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Audit Committee

Thursday, 22 September 2011 at 7.30 pm
Committee Room 4, Brent Town Hall, Forty Lane, Wembley, HA9 9HD

Membership:

Members Councillors:	**first alternates** Councillors:	**Second alternates** Councillors:
Wood (Chair)		
Al-Ebadi	S Choudhary	Beckman
Ashraf	Green	Cummins
Van Kalwala	Harrison	Hector

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The press and public are welcome to attend this meeting

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Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item		Page
1	**Declarations of personal and prejudicial interests** Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
2	**Deputations**	
3	**Minutes of the previous meeting**	1 - 10
4	**Matters arising**	
5	**Statement of Accounts 2010/11 and Annual Governance Reports** This report produced by the Council's external auditors, the Audit Commission following completion of the audit of accounts, is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. A separate Annual Governance Report has been produced for the Pension Fund accounts and this will also be considered by that Sub-Committee. Representatives from the Audit Commission will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee. **Ward affected:** All Wards **Contact Officer**: Clive Heaphy, Director of Finance and Corporate Services Tel: 020 8937 1424 clive.heaphy@brent.gov.uk	11 - 212
6	**2011 Treasury annual report** This report attaches the 2011 Treasury Annual Report that was approved by Full Council, and updates members on recent treasury activity.	213 - 228

Ward affected:	**Contact Officer***:* Martin Spriggs, Exchequer and Investment
All Wards	Tel: 020 8937 1472 martin.spriggs@brent.gov.uk

The purpose of this progress report is to brief members of the audit Committee on work currently being planned or undertaken by the audit Commission.

This report provides progress on the Council's ambitious and forward looking transformation programme which aims to deliver service improvements, cost savings and to create a more efficient streamlined Council. The programme which covers a 4 year period of 2010-2014 aims to achieve budget savings of £94m by 2015.

This report sets out the revised Annual Governance Statement for inclusion in the council's accounts for 2010/11 as required by the Accounts and Audit Regulations 2003 (as amended).

Ward affected:	**Contact Officer***:* Clive Heaphy, Director of Finance and Corporate Services

This report sets out a summary of the work of Internal Audit for the period 1st April 2011 to 31st August 2011. The attached report provides further detail together with the assurance ratings and priority 1 recommendations for limited assurance reports and management responses for those audits for which final reports have been issued since April 2011 (including reports for the 2010/11 financial year).

Ward affected:	**Contact Officer***:* Clive Heaphy, Director of Finance and Corporate Services
All Wards	Tel: 020 8937 1424 clive.heaphy@brent.gov.uk

11 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Democratic Services Manager or his representative before the meeting in accordance with Standing Order 64.

12 Date of next meeting

The next scheduled meeting of the Audit Committee is scheduled to be held on Thursday 15 December 2011 at 7:30pm

 Please remember to ***SWITCH OFF*** your mobile phone during the meeting.

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

LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE
Wednesday, 15 June 2011 at 7.30 pm

PRESENT: Mr Wood (Chair) and Councillors Van Kalwala and S Choudhary

Apologies were received from: Councillors Al-Ebadi and Ashraf

1. **Introduction of Independent Chair**

   Mr Stephen Wood, the independent Chair, was introduced to the Committee and was welcomed to his first meeting of the Audit Committee.

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

   None at this meeting.

3. **Deputations**

   None at this meeting.

4. **Minutes of the previous meeting**

   RESOLVED:-

   that the minutes of the previous meeting held on 22 February 2011 be approved as an accurate record of the meeting.

5. **Matters arising**

   With reference to minute 4, the Chair requested an update on the progress report regarding Copland Community School. Simon Lane, Head of Audit and investigations reported that aspects of the Copland Community School were covered in a report elsewhere on the agenda. He added that a more detailed report on Copland Community School would be submitted to a future meeting of this Committee.

   In respect of minute 6, the Chair enquired as to whether the majority of the recommendations set out in the action plan had been achieved. Clive Heaphy, Director of Finance and Corporate Services stated that officers were on track to achieve the majority of the recommendations to ensure that the Council's accounts were produced by 30 June 2011. Paul Vijloen, Audit Manager from the Audit Commission's office expressed satisfaction with the Council's progress to date and that he was confident that the accounts would be delivered by the deadline date of 30 June 2011.

