confirmed the valuation of these investments to the valuations provided by the Fund Managers. For those unquoted investments that were based on unaudited accounts, we compared the changes between the unaudited and audited account of the previous period – to confirm the recent history of the accuracy of unaudited accounts and assess the appropriateness of the reliance placed on unaudited accounts. We also reviewed movements in the year to confirm there were not any unexpected changes. There are no matters that we need to report to you.

Financial statements audit

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
Fraud risk from revenue recognition **Authority & Pension Fund**	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.	We did not complete any specific additional tests in addition to our normal testing approach on revenue as we rebutted the risk of fraudulent revenue recognition. There are no matters arising from this work that we need to bring to your attention.
Fraud risk from management override of controls **Authority & Pension Fund**	Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. We have not identified any specific additional risks of management override relating to this audit.	Our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, no instances of fraud were identified. We have performed specific procedures to: • review accounting judgements which are impacting the reported outturn position; • review of controls associated with, and undertaken, sample testing of manual journals; • reconciled the year end performance to in year financial report to ensure that divergence in performance can be understood and justified; and • reviewed the year end cut off process to ensure that revenue and expenditure items have been reflected within the correct period. There are no matters arising from this work that we need to bring to your attention.

Financial statements audit

Judgements in your financial statements

We consider the level of prudence in key judgements in your financial statements. We summarise our view below using the following scale:

Level of prudence

0 1 2 3 4 5 6

Audit difference | Cautious | Balanced | Optimistic | Audit difference

Acceptable range

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Assessment of subjective areas				
Asset / liability class	**Current year**	**Prior year**	**Balance (£m)**	**KPMG comment**
Provisions	3	3	£22 million *(16/17: £22 million)*	We consider the provisions to be proportionate. Business rates appeals have increased by approximately £1.5 million due to the Authority providing for NHS hospitals which may be able to claim reliefs with minor reductions in other provisions. Overall provisions are in line with our expectations and are balanced.
Short term creditors including accruals	3	3	£120 million *(16/17: £107 million)*	Our testing on creditors and accruals have found them to be balanced
Debtors	3	3	£109 million *(16/17: £90 million)*	Debtors consist of gross debtors of £170 million (2016:17 £143 million) with provision for impairment made of £61 million (2016/17: £53 million). The main categories of impairments are for overpaid housing benefits, business rates and Council Tax. We consider the provisions to be appropriate.
Net pensions liability	3	3	£841 million *(16/17: £818 million)*	The Authority uses Hymans Robertson as an actuarial expert to assist them in calculating the pension asset and liability values. We reviewed the discount rate, inflation, discount rate, salary growth and life expectancy rates used by the Authority and these are in line with the range expected.

Financial statements audit

Assessment of subjective areas				
Asset / liability class	**Current year**	**Prior year**	**Balance (£m)**	**KPMG comment**
Property, Plant and Equipment – other land and buildings (valuations / asset lives)	❸	❸	£712 million *(16/17: £638 million)*	The Authority uses external valuers to revalue other land and buildings and has followed the valuation and asset lives supplied by the valuers. In addition, indices were used for assets not valued at 31 March 2018 to ensure they are not materially mis stated. We reviewed the instructions provided and deem that the valuation exercise was completed in line with the instructions provided and that the indices used by the Authority were reasonable through working with our KPMG expert. Our view is that the Authority has taken a balanced approach.
Property, Plant and Equipment – Council dwellings (valuations)	❷	❸	£657 million *(16/17: £651 million)*	A full revaluation of Council dwellings was undertaken on 1 April 2016 and this was adjusted to take account of movements in house prices in Brent during the financial year to 31 March 2017 using the HM Land Registry UK House Price Index. This year the Authority used their external property experts to determine the appropriate change in value of Council dwellings in Brent who determined it was 0.5%. The Authority decided that effectively this materially meant there was no movement and did not increase the value for the year. We noted earlier in the report some adjustments which we identified through our work. After adjustment our view is that the Authority has taken a slightly cautious approach.

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Financial statements audit

Group audit

To gain assurance over the Authority's group accounts, we placed reliance on the work completed by the auditors on the financial statements of the Authority's subsidiaries:

- First Wave Housing Limited – auditors PWC; and
- I4B holdings Limited – auditors KPMG.

We have commented on the detail of the group consolidation on page 12.

There were no issues to note in relation to the consolidation process.

Narrative Report and Annual Governance Statement of the Authority

We have reviewed the Authority's narrative report and Annual Governance Statement and have confirmed that they are consistent with the financial statements and our understanding of the Authority. We made a few suggestions to the Narrative Report to make it more in line with the Code of Audit Practice guidance which was updated by officers. Officers are to revisit the Narrative Report to ensure there is the right balance between being easy for the public to read and what the Code suggests should be included.

Pension fund audit

The audit of the pension fund and the Pension Fund Annual Report was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Pension fund annual report

We reviewed the consistency of the Fund's financial statements in the Fund's Annual Report and the financial statements included in Brent Council's financial statements. We confirm that the Fund's financial statements are consistent with the pension fund financial statements included in the accounts of Brent Council. We read the information in the Fund's Annual Report to identify material inconsistencies with the Fund's financial statements. We can confirm it is not inconsistent with the financial information contained in the audited financial statements. As such we anticipate issuing an unqualified consistency opinion on the pension fund financial statements.

Queries from local electors

We did not receive any questions or objections from members of the public this year. There remains an objection outstanding from 2015/16.

Financial statements audit

Audit certificate

In order for us to issue an audit certificate, we are required to have completed all our responsibilities relating to the financial year. We are not in a position to issue our audit certificate with the audit opinion as:

- HM Treasury has recently issued its guidance for completing the WGA and issued the consolidation packs that authorities need to complete. The deadline for the Authority to prepare the consolidation pack was 15 June 2018 with an audit deadline of 31 August 2018. We aim to complete the work in August 2018.
- There is an outstanding objection in relation to the 2015/16 audit year where we are anticipating issuing our provisional view in August 2018.

If we do not receive any further observations to our provisional view we expect to issue our audit certificate in September/October 2018 following completion of the above.

Whole of Government Accounts (WGA)

We are awaiting receipt of your WGA consolidation pack.

Other grants and claims work

We also undertake the audit of the Housing Subsidy Benefit Claim, Teachers' Pension Return and the Pooling of Housing Capital Receipts Grant. These have not yet been started and the deadlines are 30 November 2018. We will issue a separate report in December 2018 summarising the findings from this work.

Audit fees

Our fee for the Authority's audit was £199,590 excluding VAT (£199,590 excluding VAT in 2016-17) and for the Pension Fund £21,000 excluding VAT (£21,000 excluding VAT in 2016-17. This fee was in line with that highlighted in our audit plan approved by the Audit Committee in January 2018.

In addition we completed the work required on five objections relating to the 2015/16 financial statements and agreed a fee with the Authority, that was agreed by PSAA of £17,574.

Our work on the certification of Housing Benefits (BEN01) which is under the PSAA arrangements is planned to start in August 2018. The planned scale fee for this is £21,633 excluding VAT (£22,115 excluding VAT in 2016-17). Planned fees for other grants and claims which do not fall under the PSAA arrangements is £6,500 excluding VAT (£6,500 excluding VAT in 2016-17).

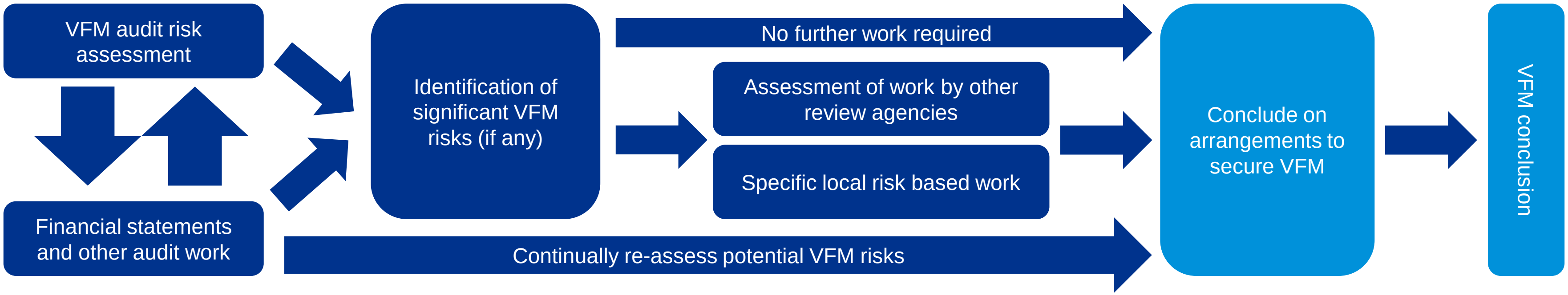
We have not performed any non-audit work outside of that already disclosed to you as part of our audit planning.

Value for money

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk as summarised below:



We did not identify any significant VFM risks and provide a summary overleaf of the other areas of audit focus arising from our VFM work. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.

Value for money

Other areas of audit focus

Below we set out the detailed findings against other areas of audit focus for our VFM work.

VFM: other area of audit focus	Our audit response and findings
Delivery of budgets	The Authority's outturn for 2017/18, which required £19.8 million of savings to be delivered, showed that it was £0.1 million overspent on a budget of £254 million. Individual Directorates also performed close to budget with Community Wellbeing showing a £0.9 million overspend and regeneration a £1.0 million underspend . The outturn is managed throughout the year with individual Directorates taking ownership of their budgets and managing any cost pressures initially within their Directorates. Cabinet is kept informed of the in year position with reports received in July, November and December 2017. The Authority takes a long term approach to financial planning ensuring that savings required are identified in advance. For 2018/19, savings of approximately £12 million had been identified and agreed in the medium term financial plan in February 2017. This helped a balanced budget be set with the Authority also increasing Council Tax by 4.99% Given the elections in May 2018, when the 2018/19 budget was approved, Cabinet were aware that £30 million of savings was required in 2019/20 and 2020/21 but did not have individual schemes presented to them to approve this year. The new Cabinet received details of the approach for developing the 209/20 budget and new medium term financial plan in July 2018. Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. There are new risks and opportunities, for instance the Authority participating in the London Business Rates Pilot Pool where it has been identified it could be £4.9 million beneficial to the Authority although as it is new, this will need to be monitored closely
Contract monitoring	The Authority continues to work closely with partners and third parties and having gone through competitive tendering processes in line with the Authority's regulations, it is vital that contract terms and agreed performance indicators are monitored closely to ensure that the Authority obtains maximum value for money from these contracts. We selected two of the larger contracts with SERCO and Veolia and reviewed the ongoing monitoring arrangements. The SERCO contract for parking services started in March 2013 and was extended for a further five years following an options report to Cabinet in December 2017. A monthly performance report is produced by SERCO followed by a meeting to discuss the key performance Indicators. Invoices raised by SERCO are supported by detailed schedules with explanations for movements from forecasts and deductions where performance indicators are not achieved and these are checked by officers. A risk register for the contract is also maintained by the service. The Veolia contract commenced in April 2014 and is for an initial seven years and covers waste collection, street cleansing, waste management, grounds maintenance, cemeteries, recycling and commercial waste. This contract includes four key targets and 65 other performance indicators and Veolia produce a monthly report on its performance against the indicators. There are three types of regular meetings in place: weekly to cover operational matters; monthly to review the performance report and discuss any issues arising; and then a quarterly strategic meeting for developments going forward. Key indicators form part of the quarterly performance indictor report to Cabinet. Overall the Authority has appropriate arrangements in place to manage and monitor the contract.

Recommendations raised and followed up

Recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
1	2	Fixed Asset Register (FAR) The FAR could not be used to index individual assets and needed to be downloaded onto an excel spreadsheet to incorporate indexation adjustments. We identified other aspects of the FAR control environment that could be strengthen; • There were assets included in the register that had been sold to I4B Holdings Limited; • There were assets included in Assets Under Construction when they were in use; • Assets included in Other and Buildings that should have been classified as Council dwellings • Assets with values that had estimated useful lives of 0; and • Assets sold being written down to nominal values rather than written out of the register. We recommend that an individual is tasked with identifying a solution for the year end accounting updates and takes full ownership of the FAR, ensuring it is kept up to date and fields with the FAR used accurately.	Agreed. Head of Finance (Corporate). 31 March 2019, The Authority will review how fixed assets are recorded and how purchases, construction and disposals are recorded to address the issues found. This will include assigning clear responsibility to specific senior managers for ensuring that asset registers and kept up to date with accurate records. Further, work on the asset register will be spread throughout the year, to reduce the risk of issues at year end causing problem.

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Recommendations raised and followed up

#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
2	2	Journals The Authority uses a module of the Oracle system where journals can be self reviewed, which some staff do, and there is no regular review in place that checks that any self reviewed journals are appropriate. We recommend that if the Authority continues to allow staff to self review journals, these are reviewed on a monthly basis by senior management to ensure that they are appropriate.	Agreed. CFO. 7 September 2018. Formal monthly sample checks will be introduced
3	2	Accounts preparation of the Pension Fund The Authority does not put through the general ledger all the entries relating to increases in market value of investments but uses the Custodian report as the basis for preparing the asset values included in the accounts. Not using a full trial balance to prepare the accounts can lead to an enhanced risk that errors may occur. We identified two errors relating to assets in the accounts: • One where the incorrect bank balance figure was given to the custodian; and • One where the custodian did not use the final year end report from a Fund manager. We recommend that the Authority puts journals through the general ledger for all entries in the Pension Fund accounts and reconciles reports from Fund Managers to the Custodian report.	Agreed. Head of Finance (Pensions). 31 March 2019, The Authority will review how to record all entries on the general ledger for the pension fund to reduce the risk of errors.
4	3	Year end bank reconciliations The Authority has a number of monthly controls relating to the bank account reconciliations which are undertaken by different staff. Whereas these controls were designed to operate at a month end when cut off isn't as important as at year end, we identified items that had been incorrectly recorded in the wrong year where if there was one person with a high level overview of all of the reconciliations, this might have been identified. We recommend that additional controls or review process is introduced at the year end to ensure that cash is accounted for in the correct period.	Agreed. Head of Finance (Corporate). 31 March 2019

Recommendations raised and followed up

We have followed up our recommendation from the prior year's audit.

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
1	1	0

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
Financial statements				
	2	Pension details The initial detailed information provided by the Authority to the actuary relating to members of the pension scheme as part of the Pension Fund triennial valuation contained various errors that meant the valuation results were delayed. The errors were resolved but the Authority should put in place arrangements to ensure that accurate pension data is available to supply to actuaries and individual members when required.	The Authority accepts that there were errors in the initial information provided to the Actuary although that these were subsequently resolved. Following the valuation a review took place between April and May 2017 between the Council's in house pension administration service, the external contractor responsible for the data and the actuary to ensure lessons were learned and appropriate actions agreed. This includes measures to ensure data cleansing on a more regular basis to prevent errors.	Implemented The Authority has put in place monthly meetings with the external contractor who manages the pension administration system to discuss quality and any issues arising.

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Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;
- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff; and
- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2017/18, presented to you in January 2018.

Materiality for the Authority's accounts was set at £12 million which equates to around 1.1% of gross expenditure.

Materiality for the Pension Fund was set at £12million which equates to around 1.5% of gross assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work. Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. *ISA 450* requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £600,000 for the Authority and less than £600,000 for the Pension Fund.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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Appendix 3

Audit differences

Unadjusted audit differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are ‘clearly trivial’, which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor’s report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £600,000 would be reported.

The only unadjusted audit difference relates to the NNDR provision for appeals of £5.1 million which is classified in long term provisions when a proportion should be classified as short term provisions. Officers have decided not to adjust for this as there is no impact on the income and expenditure account and it only effects the split between short and long term provisions.

Appendix 3

Audit differences

Adjusted audit differences

To assist the Audit Committee in fulfilling its governance responsibilities we present in the tables below a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Authority adjusted audit differences (£'m)

#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
1			Cr Cash £0.7		Dr School reserves £0.7	Monies included in cash which belonged to academy schools
2	Dr Cost of sales £22.1	Cr Charges for impairments £22.1	Cr Council dwellings £22.1		Dr CAA £22.1	Council dwelling additions that did not have the Social discount factor applied to their valuation
3	Cr Cost of sales £1.8	Dr Charges for impairments £1.8	Cr Council dwellings £0.6 Dr Investments £0.8 Dr Long term loan £1.6		Cr CAA £1.8	Property belonging to I4B Holdings Limited included in Council dwellings
	Dr Cost of sales £0.5	Cr Charges for impairments £0.5	Dr Council dwellings 0.2 Cr Investments 0.3 Cr Long term loan 0.4		Dr CAA £0.5	Expenditure on Council dwellings incorrectly charged to I4B Holdings Limited.
4	Cr Other operating income £1.9	Dr Profit on disposal of PPE £1.9	Dr Finance lease debtor £1.9		Cr Deferred capital receipts £1.9	Reclassification of leases from operating to finance leases
5	Dr Cost of sales £7.7	Cr Charges for impairments £7.7	Dr Council dwellings £2.5 Cr Other Land and Buildings £10.2		Dr CAA £7.7	Council dwellings identified within Other Land and Buildings additions
	Dr 26.8	**Cr 26.8**	**Cr 29.9**	**Dr 1.4**	**Dr 28.5**	**Total impact of corrected audit differences**

Audit differences

Pension fund adjusted audit differences (£'m)					
#	Income and expenditure statement	Assets	Liabilities	Reserves	Comments
1	Cr Change in market value of investments £1.0	Dr Investment assets £1.0			The Custodian and Authority did not use the final Fund manager report from Baille Gifford resulting in a £4m difference. In addition, the Custodian was informed that a bank balance that was showing £1.5m overdraft had a credit balance of £1.5m.
	Cr £1.0	**Dr £1.0**	**-**	**-**	**Total impact of corrected audit differences**

Audit differences

Presentational adjustments – Authority

We identified presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). Whilst the majority of these adjustments were not significant, we identified a number of adjustments of a more significant nature and details of these are provided in the following table. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Presentational adjustments – Authority	
#	**Basis of audit difference**
1	A reallocation of £5.7 million within note 1 the fixed note between depreciation and other revaluations.
2	Reclassification of £0.7 million of Assets Under Construction to Other Land and Buildings
3	Operating leases rentals due were decreased as a result of some being classified as finance leases
4	Collection Fund adjustment of £1.2 million due to previous years balances being incorrectly recorded on returns to Central Government
5	Note 29 on officer remuneration was updated in relation to school staff

Presentational adjustments – Pension Fund

We identified presentational adjustments required to ensure that Pension Fund's financial statements for the year ending 31 March 2018 are fully compliant with the Code. The following table sets out those presentation adjustments relating to the Pension Fund's financial statements that are considered to be significant. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Presentational adjustments – Pension Fund	
#	**Basis of audit difference**
1	A number of additional disclosures were added including around fair value so that the accounts were in line with the Code requirements.

Audit independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF LONDON BOROUGH OF BRENT AND PENSION FUND

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: general procedures to safeguard independence and objectivity; breaches of applicable ethical standards; independence and objectivity considerations relating to the provision of non-audit services; and independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Audit independence

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix [7], as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 **£**	**2016-17** **£**
Audit of the Authority	199,,590	199,590
Audit fee in respect of objections relating to 2015/16	17,574	-
Audit of the Pension Fund	21,000	21,000
Audit of controlled entities – I4B Holdings Limited	24,000	-
Total audit services	**262,164**	**220,590**
Allowable non-audit services	-	10,000
Audit related assurance services	6,500	6,500
Mandatory assurance services	21,663	22,115
Total Non Audit Services	**28,163**	**38,615**

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We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.15:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

KPMG

Audit independence

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table below:

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Allowable non-audit services				
None				
Audit-related assurance services				
Grant Certification – Teachers Pensions Return and Pooling of Housing Capital Receipts Return	The nature of these audit-related services is to provide independent assurance on each of these returns. As such we do not consider them to create any independence threats.	Fixed Fee	6,500	6,500
Mandatory assurance services				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	22,115	21,663

We have not been required to obtain approvals from PSAA for non-audit services as we did not exceed the relevant thresholds during the reporting period.

Contingent fees

We have not agreed any contingent fees with the Authority.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of Andrew Sayers and the audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

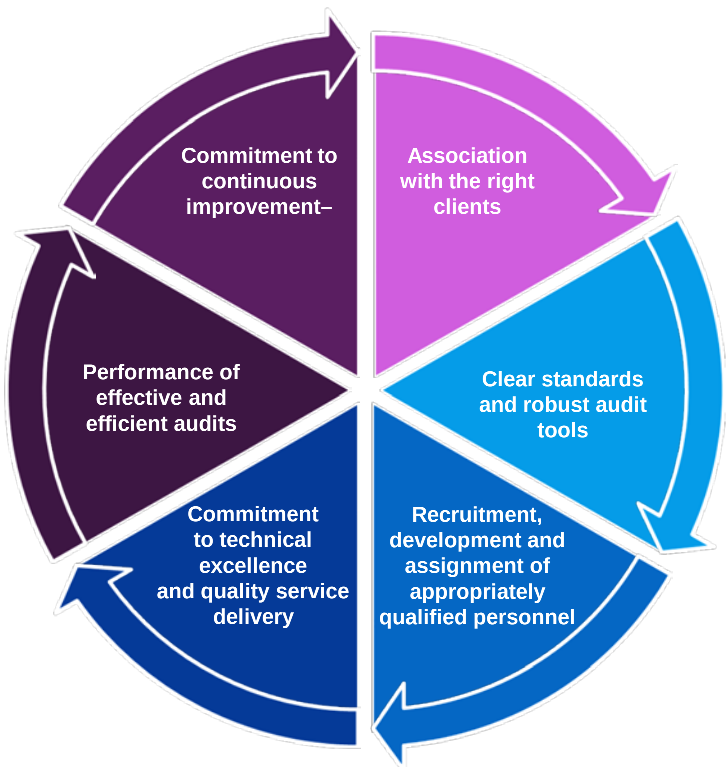
Appendix 5

Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management



- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

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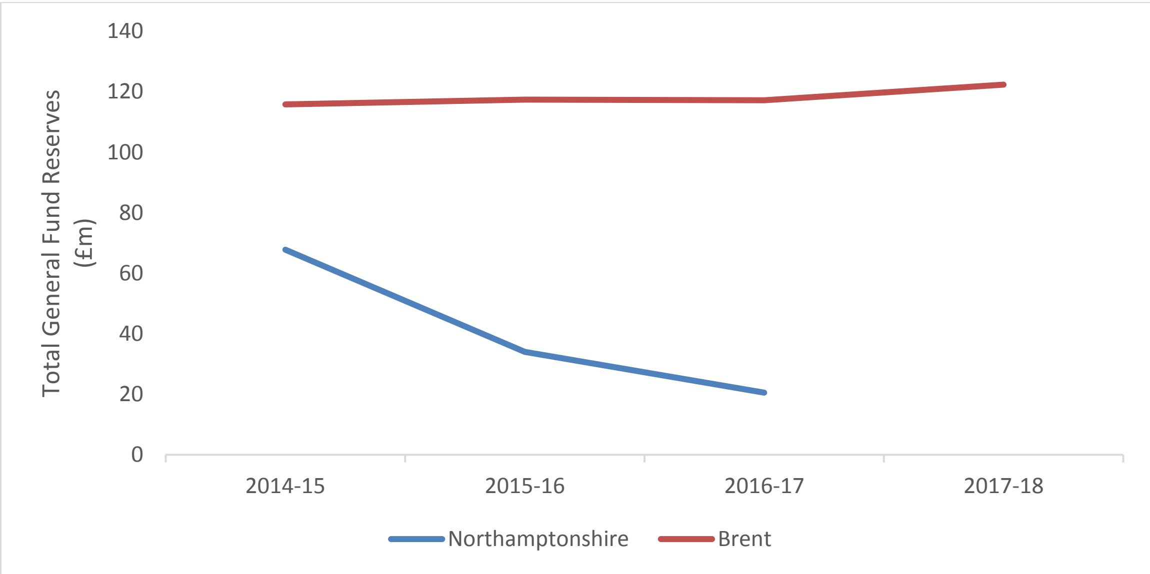
Brent

STATEMENT OF ACCOUNTS
2017/18

Contents

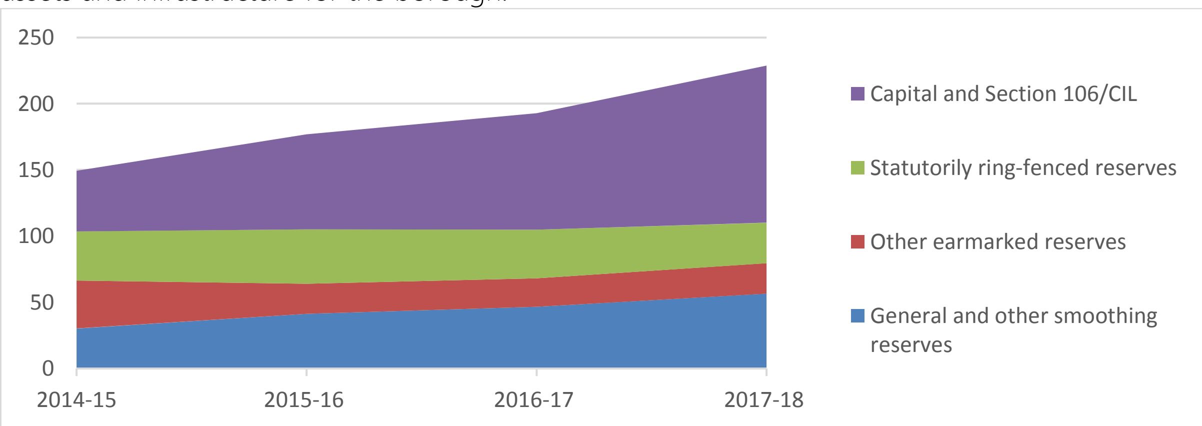
Narrative Statement

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



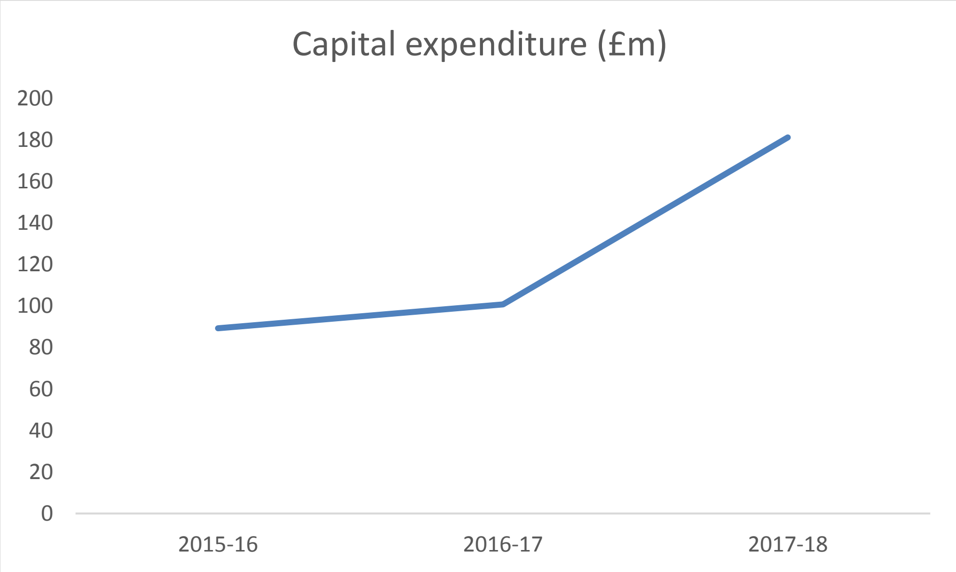
As will be explained below, the stable position for Brent is a result of both deliberate strategy to plan for the future to address the known challenges of local government finance, and of strong financial management so that potential overspends are addressed promptly.