6. **Audit Commission documents**

The Committee gave consideration to a report produced by the Audit Commission in their role as the Council's auditors. Paul Vijloen Audit Manager set out the purpose of this progress report which was to brief the Audit Committee on work currently being planned or undertaken by the Audit Commission. He added that the Commission had finalised the interim audit, agreed the accompanying report and were in the process of finalising the action plan with officers. The Audit Manager gave an outline of the contents of the interim report which included material financial systems, detailed review of the IT control environment, testing on selected systems, early substantive testing and review of early revised IFRS financial statements and working papers.

In drawing members' attention to the results of his testing as set out in appendix 1 to the report, Paul Vijloen stated that the systems had operated as documented and that there were no major weaknesses in the design of the systems that would lead to a material error in the financial statements, except in the following areas:

(i) controls over journals did not operate as documented throughout the year;
(ii) evidence to support authorisation of payment or BACS payments were not always retained or approved in accordance with the Council's written procedures;
(iii) the introduction of the new Oracle system during the year resulting in the need; and
(iv) reconciliations between the council tax and NNDR systems, bank accounts and cash receipting systems which were in progress throughout the year due to the transition to the new Oracle system. These reconciliations were finalised at the year end.

Paul Viljoen undertook to perform additional substantive testing where he was not able to gain the planned controls assurance including the general ledger (journals), accounts payable and accounts receivable systems. He continued that the fee for the additional work would be offset against audit efficiencies gained as a result of a more centralised and efficient accounts systems. He undertook to keep this under review at the final audit visit. Although he did not identify major weaknesses, he drew members' attention to recommendation R5 as set out in the appendix to the report. He continued that in his view the Council had complied with International Financial reporting Standards (IFRS) without significant weaknesses and that errors identified had already been brought to the attention of management to be resolved.

The Audit manager pointed out that the Council was yet to complete its IFRS restatement work or provide supporting documentation in respect of school leases, its asset valuation and group undertakings including the consolidation of Brent Housing Partnership (BHP). Consequently, he had been unable to review these areas as part of the early testing, as previously planned and agreed with the Council. This would now form part of his final audit visit.

Councillor Choudhary enquired about the merits of the new Oracle system in view of its installation expense and the problems that had resulted from its use. The Director responded that the Oracle system experienced initial teething problems which had been resolved and had proved to be more efficient. He added that the current system was more superior to the previous one which involved maintaining several systems with the associated inherent problems in maintaining several systems. Andrea White, District Auditor added that despite its initial difficulties, efficiencies had been noted in the use of the Oracle system.

In responding to the outstanding issues on IFRS restatement, the Director informed the Committee that the council had no direct control over the actions of the governing bodies of schools and whilst every effort was being made to support those schools and obtain the relevant information from them, the situation was far from perfect. The Chair pointed out that there was no indication on timescale and status of recommendations made by the Commission. Paul Vijloen clarified that the Audit Commission had passed on the details including timescales and status of each recommendation to the relevant Deputy Director and an agreed action had been put in place.

In reference to the audit fee for 2011/12 of £439,200, Andrea White, District Auditor stated that the fee did not include inflationary increase in 2011/12 and reflected a cut in scale fees and a further cut of 3% for local authorities, police and fire rescue authorities. She continued that variations in her fee scale would only occur where there her assessments of audit risk and complexity were significantly different from those identified in which case she would issue a separate audit plan detailing the risks identified and discuss the situation including detailed project specification with the Director of Finance and Corporate Services.

The Chair enquired as to the future of the Audit Commission and requested an update with timescales. Andrea White informed the Committee that the Department of Communities and Local Government (DCLG) had commenced consultation on the future of the Audit Commission which would close on 30 June 2011. In addition the DCLG had written to all Local and County Authority Chief Executives setting out practices and recommending outsourcing of audit functions. She added that details of the scheme were yet to be fleshed out and it was likely that the Audit Commission would form a company with a strategic partner and put in a bid to the DCLG. Members noted that the current contracts would end in 2012 and that the new outsourcing arrangements would commence from 2013. Clive Heaphy undertook to circulate the draft response by the Audit Commission to all members of the Committee prior to its submission to the DCLG.