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



Capital Outturn

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



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

Portfolio/Programme	Budget £m	Outturn £m	(Over) / underspend £m
Housing Care Investment	139.2	113.5	25.7
Schools	32.9	29.1	3.8
South Kilburn	10.9	15.3	(4.4)
Public Realm	15.7	12.3	3.4
Regeneration	8.1	7.8	0.3
Corporate Landlord	3.0	3.2	(0.2)
Total	**209.8**	**181.2**	**28.6**

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

Revenue Outturn

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

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

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

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

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

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

It is not sufficient to have a plan to deliver savings, the plan must be implemented, and any issues in implementing it must be addressed. Two areas of the council's savings plans have not delivered the expected savings. The council's procurement savings programme was expected to deliver £3.5m of savings in 2017/18, but due to a slow start only savings of £1.5m were identified. Instead of allowing this to become an overspend, the council took action to identify alternative savings to replace this

shortfall (such as raising additional income through the Gordon Brown Education Centre), and the council was able to deliver on the revised savings plan, and spend within its budget.
The Civic Enterprise strand of savings has had some notable successes, particularly in improving the council's debt collection and purchasing accommodation to reduce the cost of temporary accommodation, but has not met its savings target. In this case it is expected that the savings are delayed as generating additional income is taking longer than expected and will be delivered in the near future, therefore this gap is being temporarily filled by use of earmarked reserves.

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

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

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

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

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

School balances have reduced by £4m from £20m to £6m in 2017/18, which means this is the second year of a reduction to the overall school balances. Overall the trend of reducing school balances reflects the pressure of an imbalance between inflationary cost pressures and school funding, but it is not a uniform pattern, with approximately half of the 60 maintained schools adding to their reserves with an in year surplus. 6 schools finished the year in deficit, though the nursery school previously in deficit at the end of 2016/17 closed 2017/18 with a small reserve balance.

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

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

Balance Sheet

	2016/17 (£m)	2017/18 (£m)	Movement (£m)
What the council owns or is owed (assets):			
Property, Plant, equipment, vehicles and infrastructure	1,509	1,609	100
Other Assets	9	0	(9)
Amount owed to us by other people/organisations	153	219	66
Cash and cash equivalents and short term investments	171	152	(19)
Total we own and are owed	**1,842**	**1,980**	**138**
What the council owes (liabilities)			
We owe other people/organisations	(140)	(149)	(9)
We have outstanding loans	(419)	(444)	(25)
We have to meet future years' pension costs	(819)	(842)	(23)
We received grants from government towards our assets	(20)	(18)	2
We have other liabilities (e.g. Cash overdrawn and provisions)	(22)	(22)	0
Total amount we owe	**(1,420)**	**(1,475)**	**(55)**
Total the council is worth	**422**	**505**	**83**

The two major stories on the balance sheet are that:

- the council has significantly increased the value of Property, Plant, Equipment, vehicles and infrastructure it owns by £100m, the increase is through two main sources: the council's capital expenditure as part of the capital programme, and the revaluation of assets;

    - much of the council's capital investment is to reduce its revenue costs, for example, during the year the council capital programme directly delivered 43 units of NAIL, through new build developments like Clement Close and Peel Road which reached works completion in May 2018 and the refurbishment of 3 large properties acquired within the year. In total the 2017/18 NAIL capital programme has delivered revenue savings of £0.7m for the council.

- at the same time, the council's net worth has increased significantly by £83m, this is principally due to increases in two reserves: the revaluation reserve has increased by £36m as the council's assets have gained in value; and the Capital Adjustment Account has increased by £34m; increases in the Capital Adjustment account are principally due to use of funds to pay for capital expenditure.

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

As described above, the council has recently created a subsidiary, Investing 4 Brent, to buy properties to reduce the cost of temporary accommodation for the council. The council has lent £46m to Investing 4 Brent to buy these properties, which largely explains the movement in the amount owed to us by other people/organisations. The remainder of the increase is principally due to work done as part of the debt strategy to improve the recording of debt so that the council can improve its collection, leading to the recognition of additional amounts owed for Housing Benefit.

Two figures combined: cash and cash equivalents and short term investments, and outstanding loans, need to be considered together as they reflect the council's treasury management plan. Taking these items together, the combined position has reduced by £43m. This is in line with the council's plans for capital expenditure, as the council's medium term plan is to reduce its cash balances and short term investments, and to borrow more as the capital programme progresses.

The other liabilities have increased by £22m, this is mostly due to an increased liability (£19m) being recognised for pensions directly on the council's account for former Brent Housing Partnership staff, who are now employed directly by the council. This was previously part of Brent Housing Partnership's accounts, and was recognised as part of the group accounts, so is not a new liability if the council is considered along with its subsidiaries.

Pension Fund

The Pension Fund accounts are disclosed from page 87 onwards. The Pension Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.

During 2017/18, the value of the Pension Fund's investments has decreased to £801m (2016/17 £804m). This is due to the weak performance of the equity markets in comparison to the previous year.

Total contributions received from employers and employees were £50m for the year, an increase on the previous year's £49m.

Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £39m, a decrease on the previous year's £40m. As in 2016/17, the Council is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

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

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

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

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

Core Statements

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

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

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

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

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

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

Balance Sheet

31-Mar 2017 £m		Notes	31-Mar 2018 £m	
1,509.3	Property, Plant & Equipment	1	1,606.8	Non-current Assets
0.5	Heritage Assets		0.5	
1.4	Investment Property		0.0	
1.8	Intangible Assets	1	1.8	
0.1	Long Term Investments	23	13.8	
58.7	Long Term Debtors	23	96.2	
1,571.8	**Long Term Assets**		**1,719.1**	
151.6	Short Term Investments	23	105.3	Current Assets
5.6	Assets Held for Sale		0.0	
90.1	Short Term Debtors	2	108.7	
19.0	Cash and Cash Equivalents	3	47.0	
266.3	**Current Assets**		**261.0**	
(8.6)	Short Term Borrowing	23	(29.9)	Liabilities
(106.8)	Short Term Creditors	7	(120.2)	
(6.5)	Provisions	9	(2.3)	
(121.9)	**Current Liabilities**		**(152.4)**	
(28.7)	Long Term Creditors	23	(29.1)	
(15.4)	Provisions	9	(19.9)	
(410.6)	Long Term Borrowing	23	(413.6)	
(838.7)	Other Long Term Liabilities	8	(859.9)	
(1,293.4)	**Long Term Liabilities**		**(1,322.5)**	
422.8	**Net Assets**		**505.2**	
	Reserves			Reserves
(333.4)	Usable Reserves		(365.0)	
(89.4)	Unusable Reserves		(140.2)	
(422.8)	**Total Reserves**		**(505.2)**	

The Movement in Reserves Statement

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Movement in reserves during 2017/18	**(12.3)**	**(20.1)**	**(171.0)**	**(4.8)**	**(1.7)**	**(34.5)**	**0.0**	**(89.0)**	**(333.4)**	**(89.4)**	**(422.8)**
(Surplus) or deficit on the provision of services	(70.4)	0.0	0.0	47.7	0.0	0.0	0.0	0.0	(22.7)	0.0	(22.7)
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(59.7)	(59.7)
Total comprehensive income & expenditure	**(70.4)**	**0.0**	**0.0**	**47.7**	**0.0**	**0.0**	**0.0**	**0.0**	**(22.7)**	**(59.7)**	**(83.8**
Adjustments between accounting basis & funding basis under regulations	35.1	0.0	0.0	(46.6)	0.0	(3.9)	0.0	6.5	(8.9)	8.9	0.0
Net (increase)/decrease before transfers to earmarked reserves	**(35.3)**	**0.0**	**0.0**	**1.1**	**0.0**	**(3.9)**	**0.0**	**6.5**	**(31.6)**	**(50.8)**	**(82.4**
Transfers (to)/from earmarked reserves	35.3	4.2	(39.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2017/18	**(0.0)**	**4.2**	**(39.5)**	**1.1**	**0.0**	**(3.9)**	**0.0**	**6.5**	**(32.3)**	**(50.8)**	**(83.1)**
Balance as at 31 March 2018	**(12.3)**	**(15.9)**	**(210.5)**	**(3.7)**	**(1.7)**	**(38.4)**	**0.0**	**(82.5)**	**(365.0)**	**(140.2)**	**(505.2)**

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

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

Comprehensive Income and Expenditure Statement

2016/17 Net Expenditure £m		2017/18 Gross Expenditure £m	Gross Income £m	Net Expenditure £m	Notes
159.4	Community Wellbeing (GF)	217.6	(75.3)	**142.3**	
14.3	Performance Policy & Partnerships	9.9	(1.0)	**8.9**	
33.2	Regeneration & Environment	85.0	(40.1)	**44.9**	
2.1	Resources Department	413.5	(430.3)	**(16.8)**	
47.9	Children & Young People (GF)	67.9	(24.1)	**43.8**	
4.3	Children & Young People (DSG)	223.4	(221.5)	**1.9**	
6.6	Community Wellbeing (HRA)	90.4	(56.1)	**34.3**	
267.8	**Cost of Services**	**1,107.7**	**(848.4)**	**259.3**	
2.7	Other operating expenditure			(3.6)	11
40.4	Financing and investment income & expenditure			43.6	12
(290.3)	Taxation and non-specific grant income			(322.0)	13
20.6	**(Surplus) or Deficit on Provision of Services**			**(22.7)**	
(77.5)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(42.2)	
172.9	Actuarial (gains)/losses on pension assets and liabilities			(17.5)	32
95.4	**Other Comprehensive Income and Expenditure**			**(59.7)**	
116.0	**Total Comprehensive Income and Expenditure**			**(82.4)**	

Expenditure and Funding Analysis

2016/17 Net Expenditure in Comprehensive Income and Expenditure Statement £m	2016/17 Adjustments between the Funding and Accounting Basis £m	2016/17 Net Expenditure Chargable to the General Fund and HRA Balances £m		2017/18 Net Expenditure in Comprehensive Income and Expenditure Statement £m	2017/18 Adjustments between the Funding and Accounting Basis £m	2017/18 Net Expenditure Chargable to the General Fund and HRA Balances £m
159.3	(30.3)	129.0	Community Wellbeing (GF)	142.3	0.7	143.0
14.3	(4.0)	10.3	Performance Policy & Partnerships	8.9	0.8	9.7
33.2	(4.8)	28.4	Regeneration & Environment	44.9	(4.2)	40.7
2.2	1.9	4.1	Resources Department	(16.8)	(0.7)	(17.5)
47.9	(4.8)	43.1	Children & Young People (GF)	43.8	(3.1)	40.7
4.3	(7.4)	(3.1)	Children & Young People (DSG)	1.9	(1.0)	0.9
6.6	(34.8)	(28.2)	Community Wellbeing (HRA)	34.3	(61.9)	(27.6)
267.8	**(84.2)**	**183.6**	**Net Cost of Services**	**259.3**	**(69.4)**	**189.9**
(247.2)	65.0	(182.2)	Other Income and Expenditure	(282.0)	93.2	(188.8)
20.6	**(19.2)**	**1.4**	**(Surplus) or Deficit**	**(22.7)**	**23.8**	**1.1**
		(18.5)	Opening General Fund and HRA Balance			(17.1)
		1.4	**Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year**			1.1
		(17.1)	Closing General Fund and HRA Balance at 31 March 2018			**(16.0)**

Expenditure and Funding Analysis continued

Housing Revenue Account and General Fund split:

2016/17				2017/18		
Net Expenditure in Comprehensive Income and Expenditure Statement	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure Chargeable to the General Fund and HRA Balances**		**Net Expenditure in Comprehensive Income and Expenditure Statement**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure Chargeable to the General Fund and HRA Balances**
Note to MIRS				Note MIRS		
£m	**£m**	**£m**		**£m**	**£m**	**£m**
7.4	(6.0)	1.4	Housing Revenue Account	47.7	(46.6)	1.1
13.2	(13.2)	0.0	General Fund	(70.4)	70.4	0.0
20.6	**(19.2)**	**1.4**	**(Surplus) or Deficit**	**(22.7)**	**23.8**	**1.1**

Cash Flow Statement

2016/17 £m		Notes	2017/18 £m
20.6	Net surplus or (deficit) on the provision of services		22.7
(31.1)	Adjustments for non-cash movements		5.6
57.9	Adjustments for investing and financing activities		96.1
47.4	**Net cash inflows/(outflows) from Operating Activities**		**124.4**
(54.8)	Net cash inflows/(outflow) from Investing activities	5	(118.8)
(5.8)	Net cash inflows/(outflow) from Financing activities	6	22.4
(13.2)	**Net increase/(decrease) in cash and cash equivalents**		**28.0**
32.2	Cash and cash equivalents at the beginning of the reporting period		19.0
19.0	**Cash and cash equivalents at the end of the reporting period**	3	**47.0**

Notes and Disclosures to the Core Statements

Physical and Intangible Assets

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

Movements in 2017/18	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus	Asset under construction	Total	PFI Assets	Intangible Assets
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
At 1 April 2017	**670.4**	**673.6**	**34.7**	**246.3**	**5.0**	**23.2**	**1,653.2**	**112.1**	**6.5**
Additions	45.7	16.5	6.6	10.1	-	48.5	127.4	-	0.5
Depreciation written out	-	(30.6)	-	-	-	-	(30.6)	-	-
Revaluation increases (decreases) in the Revaluation Reserve	-	43.6	-	-	-	-	43.6	0.3	-
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(34.3)	11.5	-	-	-	-	(22.8)	-	-
Derecognition - Disposals	(17.5)	-	-	-	(1.1)	-	(18.6)	-	-
Reclassifications (to/from Investment Property)	-	1.5	-	-	-	-	1.5	-	-
Other movements in Cost or Valuations	-	6.1	-	1.8	-	(8.0)	(0.1)	-	-
At 31 March 2018	**664.3**	**722.2**	**41.3**	**258.2**	**3.9**	**63.7**	**1,753.6**	**112.4**	**7.0**
Depreciation and Impairments									
At 1 April 2017	**(19.4)**	**(35.0)**	**(24.7)**	**(64.7)**	**-**	**-**	**(143.8)**	**(9.9)**	**(4.7)**
Charge for 2017/18	(7.6)	(15.6)	(4.5)	(6.4)	-	-	(34.1)	(2.0)	(0.5)
Depreciation written out	-	30.0	-	-	-	-	30.0	-	-
Impairment written out	-	0.6	-	-	-	-	0.6	-	-
Derecognition - Disposals	0.5	-	-	-	-	-	0.5	-	-
At 31 March 2018	(26.5)	(20.0)	(29.2)	(71.1)	-	-	(146.8)	(11.9)	(5.2)
Balance Sheet Amount at 31 March 2018	**637.8**	**702.2**	**12.1**	**187.1**	**3.9**	**63.7**	**1,606.8**	**100.5**	**1.8**
Balance Sheet Amount at 1 April 2017	**651.0**	**638.6**	**10.0**	**181.5**	**5.0**	**23.2**	**1,509.3**	**102.2**	**1.8**

Movements in 2016/17	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus	Asset under Construction	Total	PFI Assets	Intangible Assets
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
At 1 April 2016	**645.5**	**643.2**	**40.4**	**234.8**	**5.1**	**20.4**	**1,589.4**	**90.4**	**5.3**
Additions	54.0	11.0	0.6	10.4	0.1	9.6	85.7	0.0	0.0
Depreciation written out	0.0	(13.9)	0.0	0.0	(0.0)	0.0	(13.9)	(11.4)	0.0
Revaluation increases (decreases) in the Revaluation Reserve	0.0	76.5	0.0	0.0	0.3	0.0	76.8	63.0	0.7
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(24.9)	(30.1)	0.0	0.0	0.0	0.0	(55.0)	(29.3)	0.0
Derecognition - Disposals	(4.2)	(18.2)	(6.3)	0.0	0.0	0.0	(28.7)	(0.6)	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	(0.6)	0.0	(0.6)	0.0	0.0
Other movements in Cost or Valuations	0.0	5.2	0.0	1.0	0.0	(6.8)	(0.6)	0.0	0.5
At 31 March 2017	**670.4**	**673.7**	**34.7**	**246.2**	**4.9**	**23.2**	**1,653.2**	**112.1**	**6.5**
At 1 April 2016	**(9.8)**	**(36.9)**	**(25.9)**	**(57.8)**	**(0.1)**	**(0.0)**	**(130.5)**	**(17.1)**	**(3.7)**
Charge for 2016/17	(9.9)	(13.3)	(4.7)	(6.2)	(0.0)	0.0	(34.1)	(4.2)	(1.0)
Depreciation written out	0.3	13.9	0.0	0.0	0.0	0.0	14.2	11.4	0.0
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	(0.5)	0.0	0.0	0.0	0.0	(0.5)	0.0	0.0
Derecognition - Disposals	0.0	0.9	5.9	0.0	0.0	0.0	6.8	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Other Movements in Depreciation & Impairments	0.0	0.8	0.0	(0.8)	0.0	0.0	0.0	0.0	0.0
At 31 March 2017	**(19.5)**	**(35.1)**	**(24.7)**	**(64.8)**	**(0.0)**	**(0.0)**	**(143.9)**	**(9.9)**	**(4.7)**
Balance Sheet Amount at 31 March 2017	**651.0**	**638.6**	**10.0**	**181.6**	**5.0**	**23.2**	**1509.3**	**102.2**	**1.8**
Balance Sheet Amount at 1 April 2016	**635.7**	**606.3**	**14.5**	**177.0**	**5.0**	**20.4**	**1459.0**	**73.3**	**1.6**

Current Assets

Note 2 – Debtors

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

Note 3 – Cash and Cash Equivalents

31-Mar-17 £m		31-Mar-18 £m
(17.6)	Bank current accounts	(9.8)
21.0	School bank accounts	21.6
15.6	Short-term deposits	35.2
19.0	**Total**	**47.0**

Cash Flow Notes

Note 4 – Cash Flow Statement - Operating Activities

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

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

Note 5 – Cash Flow Statement - Investing Activities

2016/17 £m		2017/18 £m
(102.2)	Purchase of property, plant and equipment, investment property and intangible assets	(168.6)
(10.5)	Net increase/(decrease) in short-term and long-term investments	(46.3)
26.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	31.4
31.9	Capital grants received	64.7
(54.8)	**Net cash flows from investing activities**	**(118.8)**

Note 6 – Cash Flow Statement - Financing Activities

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

Liabilities

Note 7 – Creditors

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

Note 8 – Long-Term Liabilities

31-Mar-17 £m		31-Mar-18 £m
(818.5)	Pension Fund Liability	(841.8)
(20.2)	Deferred Income	(18.1)
(838.7)	**Total**	**(859.9)**

Note 9 – Provisions

	Outstanding Legal Cases £m	Compensation Claims £m	Other Provisions £m	Total £m
Short Term Provisions				
Balance at 1 April 2017	**0**	**(2.7)**	**(3.8)**	**(6.5)**
Net (additions) reductions to provisions made in 2017/18	0	0.4	3.8	**4.2**
Balance at 31 March 2018	**0**	**(2.3)**	**0**	**(2.3)**
Long Term Provisions				
Balance at 1 April 2017	**(5.0)**	**(4.4)**	**(6.0)**	**(15.4)**
Net (additions) reductions to provisions made in 2017/18	0.2	0.7	(5.4)	**(4.5)**
Balance at 31 March 2018	**(4.8)**	**(3.7)**	**(11.4)**	**(19.9)**

Provisions over both short and long term have been made based on estimations for:

- Outstanding legal claims such as disrepair cases for Council tenants and leased properties.
- Compensation claims for uninsured losses reviewed annually, and,
- Other provisions for items such as leased equipment, NNDR appeals and Income shortfalls on PFI contracts

Earmarked Reserves

Note 10 – Transfers to/from Earmarked Reserves

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

		Balance at 31-03-2017 £m	Transfer (to)/from reserves £m	Balance at 31-03-2018 £m
Capital and other statutorily ring-fenced reserves				
S106/CIL		(47.6)	(24.9)	(72.5)
Ring-fenced	HMO Licensing	(1.1)	0.7	(0.4)
	Housing Revenue Account	(1.7)	0.0	(1.7)
	Public Health	(1.7)	(0.9)	(2.6)
	Schools and other DSG	(26.2)	1.7	(23.8)
	Community Wellbeing	(0.3)	(0.5)	(0.8)
	Joint NHS	(5.7)	5.3	(0.4)
	Migration related	0.0	(0.1)	(0.1)
	Total	**(36.7)**	**6.2**	**(29.8)**
Capital Finance Related	South Kilburn	(3.2)	(0.7)	(3.9)
	Library at Willesden Green	(0.1)	0.0	(0.1)
	General Fund Capital funding	(37.0)	(5.2)	(42.2)
	Total	**(40.3)**	**(5.9)**	**(46.2)**
Total		**(124.6)**	**(24.6)**	**(148.5)**

General and other smoothing reserves

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

Total	**(35.0)**	**(10.1)**	**(45.1)**
Total	***(46.5)***	***(10.1)***	***(56.6)***

Other Earmarked Reserves		**Balance at 31-03-2017 £m**	**Transfer (to)/from reserves £m**	**Balance at 31-03-2018 £m**
Service reserves	CHILDREN AND YOUNG PEOPLE	(5.9)	(0.2)	(6.1)
	COMMUNITY WELLBEING	(1.0)	0.1	(0.9)
	REGENERATION & ENVIRONMENT	(2.6)	(2.1)	(4.7)
	RESOURCES & PERFORMANCE POLICY & PARTNERSHIPS	(2.2)	(0.3)	(2.5)
	Total	**(11.7)**	**(2.5)**	**(14.2)**
Transformation/service pressures reserves	Service pressures	(2.0)	0.0	(2.0)
	Future funding risks	(5.1)	0.0	(5.1)
	Transformation	(2.9)	1.1	(1.8)
	Total	**(10.0)**	**1.1**	**(8.9)**
Total		***(21.7)***	***(1.4)***	***(23.1)***

Grand Total	***(192.8)***	***(36.0)***	***(228.2)***

Comprehensive Income and Expenditure Notes

Note 11 – Other Operating Expenditure

31-Mar-17 £m		**31-Mar-18 £m**
2.5	Levies	2.7
1.3	Payments to the Government Housing Capital Receipts Pool	1.5
(1.1)	(Gains)/losses on the disposal of non-current assets	(7.7)
2.7	**Total**	**(3.6)**

Note 12 – Financing and Investment Income and Expenditure

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

Note 13 – Taxation and non-Specific Grant Incomes

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

Additional Disclosures

Note 14 – Acquired and Discontinued Operations

The council has no transactions to disclose.

Note 15 – Pooled Budgets

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

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

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

2016/17 Net Overspend/(Underspend)	**(0.1)**	**0.1**	**0**	**0**

Note 16 – Members' Allowances

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

Note 17 – External Audit Costs

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

31-Mar-17 £'000		**31-Mar-18 £'000**
200	External audit services for in-year	200
6	Additional non audit services for the current year	17
5	Additional audit services for objections to prior year statement of accounts	18
22	Certification of grant claims and returns for in-year	22
1	Certification of grant claims and returns for prior year	
234	**Total**	**257**

Note 18 – Contingent Liabilities

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

Note 19 – Grant Income

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

2016/17 £m	**Revenue Grants**	**2017/18 £m**
	Housing Benefit:	
(296.9)	Mandatory Rent Allowances: subsidy	(293.9)
(18.8)	Mandatory Rent Rebates outside HRA	(16.8)
(27.7)	Rent Rebates Granted to HRA Tenants: subsidy	(26.6)
(2.8)	Housing Benefit and Council Tax Benefit Administration	(2.5)
(346.2)		**(339.8)**
	Schools:	
(195.1)	Dedicated Schools Grant (DSG)	(197.7)

(8.4)	Pupil Premium Grants	(7.5)
(4.0)	Sixth forms funding from Learning and Skills Council (LSC)	(4.3)
(3.5)	Universal Infant School Meal	(3.6)
(2.9)	Central Education Services	(0.8)
(213.9)		**(213.9)**

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

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

Note 20 – Deployment of Dedicated Schools Grant

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

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

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

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

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

Note 21 – Related Party Transactions

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

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

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

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

London Borough of Brent Pension Fund - administrative support is provided to the Fund. The Pension Fund's accounts are shown separately in this document. The Council charged the Pension Fund £0.7m for administering the fund in 2017/18 (£0.7m was charged in 2016/17).

Pooled Budgets - Details of partnerships with NHS Brent CCG and the Central and North West London NHS Foundation Trust are shown in Note 15 to the Core Financial Statements.

Subsidiary Companies - Brent has a number of subsidiaries including First Wave (formally Brent Housing Partnership Limited), Barham Park Trust, LGA Digital and I4B. Activities relating to these subsidiaries have been consolidated in Group accounts statements which can be found later in this document.

Note 22 – Capital Expenditure and Capital Financing

2016/17 £m GF	2016/17 £m HRA	2016/17 £m Total		2017/18 £m GF	2017/18 £m HRA	2017/18 £m Total
			Capital Investment			
34.4	57.1	91.5	Property, Plant and Equipment	79.9	47.6	127.5
0	0	0	Investment Properties	40.6	0	40.6
0	0	0	Intangible Assets	0.5	0	0.5
10.8	0	10.8	Revenue Expenditure Funded from Capital under Statute	12.6	0	12.6
45.2	**57.1**	**102.3**	**Total Expenditure**	**133.6**	**47.6**	**181.2**
			Sources of Finance			
(9.5)	(22.7)	(32.2)	Capital Receipts	(19.2)	(4.8)	(24.0)
(23.2)	0	(23.2)	Government Grants and other Contributions	(42.7)	(0.5)	(43.2)
(1.5)	(2.0)	(3.5)	Direct revenue contributions	(3.1)	(13.9)	(17.0)
0	(32.4)	(32.4)	Major Repairs Reserve	0	(7.8)	(7.8)
(11.0)	0	(11.0)	Earmarked Reserves	(22.9)	0	(22.9)
0	0	0	Borrowing	(45.7)	(20.6)	(66.3)
(45.2)	**(57.1)**	**(102.3)**	**Total Resources**	**(133.6)**	**(47.6)**	**(181.2)**
0	**0**	**0**	**Net Balance**	**0**	**0**	**0**
			Calculation of Capital Financing Requirement			
		1,509.3	Fixed Assets			1,606.8
		1.8	Intangible Assets			1.8
		5.6	Assets Held for Sale			0
		(279.8)	Revaluation Reserve			(315.8)
		(636.0)	Capital Adjustment Account			(670.3)
		600.9	**Capital Financing Requirement**			**622.5**

Financial Instruments

Note 23 – Financial Instruments Categories

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

	Long Term			Current		
	31-Mar 2018 £m	31-Mar 2017 £m	31-Mar 2016 £m	31-Mar 2018 £m	31 Mar 2017 £m	31 March 2016 £m
Investments						
Investments In subsidiaries	13.5	0.0	0.0	0.0	0.0	0.0
Loans and receivables	0.0	0.0	0.0	105.3	151.6	141.1
Unquoted equity investment at cost	0.3	0.1	0.1	0.0	0.0	0.0
Total investments	**13.8**	**0.1**	**0.1**	**105.3**	**151.6**	**141.1**
Debtors						
Investments In subsidiaries	33.5	0.0	0.0	0.0	0.0	0.0
Loans and receivables	62.7	58.7	55.0	0.0	0.0	0.0
Financial assets carried at contract amounts	0.0	0.0	0.0	108.7	45.8	34.9
Total Debtors	**96.2**	**58.7**	**55.0**	**108.7**	**45.8**	**34.9**
Borrowings						
Financial liabilities at amortised cost	(404.7)	(401.6)	(415.0)	(29.9)	(8.6)	(8.6)
Financial liabilities at fair value	(8.9)	0.0	0.0	0.0	0.0	0.0
Total Borrowings	**(413.6)**	**(410.6)**	**(415.0)**	**(29.9)**	**(8.6)**	**(8.6)**
Other Long Term Creditors						
PFI	(26.5)	(28.7)	(31.5)	0.0	0.0	0.0
Finance lease and other liabilities	(2.6)	0.0	0.0	0.0	0.0	0.0

Total Other Long Term Creditors	**(29.1)**	**(28.7)**	**(31.5)**	**0.0**	**0.0**	**0.0**
Creditors						
Financial liabilities carried at contract amounts	0.0	0.0	0.0	(76.6)	(64.9)	(78.3)
Total Creditors	**0.0**	**0.0**	**0.0**	**(76.6)**	**(64.9)**	**(78.3)**

Note 24 – Fair Values of Assets and Liabilities

The Council's long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost, except for one LOBO loan which is partly held at Fair Value as it contains a number of special features within the contractual arrangement that requires a separate valuation from the host contract. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term borrowings or short term investments This includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

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

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

Financial Liabilities

31-Mar-17			31-Mar-18	
Carrying Amount £m	**Fair Value £m**		**Carrying Amount £m**	**Fair Value £m**
(8.6)	(8.6)	Short Term Borrowing (PWLB)	(29.9)	(29.9)
(315.1)	(514.0)	Long Term Borrowing (PWLB)	(310.8)	(494.6)
(80.5)	(162.0)	Long Term Borrowing (LOBO)	(87.8)	(155.3)
(15.0)	(23.4)	Long Term Borrowing (Market Loans)	(15.0)	(22.5)
(28.7)	(28,7)	Long Term Creditors	(29.1)	(29.1)

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

Financial Assets

31-Mar-17 Carrying Amount £m	31-Mar-17 Fair Value £m		31-Mar-18 Carrying Amount £m	31-Mar-18 Fair Value £m
151.6	151.6	Loans and Receivables	105.3	105.5
58.7	58.7	Long Term Debtors	110.0	110.0

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

Impairment of Deposits with Icelandic Banks

Heritable Bank

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

Note 25 – Leases

Authority as Lessee

Finance Leases

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

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

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

31-Mar-17 £m		31-Mar-18 £m
	Finance lease liabilities	

2016-17		2017-18
0.6	Current	0.2
1.2	Non-current	1.2
0.1	Finance costs payable in future years	0
1.9	**Minimum lease payments**	**1.4**

These minimum lease payments are payable over the following periods

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

Operating Leases

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

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

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

The following future sublease payments are receivable:

£m		**£m**
0.9	Future Minimum Sublease Payments Receivable	0

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

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

Authority as Lessor

Finance Leases

Brent Council leases Northwick golf course to a commercial operator on a finance lease with a remaining term of 90 years. In addition, there are five residential properties leases with an average minimum contractual duration of 999 years.

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

2016-17 £m		2017-18 £m
	Finance lease debtor	
1.2	Non-Current	3.2
1.2	**Gross Investment in Lease**	**3.2**

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

	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	2016-17	**2017-18**	**2016-17**	**2017-18**
	£m	**£m**	**£m**	**£m**
Later than one year and not later than five years	0	0	0	0
Later than five years	1.2	3.2	1.2	3.2
	1.2	**3.2**	**1.2**	**3.2**

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

Operating Leases

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

Future minimum lease payments expected under these contracts are:

2016-17 £m		2017-18 £m
1.9	Not later than one year	2.4
6.3	Later than one year and not later than five years	7.4
33.7	Later than five years	45.5
41.9	**Total**	**55.3**

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

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

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

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

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

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

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

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

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

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

	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m

Payable in 2017/18	3.5	2.8	3.1	9.4
Payable with two to five years	8.3	9.5	10.6	28.4
Payable within 6 to 10 years	9.9	16.0	11.0	36.9
Payable within 11 to 15 years	7.0	12.8	8.0	27.8
Payable within 16 to 20 years	1.7	7.3	4.9	13.9
Total	**30.4**	**48.4**	**37.6**	**116.4**

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

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

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

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

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

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

long term tenancies to residents of the properties. This may result in the Council's assets and liabilities being higher or lower than currently projected.

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

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

The Council considers its main risks to be: -

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

Credit Risk: Investments

- The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.
- Up to £15m can be invested with a single pre-selected UK banking group (or individually rated banks within that group) for up to 100 days.
- Up to £10m can be invested with pre-selected overseas banks, or AAA rated money market funds for up to 190 days. Up to £10m can be invested in institutions that are supported by major international organisations such as the USA Federal Reserve or the European Central Bank for longer periods.
- Up to £20m can be invested with other individual local authorities or UK government bodies for terms that can exceed one year
- The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise. The Council's direct exposure to banks and building societies on 31 March 2017 was limited to £0.2m with Heritable Bank and a marginal net amount with the Royal Bank of Scotland.
- The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

	Short Term	
	31-Mar-18	**31-Mar-17**
Credit Rating	**£m**	**£m**

AAA	35.2	15.6
AA-	0	0
A	0	0
Unrated local authorities	105	151.5
Debt Management Office	0	0
Residual Icelandic banks	0.2	0.2
Total Investments	**140.4**	**167.3**

(Excludes interest and impairment)

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

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

	Amount at 31 March 2018 £m	Historical experience of default %	Estimated maximum exposure to default £m
Deposits with banks and financial institutions	2.0	47.47%	1.0
Trade debtors	133.1		63.2
	135.1		**64.2**

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

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

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

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

Liquidity risk

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

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

	£m
Less than one year	4.34
Between one and two years	10.44
Between two and five years	11.19
Between five and ten years	4.00
Between ten and twenty years	24.56
Between 20 and 30 years	51.87
Between 30 and 40 years	212.62
More than 40 years	11.10
Uncertain date *	80.50
	410.62

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

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

Market Risks: Interest Rate Risk

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

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

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

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

	£m
Increase in interest receivable on variable rate investments	(1.4)
Impact on Comprehensive Income and Expenditure	(1.4)

Decrease in fair value of fixed rate borrowings/liabilities*	**117.3**

*No Impact on Comprehensive Income and Expenditure

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

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Employee Benefits

Note 28 - Senior Employees' Remuneration

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

	2016/17					2017/18				
Post Holder	**Salary (including fees and allowances) £**	**Compensation for loss of office £**	**Total remuneration excluding pension contributions £**	**Employers pension contributions £**	**Total remuneration including pension contributions £**	**Salary (including fees and allowances) £**	**Compensation for loss of office £**	**Total remuneration excluding pension contributions £**	**Employers pension contributions £**	**Total remuneration including pension contributions £**
Chief Executive – C. Downs	202,729	0	202,729	0	202,729	202,352	0	202,352	0	202,352
Strategic Director Children and Young People	146,485	0	146,485	43,945	190,430	147,950	0	147,950	48,084	196,034
Strategic Director of Community & Well-being	146,985	0	146,985	43,945	190,930	148,286	0	148,286	48,084	196,370
Strategic Director of Resources	120,190	0	120,190	36,011	156,201	147,980	0	147,980	48,084	196,064
Strategic Director Regeneration & Environment	98,627	0	98,627	29,588	128,215	135,646	0	135,646	43,943	179,589

Senior Employees' Remuneration Continued

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

Note 29 – Officers' Remuneration

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

2016/17				2017/18		
Schools Staff	Officers	Total	Remuneration band £	Schools Staff	Officers	Total
104	71	175	50,000 - 54,999	83	65	148
79	33	112	55,000 - 59,999	73	33	106
30	15	45	60,000 - 64,999	46	13	59
27	8	35	65,000 - 69,999	29	13	42
21	7	28	70,000 - 74,999	14	9	23
12	9	21	75,000 - 79,999	22	10	32
12	6	18	80,000 - 84,999	12	5	17
9	4	13	85,000 - 89,999	8	8	16
6	3	9	90,000 - 94,999	4	5	9
1	1	2	95,000 - 99,999	1	1	2
2	1	3	100,000 - 104,999	2	4	6
1	1	2	105,000 - 109,999	3	2	5
0	3	3	110,000 - 114,999	2	3	5
2	0	2	115,000 - 119,999	1	1	2
1	2	3	120,000 - 124,999	1	2	3
0	2	2	125,000 - 129,999	1	2	3
0	0	0	130,000 - 134,999	0	0	0
0	1	1	135,000 - 139,999	0	1	1
1	0	1	140,000 - 144,999	0	0	0
0	2	2	145,000 - 149,999	0	3	3
0	0	0	155,000 – 159,999	0	0	0
0	0	0	175,000 - 179,000	0	0	0
0	0	0	190,000 - 194,999	0	0	0
0	1	1	200,000 - 204,999	0	1	1
308	**170**	**478**	**Total**	**302**	**181**	**483**

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

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

Note 30 – Exit Packages

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	35	29	37	22	72	51	635	421
£20,001 - £40,000	23	15	9	16	32	31	864	912
£40,001 - £60,000	6	2	7	4	13	6	629	284
£60,001 - £80,000	1	1	3	0	4	1	259	64
£80,001 - £100,000	1	0	1	0	2	0	171	0
Total cost included in bandings	**66**	**47**	**57**	**42**	**123**	**89**	**2,558**	**1,681**
ADD: amounts provided for in CIES not included in bandings							81	145
TOTAL cost included in CIES							**2,639**	**1,826**
Average cost of exit packages							**21**	**21**

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

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

Pension Notes

Note 31 - Pension Schemes Accounted for as Defined Contribution Schemes

In 2017/18, the Council paid £9.1m to Teachers' Pensions (£8.2m 2016/17) in respect of teachers' retirement benefits, representing 16.48% (16.48% 2016/17) of pensionable pay. The Authority is responsible for the cost of any additional benefits awarded upon early retirement outside of the term+s of the teachers' scheme.

Note 32 – Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Transactions Relating to Post-employment Benefits

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

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

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

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

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

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

2016/17 Scheme Assets £m	2016/17 Pensions Obligations £m	2016/17 Net Pensions Liability £m		2017/18 Scheme Assets £m	2017/18 Pensions Obligations £m	2017/18 Net Pensions Liability £m
567.4	**(1,203.4)**	**(636.0)**	**Opening Balance at 1 April**	**674.6**	**(1,493.1)**	**(818.5)**
			Service Costs			
0	(22.9)	(22.9)	Current Service Cost	0	(38.3)	(38.3)
0	1.5	1.5	Past Service cost and gains/losses on curtailments	0	2.7	2.7
19.6	(41.6)	(22.0)	Interest Income and Expense	17.1	(37.8)	(20.7)
			Re-measurements			
99.1	(57.6)	41.5	Return on Plan Assets	(5.4)	(4.0)	(9.4)
0	16.9	16.9	Actuarial Gains and Losses arising from changes in demographic assumptions	0	0	0
0	(231.2)	(231.2)	Actuarial Gains and Losses from changes in Financial Assumptions	0	26.9	26.9
			Contributions			
33.7	0	33.7	The Council	35.1	0	35.1
6.1	(6.1)	0	Employees	6.3	(6.3)	0
			Payments			
(51.3)	51.3	0	Retirement Grants and Pensions	(48.0)	48.0	0
0	0	0	Effects of business combinations and disposals	29.3	(48.8)	(19.5)
674.6	**(1,493.1)**	**(818.5)**	**Closing Balance at 31 March**	**709.1**	**(1,550.7)**	**(841.6)**

Note 34 – Sensitivity Analysis

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

Note 35 – Explanation of Change in Net Pension Liability

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

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

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

Note 36 – Basis for Estimating Assets and Liabilities

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

2016-17		2017-18
	Actuarial Assumptions:	
	Longevity at 65 for current pensioners:	
22.3	Men	22.3
24.5	Women	24.5
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.4	Women	26.4
2.7%	Rate of increase in salaries	2.7%
2.4%	Rate of increase in pensions	2.4%
2.5%	Rate for discounting scheme liabilities	2.6%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2008 service)	75.0%

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

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

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

Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2018

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

2016/17 £m		2017/18 £m
	Income	
(47.4)	Dwelling Rents	(45.8)
(0.2)	Non Dwelling Rents	(0.5)
(2.8)	Tenants Charges for Services and Facilities (Note 1)	(2.7)
(2.3)	Contribution Towards Expenditure	(2.9)
(2.1)	Other Income	(3.8)
(54.8)	**Total Income**	**(55.7)**
	Expenditure	
9.8	Repairs and Maintenance	10.7
11.4	Supervision and Management	11.7
3.8	Special Services	4.2
0.9	Rent and Rates and Others Charges	2.0
9.9	Depreciation of Fixed Assets	7.8
0.7	Bad or Doubtful Debts	(0.4)
0.0	Pension Liability IAS19	19.6
24.9	Revaluation losses	34.4
61.4	**Total Expenditure**	**90.0**
6.6	**Net Cost of Services included in the Council's Income and Expenditure Account**	**34.3**
	HRA share of the operating income and expenditure included in the Council's income and expenditure	
1.3	Payment to capital receipts pool	1.4
(6.5)	(Gain) or Loss on Sale of HRA fixed Assets	5.7
6.0	Interest payable and similar charges	6.3
0.0	Amortised Payment and Discount	0.1
0.0	HRA Investment Income/Mortgage Interest	(0.1)
7.4	**Surplus/or Deficit for the Year on HRA Services**	**47.7**

2016/17 £m	Movement on the HRA Statement	2017/18 £m
(6.2)	**Housing Revenue Account brought forward**	(4.8)
7.4	Deficit on the provision of services	47.7
(6.0)	Adjustment between accounting basis and funding basis under regulations	(46.6)
1.4	**Net (increase)/decrease before transfers to earmarked reserves**	**1.1**
(4.8)	**Balance as at 31 March carried forward**	**(3.7)**

HRA adjustments between accounting basis and funding basis under

2016/17 £m		2017/18 £m
6.5	Gain/(loss) on sale of HRA non-current assets	(5.7)
2.0	Capital expenditure funded by HRA	13.9
0.7	Amortised payment and discount	0.7
(24.9)	Exceptional items - downward revaluation of assets	(34.4)
(1.3)	Payments to the capital receipts pool	(1.4)
(0.2)	Pooled capital receipts -contribution to administration costs	(0.1)
0.0	Exceptional items - Pension Liability IAS19 Adjustment	(19.6)
21.1	Transfer to Major Repairs Reserve	7.8
(9.9)	Charge to Capital Adjustment Account	(7.8)
(6.0)	**Total adjustments between accounting basis and funding basis under Regulations**	**(46.6)**

Notes to the Housing Revenue Account

Note 1 – Housing Stock

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

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

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

Note 2 – Rent Arrears

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

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

Note 3 – Non-current Assets

2016/17 Total Non-Current Assets £m		2017/18 Council Dwellings £m	2017/18 Non-Dwellings £m	2017/18 Total Non-Current Assets £m
642.4	**Opening Net Book Value at 1 April**	**651.0**	**9.6**	**660.6**
(22.3)	Revaluations	(34.3)	(0.1)	(34.4)
50.5	Capital Expenditure	45.7	1.9	47.6
(4.2)	Disposals	(17.5)	0.0	(17.5)
(10.0)	Depreciation for the year	(7.6)	(0.2)	(7.8)
4.3	Other Movements	0.5	0.3	0.8
660.7	**Closing Net Book Value at 31 March**	**637.8**	**11.5**	**649.3**

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

The vacant possession value of dwellings within the HRA at 31 March 2018 was £2.551 billion. The difference between vacant possession value of the HRA dwellings and balance sheet value within the HRA shows the economic cost to the government of providing Council housing at less than open market value.

Note 4 – HRA Capital Receipts

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

Note 5 – Net Interest Charged to the HRA

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

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

Note 6 – Brent Housing Partnership

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

Note 7 – Major Repairs Reserve

2016/17 £m		2017/18 £m
(11.4)	Balance at beginning of the year	0.0
(9.9)	Depreciation on HRA Assets	(7.8)
21.3	Reserve applied to fund the capital programme	7.8
0.0	**Balance at end of year**	**0.0**

Collection Fund

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

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

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

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

Collection Fund Account for the Year ended 31 March 2018

2016/17 Council Tax £m	2016/17 Business Rates £m		2017/18 Council Tax £m	2017/18 Business Rates £m
(126.0)	(123.8)	Income from Tax Payers	(132.1)	(126.3)
	(3.3)	Business Rates Supplement		(3.5)
	(0.1)	Transitional Relief		(3.5)
(126.0)	**(127.2)**	**Total Income**	**(132.1)**	**(133.3)**
		Precepts		
24.6	44.0	GLA	26.1	46.5
98.3	35.7	LBB	106.9	37.7
	39.2	MHCLG (Central Government)		41.4
	3.2	GLA - Business Rates Supplement		3.4
		Share of surplus/deficit		
0.7	0.7	GLA	0.6	(1.0)
2.5	1.0	LBB	2.2	(1.6)
	(0.1)	MHCLG		(1.4)
(1.2)	1.0	Provisions for uncollectable amounts	3.1	7.5
0.0	0.9	Write offs/Write backs	0.0	1.6
	0.4	Cost of Collection Allowance		0.4
124.9	**126.0**	**Total Expenditure**	**138.9**	**134.5**
(11.7)	5.7	(Surplus)/Deficit brought forward	(12.8)	4.5
(1.1)	(1.2)	(Surplus)/Deficit in year	6.8	1.2
(12.8)	4.5	(Surplus)/Deficit carried forward	(6.0)	5.7

Notes to the Collection Fund

Note 1 – Council Tax

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

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

Proportion of Band D Charge		Number of Band D Equivalent Properties	
Band A	6/9	1,546	
Band B	7/9	6,202	
Band C	8/9	22,7450	
Band D	9/9	27,011	
Band E	11/9	22,345	
Band F	13/9	8,062	
Band G	15/9	5,069	
Band H	18/9	453	
		93,437	x 97.63% Collection Rate = 91,223

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

Group Accounts

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

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

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

The following group financial statements have been prepared:

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

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

Group Consolidated Income & Expenditure Statement

2016/17 Net Expenditure £m		2017/18 Gross Expenditure £m	2017/18 Gross Income £m	2017/18 Net Expenditure £m
159.4	Community Wellbeing (GF)	218.4	(75.5)	**142.9**
14.3	Performance Policy & Partnerships	9.9	(1.0)	**8.9**
33.2	Regeneration & Environment	85.0	(40.1)	**44.9**
2.2	Resources Department	413.5	(430.3)	**(16.8)**
47.9	Children & Young People (GF)	67.9	(24.1)	**43.8**
4.3	Children & Young People (DSG)	222.7	(221.5)	**1.2**
3.6	Community Wellbeing (HRA)	84.8	(56.1)	**28.7**
264.9	**Cost of Services**	**1,202.9**	**(848.6)**	**254.3**
2.7	Other operating expenditure			-3.6
42.6	Financing and investment income & expenditure			46.5
(290.3)	Taxation and non-specific grant income			(321.9)
19.8	**(Surplus) or Deficit on Provision of Services**			**(24.7)**
(79.8)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			-42.6
174.8	Actuarial (gains)/losses on pension assets and liabilities			-33.4
95.0	**Other Comprehensive Income and Expenditure**			**(76.0)**
114.9	**Total Comprehensive Income and Expenditure**			**(100.7)**

Group Cashflow Statement

2016/17 £m		2017/18 £m
19.9	Net surplus or (deficit) on the provision of services	24.7(69.2)
-22.8	Adjustments for non-cash movements	(20.6)
57.9	Adjustments for investing and financing activities	93.8
55.0	Net cash inflows/(outflows) from Operating Activities	**49.3**
-54.8	Net cash inflows/(outflow) from Investing activities	(50.1)
-7.1	Net cash inflows/(outflow) from Financing activities	22.4
-6.9	**Net increase/(decrease) in cash and cash equivalents**	**21.6**
35.5	Cash and cash equivalents at the beginning of the reporting period	28.6
28.6	**Cash and cash equivalents at the end of the reporting period**	**50.2**

Group Balance Sheet

31-Mar 2017 £m		Notes	31-Mar 2018 £m
1,559.1	Property, Plant & Equipment		1703.9
0.5	Heritage Assets		0.5
12.3	Investment Property		11.1
1.8	Intangible Assets		1.8
0.1	Long Term Investments		13.8
20.2	Long Term Debtors		12.7
1,594.0	**Long Term Assets**		**1,743.8**
151.6	Short Term Investments		105.3
5.6	Assets Held for Sale		0.0
81.0	Short Term Debtors		108.9
28.6	Cash and Cash Equivalents		50.2
266.8	**Current Assets**		**264.4**
(8.6)	Short Term Borrowing		(29.9)
(104.1)	Short Term Creditors		(123)
(7)	Provisions		(3.6)
(119.7)	**Current Liabilities**		**(156.5)**
(28.7)	Long Term Creditors		(29.1)
(15.5)	Provisions		(19.9)
(410.6)	Long Term Borrowing		(412.9)
(857.2)	Other Long Term Liabilities		(859.9)
(1,312.0)	**Long Term Liabilities**		**(1,321.8)**
429.1	**Net Assets**		**(529.9)**
	Reserves		
(343.6)	Usable Reserves		(377.1)
(85.5)	Unusable Reserves		(152.8)
(429.1)	**Total Reserves**		**(529.9)**

Group Movement In Reserves

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA	Earmarked HRA Reserves	Group Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2017	**(14.3)**	**(20.1)**	**(171.0)**	**(13.0)**	**(1.7)**	**(34.5)**	**(89.0)**	**(343.6)**	**(85.5)**	**(428.7)**
Movement in reserves during 2017/18										
Surplus or (deficit) on the provision of services	(72.4)	0.0	0.0	47.7	0.0	0.0	0.0	**(24.7)**	0.0	**(24.7)**
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	(76.0)	**(76.0)**
Total comprehensive income & expenditure	**(72.4)**	**0.0**	**0.0**	**47.7**	**0.0**	**0.0**	**0.0**	**(24.7)**	**(76.0)**	**(100.7)**
Adjustments between accounting basis & funding basis under regulations	35.2	0.0	0.0	(46.6)	0.0	(3.9)	6.5	**(8.8)**	8.8	**0.0**
Net increase/decrease before transfers to earmarked reserves	**(37.3)**	**0.0**	**0.0**	**1.1**	**0.0**	**(3.9)**	**6.5**	**33.5)**	**(67.2)**	**(100.7)**
Transfers to/from earmarked reserves	35.3	4.2	(39.5)	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Increase/decrease in 2017/18	**(1.9)**	**4.2**	**(39.5)**	**1.1**	**0.0**	**(3.9)**	**6.5**	**(33.5)**	**(67.1)**	**(100.7)**
Balance as at 31 March 2018	**(16.2)**	**(15.9)**	**(210.5)**	**11.9**	**(1.7)**	**(38.4)**	**(82.5)**	**(377.1)**	**(152.7)**	**(529.3)**

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Notes to the Group Accounts

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

2017/18	**Brent £m**	**First-wave £m**	**Barham Park £m**	**I4B £m**	**LGA £m**	**Adjust-ment £m**	**Group £m**
Resources	16.8	0.0	0.0	1.5	0.0	(1.5)	16.8
Financing and investment income	43.6	1.9	0.0	1.0	0.0	0.0	46.5
Local Authority housing (HRA)	(34.3)	(5.6)	0.0	0.0	0.0	0.0	28.7
Taxation	(322.0)	0.1	0.0	0.0	0.0	0.0	(321.9)
Property plant and equipment	1,606.1	49.3	0.9	47.0	0.0	0.0	1,703.9
Investment properties	0.0	11.1	0.0	0.0	0.0	0.0	11.1
Long term debtors	96.2	0.0	0.0	0.0	0.0	(83.5)	12.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debtors	108.7	1.4	0.5	0.1	0.2	(2.0)	108.9
Cash and cash equivalents in hand	47.0	3.0	0.0	0.1	0.1	0.0	50.2
Short term creditors	(120.2)	(1.6)	0.0	(2.9)	(0.3)	2.0	(123.0)
Long term creditors	(29.1)	(37.7)	0.0	(45.8)	0.0	84.2	(28.4)
Provisions	(2.9)	(0.7)	0.0	0.0	0.0	0.0	(30.6)
Other long term liabilities	(859.9)	0.0	0.0	0.0	0.0	0.0	(859.9)
Usable reserves	(365)	(12.2)	(1.4)	1.5	0.0	0.0	(377.1)
Unusable reserves	(140.2)	(12.6)	0.0	0.0	0.0	0.0	(152.8)
Cash flow from investing activities	(140.6)	0.0	0.0	0.0	0.0	0.0	(140.6)

2016/17	**Brent £m**	**BHP ***	**Barham Park £m**	**I4B £m**	**LGA £m**	**Adjustment £m**	**Group £m**
Financing and investment income	40.4	2.1	0.0	0.0	0.0	0.0	42.5
Local Authority housing (HRA)	(6.6)	3.0	0.0	0.0	0.0	0.0	(3.6)
Property plant and equipment	1,509.3	48.9	0.9	0.0	0.0	0.0	1,559.1
Investment properties	1.4	10.9	0.0	0.0	0.0	0.0	12.3
Long term debtors	58.7	0.0	0.0	0.0	0.0	(38.5)	20.2
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debtors	90.0	4.9	0.5	0.0	0.0	(14.4)	81.0
Cash and cash equivalents in hand	19.0	9.1	0.0	0.0	0.5	0.0	28.6
Short term creditors	(106.8)	(11.3)	0.0	0.0	(0.5)	14.4	(104.2)
Provisions	(6.5)	(0.6)	0.0	0.0	0.0	0.0	(7.1)
Long term creditors	(28.5)	(38.5)	0.0	0.0	0.0	38.5	(28.7)
Usable reserves	(333.4)	(8.8)	(1.4)	0.0	0.0	0.0	(343.6)
Unusable reserves	(89.4)	3.9	0.0	0.0	0.0	0.0	(85.5)
Cash flow from investing activities	(54.8)	0.0	0.0	0.0	0.0	0.0	(54.8)

Chair of the Audit Committee

The Chair of the Audit and Standards Committee is required to approve the publication of these accounts.

This is approved by:

Councillor M Aslam Choudry
31st July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BRENT

DRAFT REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the London Borough of Brent ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Movement in Reserves Statements, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the Fund Account and Net Assets Statement for the London Borough of Brent Pension Fund and the related notes, including the Statement of Accounting Policies and the Pension Fund accounting policies in note 3 of the Pension Fund financial statements.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the London Borough of Brent Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018 [other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 67, the Chief Financial Officer is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, London Borough of Brent put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the London Borough of Brent had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Brent put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the 27 July 2018

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to matters brought to our attention by a local authority elector

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to 2015/16. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Andrew Sayers
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

July 2018

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Responsibilities of the Chief Finance Officer

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2018 and of its income and expenditure for the year then ended.

Conrad Hall
Chief Finance Officer
xx/ xx/ xxxx

Statement of Accounting Policies

1. Code of Practice

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

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

1.1 Materiality

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

1.2 Rounding

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

2. Comprehensive Income and Expenditure Statement

2.1 Accruals of Expenditure and Income

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

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

2.2 Revenue Recognition

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

2.3 VAT

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

2.4 Revenue Grants

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

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

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

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

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

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

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

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

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

2.10 Jointly Controlled Operations

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

3. Balance sheet – Long Term Assets

3.1 Plant, Property and Equipment

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

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

Individual categories of assets are valued on the following basis:

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

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

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

3.1.1 Depreciation and Amortisation

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

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

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

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

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

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

Componentisation will be undertaken where the value of the individual component is over £2m and the value of that component is in excess of 20% of the total gross carrying value of the building and will be undertaken when buildings are valued or re-valued, or enhancement expenditure of £0.25m is incurred.

Where componentisation applies the assets will be broken down into the following broad categories;

- **Building main structure** - including foundations, structure, doors, windows and internal finishes - Design life 60 years.
- **Heating systems** - boilers, hot water systems, piping, air ventilation, pumps - Design life 25 years.
- **Electricals** - fixed wiring, lighting - Design life 30 years.
- **Mechanical plant** - lifts - Design life 30 years.
- **Roof structure** - Design life 50 years.
- **Externals** - drains, service mains, car parks, play areas, landscaping - Design life 60 years.

The estimated life of the individual categories may vary and the above is intended as a guide. In some circumstances further break down to additional components maybe justified for unusual or specialist building elements.

The remaining life of each of the elements is given, then the blended remaining useful life is calculated and applied to the overall asset.

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

3.3 Heritage Assets
Heritage Assets are defined as:

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

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

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

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

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

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

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

4. Balance sheet – Current Assets

4.1 Inventories and Long Term Contracts
Inventories are valued at the lower of cost and net realisable value. The Council has no inventories obtained through non-exchange transactions.
Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year

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

4.3 Work in Progress (Construction contracts)
Under the Code of Practice, construction contracts undertaken by the Council for the Council's customers are accounted for as set out in IAS 11. This is separate from Assets under Construction

where the Council is constructing assets for its own use. The Code of Practice requires use of the percentage completion method for calculating accounting entries for such contracts. Under the percentage of completion method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and surplus/deficit which can be attributed to the proportion of work completed. The percentage of completion is assessed based on costs incurred for work performed to date.

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

5. Balance sheet - Liabilities

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

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

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

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

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

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

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

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

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

6 Balance Sheet - Financial Instruments

6.1 Financial Assets
Financial assets are classified into three types:

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

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

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

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

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

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

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

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

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

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

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

6.3 Financial Liabilities

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

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

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

7 Capital Financing

7.1 Capital Expenditure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.4 Minimum Revenue Provision

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

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

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

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

- *Vehicles and equipment – 5 to 15 years;*
- *Capital repairs to roads and buildings – 15 to 25 years;*
- *Purchase of buildings – 30 to 40 years;*
- *New construction – 40 to 60 years;*
- *Purchase of land – 50 to100 years (unless there is a structure on the land with an asset life of more than 100 years, in which case the land would have the same asset life as the structure).*

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

These policies do not apply to HRA assets.

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

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

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

7.5 Income from the Sale of Fixed Assets

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

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

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

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

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

- the council may deduct certain costs, namely: an amount to cover the housing debt supportable from the income on the additional Right to Buy sales; transaction and administration costs; and an amount which reflects the income the council might reasonably have expected from Right to Buy sales prior to the new scheme;

- The council must also pay the Government an amount which reflects the income which the Treasury expected from Right to Buy sales prior to the new scheme;

- Once these costs are deducted, the remaining net receipts are available to fund (and must be applied to) replacement affordable rented homes.

7.6 Borrowing Costs

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

8 Group Accounts

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions of the Council, its subsidiaries I4B Holdings Limited (I4B), First Wave Housing Limited (FWH) (formerly Brent Housing Partnership [BHP]), the Barham Park Trust and LGA Digital Services Limited. FWH was an Arm's Length Management Organisation (ALMO), but in 2017/18 the Council took back the management of its housing stock. FWH remains as a company which owns some housing independently of the Council. The Council remains the holder of the sole share in FWH. Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. LGA Digital Service Limited is 50% owned by the council and 50% owned by the Local Government Association (LGA), but is controlled by the Council, which provides the company with 100% of the services it sells. The financial statements in the Group Accounts are prepared in accordance with the policies set out above.

Additional Supporting Information and reconciliation disclosures

1. Key Judgements and Material Estimates.

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

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

Critical accounting judgements made in the accounts:

- Retirement Benefit Obligations – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority's retirement benefit obligation. The key assumptions made are set out in Note 32 - Defined Benefit Pension Schemes.

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

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

- Treatment of PFI arrangements – The authority has entered into a number of PFI arrangements in respect of infrastructure. The authority has exercised judgement in the identification of service concessions and embedded leases within PFIs using such as arrangements that allow the council to control residual value of PFI assets without legal title. Initial assets and liabilities for the PFIs are calculated using financial model based upon the contractual terms and conditions and the operator’s financial model; subsequent changes in the authority’s PFI liabilities are estimated using the same model. Subsequent changes in the authority’s PFI funded assets are measured in the same way as other non-current assets. Details of the PFI and service concession type arrangements are set out in note 24.

- The estimate of depreciation chargeable on dwellings within the Housing Revenue Account is based on the Government's Major Repairs Allowance. An external review of this has been undertaken to ensure this does not lead to a material misstatement in the accounts.

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

Key sources of estimation uncertainty which have a significant effect on the financial statements:

- Provisions – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability in accordance with accounting policies. In calculating the level of provisions the authority also exercises some judgement; they are measured at the authority’s best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the authority’s provisions and details of its contingent liabilities are set out in Liabilities note 7 and Note 18 – Contingent Liabilities respectively.

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

2. Assumption made about the future and other major sources of estimation uncertainty
The Council includes accounting estimates within the accounts; the significant accounting estimates relate to non-current assets, impairment of financial assets. The Council’s accounting policies include details on the calculation of these accounting estimates.

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

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

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

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

. Descriptions of Earmarked Reserves

- **Capital and other statutory ring-fenced reserves** -These are monies received under specific powers, such as Section 106 of the Town and Country Planning Act 1990, for ring-fenced activities, such as Schools DSG, or funds identified to smooth the impact of capital financing costs and represents revenue contributions set aside to meet commitments included in the Capital Programme.

- **General and other smoothing reserves** - These reserves are to provide funds to contain possible future price variations of investments activities included within the Capital Programme and contributions made to contain future impact of revenue activities such as the cost of Welfare Reform or the unrecoverable Housing benefit increases.

- **Other Earmarked Reserves** - Include centrally held funds created to meet potential service pressures and to contain the cost of transformational projects that the authority will carry out to modernise the delivery of it's services as well as spend-to-save initiatives.

Additional Reconciliations

Nature of Income and Expenditure - Comprehensive Income and Expenditure Analysis

2016/17 £m		2017/18 £m
	Gross Expenditure	
89.9	Depreciation and Impairment Losses	56.2
255.3	Employee Expenses	298.5
38.4	Premises Related Expenditure	63.8
133.7	Supplies and Services	121.3
29.4	Support Services	43.8
169.6	Third Party Payments	157.6
355.4	Transfer Payments	341.0
20.7	Transport Related Expenditure	24.1
1,092.4		**1,106.3**
(198.0)	Customer and Client Receipts	(225.2)
(604.3)	Government Grants	(599.0)
(22.2)	Other Grants, Reimbursements and Contributions	(24.2)
(824.5)		**(848.4)**
40.4	Financing and Investment Income and Expenditure	43.6
2.7	Other Operating Expenditure	(3.6)
(290.4)	Taxation and non-specific grant income	(322.0)
(247.3)		**(281.3)**
20.6	(Surplus) / Deficit on Provision of Services	**(22.7)**

Movements In Reserves Detail

	USABLE RESERVES						UNUSABLE RESERVES							Total
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
2017 Opening balance	**(12.3)**	**(4.8)**	**(89.0)**	**(34.5)**	**(192.9)**	**0.0**	**(635.7)**	**(10.5)**	**(1.3)**	**14.4**	**818.5**	**(279.8)**	**5.1**	**(422.8)**
Charges for depreciation and impairment of non-current assets	(24.1)	(41.5)	0.0	0.0	0.0	0.0	61.2	0.0	0.0	0.0	0.0	4.4	0.0	0.0
Revaluation losses on Property Plant and Equipment	11.0	0.0	0.0	0.0	0.0	0.0	(11.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Movements in the market value of Investment Properties	0.3	0.0	0.0	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	(1.8)	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	(12.6)	0.0	0.0	0.0	0.0	0.0	12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6.2)	(17.5)	0.0	0.0	0.0	0.0	21.8	0.0	0.0	0.0	0.0	1.9	0.0	0.0
Statutory provision for the financing of capital investment	11.2	0.0	0.0	0.0	0.0	0.0	(11.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure charged against the General Fund and HRA balances	31.4	13.9	0.0	0.0	0.0	0.0	(45.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	31.2	0.0	(31.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	USABLE RESERVES						UNUSABLE RESERVES							Total
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	0.0	37.7	0.0	0.0	0.0	(37.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18.1	11.4	0.0	(29.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	24.2	0.0	0.0	(24.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.0	(0.1)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve to finance the apyments to the Government capital receipts pool	0.0	(1.3)	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	0.0	0.0	0.0	0.0	0.0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversal of Major Repairs Allowance credited to the HRA	0.0	7.8	0.0	0.0	0.0	(7.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	7.8	(7.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	USABLE RESERVES						UNUSABLE RESERVES							Total
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.6	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	0.0	0.0	0.0	(0.0)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 47)	(55.2)	(20.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	75.8	0.0	0.0	(0.0)
Employer’s pensions contributions and direct payments to pensioners payable in the year	34.4	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(35.1)	0.0	0.0	0.0
Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	0.0
Amount by which council tax and NNDR income credited to the CIES is different from amount required by statutory requirements	(7.0)	0.0	0.0	0.0	0.0	0.0	0.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus or deficit on revaluation of Property, Plant and Equipment assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(42.2)	0.0	(42.2)

	USABLE RESERVES						UNUSABLE RESERVES							Total
	GENERAL FUND	HOUSING REVENUE ACCOUNT	CAPITAL GRANTS UNAPPLIED	CAPITAL RECEIPTS RESERVE	EARMARKED RESERVES	MAJOR REPAIRS RESERVE	CAPITAL ADJUSTMENT ACCOUNT	COLLECTION FUND	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	REVALUATION RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Actuarial gains/losses on pension assets and liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(17.5)	0.0	0.0	(17.5)
Earmarked reserve transfers	35.9	0.0	0.0	0.0	(35.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus or deficit on provision of services	(71.1)	47.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(23.4)
Total	**(12.3)**	**(3.7)**	**(82.5)**	**(38.4)**	**(228.8)**	**0.0**	**(675.8)**	**(3.5)**	**(3.2)**	**13.1**	**841.7**	**(315.7)**	**3.2**	**(505.9)**

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Brent Pension Fund Account

Pension Fund Accounts as at 31 March 2018

2016/17 £m		Notes	2017/18 £m
	Dealings with members, employers and others directly involved in the fund		
(48.6)	Contributions	7	(49.9)
(2.4)	Transfers in from other pension funds	8	(3.6)
(51.0)			**(53.5)**
40.2	Benefits	9	38.9
4.5	Payments to and on account of leavers	10	36.1
44.7			**75.0**
(6.3)	**Net (additions)/withdrawals from dealings with members**		**21.5**
3.9	Management expenses	11	4.3
(2.4)	**Net (additions)/withdrawals including management expenses**		**25.8**
	Returns on investments		
(4.8)	Investment income	12	(1.2)
0.7	Taxes on income	13	0.3
(121.2)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(22.4)
(125.3)	**Net return on investments**		**(23.3)**
(127.7)	**Net (increase)/decrease in the net assets available for benefits during the year**		**2.5**
(675.9)	**Opening net assets of the scheme**		**(803.6)**
(803.6)	**Closing net assets of the scheme**		**(801.1)**

Net Assets Statement

31 March 2017 £m		Notes	31 March 2018 £m
802.6	Investment assets	14	831.3
802.6			**831.3**
2.5	Current assets	20	1.4
0.0	Non-current assets	20	0.0
(1.5)	Current liabilities	21	(31.6)
803.6	**Net assets of the fund available to fund benefits at the period end**		**801.1**

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

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2018, but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19

Notes to the Brent Pension Fund accounts

1. Description of Fund

The Brent Pension Fund (the 'Fund') is part of the Local Government Pension Scheme and is administered by Brent Council.
The following description of the Fund is a summary only.

a) General

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

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.
Organisations participating in the Brent Pension Fund include:
Scheduled bodies whose staff are automatically entitled to be members of the Fund
Admitted bodies which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

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

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

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

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

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

c) Funding

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

d) Benefits

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

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

2. *Basis of preparation*

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

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

3. *Summary of significant accounting policies*

Fund Account – revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

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

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

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

b) Investment income

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

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

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

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Administration expenses

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

g) Investment management expenses

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

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

Net Assets Statement

h) Financial assets

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

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

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

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

iii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:
- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

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

i) Contingent Assets

Admitted body employers in the Brent Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 25.

j) Foreign currency transactions

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

k) Derivatives

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

l) Cash and cash equivalents

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

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.
As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

o) Additional voluntary contributions

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.
AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

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

Pension fund liability

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £158m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £17m, and a one-year increase in assumed life expectancy would increase the liability by approximately £67m.

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity/infrastructure	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £98m. There is a risk that this investment may be under- or overstated in the accounts.

6. Events after the Balance Sheet date

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

7. Contributions receivable

By category

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

By authority

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

8. *Transfers in from other pension funds*

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

9. *Benefits payable*

By category

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

By authority

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

10. *Payments to and on account of leavers*

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

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

11. Management Expenses

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

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

a) Investment management expenses

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

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

12. Investment income

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

13. Taxes on income

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

14. Investments

	Market value 31 March 2017	Market value 31 March 2018
	£m	£m
Investment assets		
Pooled investments	620.3	636.9
Pooled property investments	3.6	2.1
Private equity/infrastructure	130.3	98.3
Total investments	**754.2**	**737.3**

a) **Investments 17/18**

	Market value 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2018
	£m	**£m**	**£m**	**£m**	**£m**
Pooled investments	620.3	0.0	(1.1)	17.7	636.9
Pooled property investments	3.6	0.0	(0.9)	(0.6)	2.1
Private equity/infrastructure	130.3	4.2	(44.5)	8.3	98.3
	754.2	**4.2**	**(46.5)**	**25.4**	**737.3**
Other Investment balances:					
Cash Deposit	**47.5**				**94.0**
Investment Income due	**0.9**				**0.0**
Net investment assets	**802.6**				**831.3**

Investments 16/17

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

b) Analysis of investments by category

	31 March 2017	31 March 2018
	£m	£m
Pooled funds – additional analysis		
UK		
Fixed income unit trust – Public Sector	29.2	27.1
Fixed income unit trust - Other	62.1	67.1
Unit trusts	136.1	140.1
Diversified growth funds	125.3	128.3
Overseas		
Unit trusts	267.6	274.3
Total Pooled funds	**620.3**	**632.9**
Pooled property investments	**3.6**	**2.1**
Private equity/infrastructure	**130.3**	**98.3**
Total investments	**754.2**	**737.3**

c) Investments analysed by fund manager

Market value

31 March 2017			31 March 2018	
£m	%		£m	%
374.4	49.6	Legal & General	382.7	51.9
0.2	0.0	London CIV	0.2	0.0
120.4	16.0	Henderson	125.7	17.1
91.7	12.2	Capital Dynamics	72.9	9.9
0.6	0.1	Yorkshire Fund Managers	0.5	0.1
75.9	10.1	LCIV - Baillie Gifford	79.5	10.8
49.4	6.5	LCIV - Ruffer	48.8	6.6
3.6	0.5	Aviva	2.1	0.3
38.0	5.0	Alinda	24.9	3.4
754.2	**100.0**		**737.3**	**100.0**

All the above companies are registered in the United Kingdom.

d) Stock lending

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

15a. Valuation of financial instruments carried at fair value

The basis of the valuation of each asset class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with our independent investment advisor, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed valuation range (+/-)	Value at 31 March 2018	Value on increase	Value of decrease
		£m	£m	£m
Private equity	15%	65.1	74.9	55.3
Infrastructure	5%	33.2	34.9	31.5

15b. Fair value hierarchy

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

Transfers between levels will be recognised when there has been a change to observable mark data (improvement or reduction) or other change in valuation technique.

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

Values at 31 March 2018	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit and loss		639.0	98.3	737.3
Loans and receivables	94.0			94.0
Total financial assets	**94.0**	**639.0**	**98.3**	**831.3**
Financial liabilities				
Financial liabilities at amortised cost	(31.6)			(31.6)
Total financial liabilities	**(31.6)**	**0**	**0**	**(31.6)**
Net financial assets	**62.3**	**639.0**	**98.3**	**799.7**

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

15c. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year

15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2017	130.3
Transfers into Level 3	0
Transfers out of Level 3	0
Purchases	4.2
Sales	(44.5)
Issues	0
Settlements	0
Unrealised gains/losses	0
Realised gains/losses	8.3
Value at 31 March 2018	98.3

16. Classification of financial instruments

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

31 March 2017				31 March 2018		
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
			Financial assets			
620.3			Pooled investments	636.9		
3.6			Pooled property investments	2.1		
130.3			Private equity/ infrastructure	98.3		
	47.5		Cash		94.0	
	0.9		Debtors		0.0	
754.2	**48.4**	**0.0**		**737.3**	**94.0**	**0.0**
			Financial Liabilities			
		(1.5)	Creditors			(31.6)
754.2	**48.4**	**(1.5)**	**Totals**	**737.3**	**94.0**	**(31.6)**

a) Net gains and losses on financial instruments

31 March 2017 £m		31 March 2018 £m
	Financial assets	
121.2	Fair value through profit and loss	25.4
121.2	**Total**	**25.4**

b) Fair value of financial instruments and liabilities

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

31 March 2017 Carrying value £m	31 March 2017 Fair value £m		31 March 2018 Carrying value £m	31 March 2018 Fair value £m
		Financial assets		
754.2	754.2	Fair value through profit & loss	737.3	737.3
48.4	48.4	Loans and receivables	94.0	94.0
802.6	**802.6**	**Total financial assets**	**831.3**	**831.3**
		Financial liabilities		
(1.5)	(1.5)	Financial liabilities at amortised cost	(31.6)	(31.6)
(1.5)	**(1.5)**	**Total financial liabilities**	**(31.6)**	**(31.6)**

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

17. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	31/03/2018 Value (£m)	Potential market movements (+/-)
Bonds	94.1	7.0%
Equities	414.3	15.0%
Other Pooled investments	157.6	5.0%
Pooled Property investments	2.1	14.0%
Private Equity	65.1	15.0%

Had the market price of the fund investments increased/decreased the change in the net assets available to pay benefits in the market price would have been as follows.

Asset Type	31/03/2018 Value (£m)	Potential value on increase (£m)	Potential value on decrease (£m)
Bonds	94.1	100.7	87.6
Equities	414.3	476.5	352.2
Other Pooled investments	157.6	165.5	149.7
Pooled Property investments	2.1	2.4	1.8
Private Equity	65.1	74.8	55.3
Total	**733.2**	**819.9**	**646.6**

Interest rate risk

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

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

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

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

Asset type	**Carrying amount as at 31 March 2018**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£m	**£m**	**£m**
Cash balances	94.0	0.9	(0.9)
UK Fixed income unit trust	94.2	0.9	(0.9)
Total change in assets available	**191.2**	**1.8**	**(1.8)**

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

Currency risk

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

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

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

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

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

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

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

b) Credit risk

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

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

The Pension Fund's cash balance is held in an interest bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2018 was £94.0m (31 March 2017: £47.5m). This was held with the following institutions:

	Rating	Balances as at 31 March 2017	Balances as at 31 March 2018
		£m	£m
Bank deposit accounts			
NatWest	BBB+	4.4	(1.5)
Northern Trust		5.4	6.6
Money Market deposits	A+	37.7	48.9
Other short-term lending			
Local authorities		0	40.0
Total		**47.5**	**94.0**

c) Liquidity risk

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

The Pension Fund has immediate access to its cash holdings.

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

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

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

d) Refinancing risk

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

18. Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

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

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

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

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

Mortality assumptions

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

Mortality assumption at age 65	Male	Female
Current pensioners	22.3 years	24.5 years

Commutation assumption

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

19. Actuarial present value of promised retirement benefits

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

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

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

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

Financial assumptions

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

Longevity assumption

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

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

* Future pensioners are assumed to be currently aged 45

Commutation assumption

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

Sensitivity Analysis

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

20. Assets

a) Current assets

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

Analysis of debtors

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

b) Non-current assets

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

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

21. Current liabilities

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

Analysis of creditors

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

22. Additional voluntary contributions

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

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

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

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

23. Related party transactions

Brent Council

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

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

Governance

There are no members of the Pension Fund Sub-Committee who are either in receipt of pension benefits from or active members of the Brent Pension Fund.
Each member of the Pension Fund Sub-Committee is required to declare their interests at each meeting.

Key management personnel

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

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

24. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2018.

25. Contingent Assets

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

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

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

Other Contingent assets

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

	31 March 2017	31 March 2018
	£'000	**£'000**
Apleona HSG Ltd (previously Bilfinger and E)	136	136
Capita Business Services Limited	123	123
Conway Aecom	111	111
Xerox (UK) Limited	29	29
Sanctuary	8	0
ThamesReach	5	0
Total	**412**	**399**

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

26. Impairment Losses

The Fund had no contingent liabilities at 31 March 2018.

Glossary

ACCRUALS

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CORPORATE AND DEMOCRATIC CORE

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

COLLECTION FUND ADJUSTMENT ACCOUNT

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

CREDITORS

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

DEBTORS

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

GLOSSARY (Continued)

FINANCE LEASE

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

FIXED ASSETS

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

GOING CONCERN

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

GOVERNMENT GRANTS - SPECIFIC

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

INFRASTRUCTURE ASSETS

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

LONG TERM INVESTMENTS

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

LEVIES

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

LONG-TERM CONTRACTS

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

GLOSSARY (Continued)

MINIMUM REVENUE PROVISION (MRP)

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

NATIONAL NON DOMESTIC RATE (NNDR)

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

OPERATING LEASES

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

OPERATIONAL ASSETS/NON OPERATIONAL ASSETS

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

PRECEPTS

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

PRIOR YEAR ADJUSTMENTS

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

PRUDENCE

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

REVALUATION RESERVE

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

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation.

ABBREVIATIONS

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