In response to a query by Councillor Choudhary on how the District Auditor arrived at her fees, Andrea White clarified that the fee scale was set by the Audit Commission in accordance with audit risks and having allowed for a 10% reduction for all Councils. This advice was echoed by Clive Heaphy who added that the Audit Commission was under limited flexibility to change the scale of fees under the current regime.

RESOLVED:

that the report be noted.

7. **Treasury management activity**

Clive Heaphy Director of Finance and Corporate Services introduced the report which updated members on treasury management activity. Members noted that whilst interest rate activity had remained benign, inflation was likely to continue to rise and that the rates charged by the government lending agency, The Public Works Loans Board (PWLB) on short and long terms loans had been increased. The Director added that as short term borrowing built up, the prudent option was to borrow longer term (eight to ten years) from the PWLB to minimise the Council's vulnerability to movements in short term interest rates.

Members also noted an important development in a ruling by the Icelandic District Court that the local authority deposits with Glitnir bank were to be treated as preferred creditors, and should be repaid in full. The Director undertook to update members about the eventual outcome. The Director continued that the administrators for Heritable Bank continued to make regular (quarterly) payments as they recovered amounts owed to Heritable and that around 85% of the original £10m deposit would be recovered.

In the discussion that followed, Councillor Van Kalwala enquired about the impact of BHP optimisation on the Council's loans. In responding, the Director stated that there were several factors to be considered in BHP optimisation including £72m owed to the Council by the ALMO. The Chair asked how the Council would manage short and long term interest rates particularly the long term borrowing for the Civic Centre. The Director responded that he was confident that long term borrowing rates would not rise.

RESOLVED:

that the recent treasury activity as set out in the report be noted.

8. **Internal Audit Plan 2011/12**

Simon Lane Head of Audit and Investigations presented a report prepared by the council's in-house team in partnership with Deloitte & Touche Public Sector Internal Audit Ltd that set out the internal audit plan for the 2011/12 financial year. He informed the committee that the plan had been drafted after meetings with departmental managers with contingency built in to allow a degree of flexibility. In drawing attention to the appendices to the report, Simon Lane informed the committee that where possible, the proposed number of days against each audit, together with a high level indication of the proposed coverage, the initial key contact, and an indication of the proposed timing where this was known had been included. He was confident that all issues identified in the Annual Governance Statement had been covered. Phil Lawson of Deloitte Touche Public Sector Internal Audit Limited added that the Audit Needs Analysis (ANA) at both corporate and departmental levels, attached as appendix 2 to the report, was both comprehensive and satisfactory.

Simon Lane advised the Committee that the BHP Plan would be presented separately to their Audit & Finance Sub-Committee for approval before being presented to the Audit Committee for information at the next scheduled meeting. Members noted that 150 days had been allocated to schools' audit to take account of emerging risk areas and areas of weakness identified across schools.

In welcoming the report, members noted that the One Council project focussed on key projects of the council and with that in view, requested a report on One Council Project to the next meeting in September.

RESOLVED:

(i) that the internal audit plan 2011/12 be noted;

(ii) that the Director of Finance and Corporate submit a report on the One Council Project to the next meeting in September 2011.

9. **Final Internal Audit Progress Report 2010/11**

Simon Lane, Head of Internal Audit and Investigations introduced the report which summarised the work of Internal Audit for 2010/11 together with update on progress since the previous report to this Committee. He informed the committee that of the 1,201 internal audit days, Deloitte Touche Public Sector Internal Audit Limited were allocated 941 (928 delivered) and the in-house team allocated 260 (250 delivered). Members were advised that out of the 41 final reports issued during 2010/11 for which Assurance report was due, there were 29 'Substantial' assurance opinions and 12 'Limited assurance opinions, excluding Brent Housing Partnership which reported separately to the BHP Audit & Finance Committee. Members noted that majority of limited assurance opinions were given to school audits, debt management, self-directed support and Oracle system.

This view was echoed by Phil Lawson of Deloitte Touche Public Sector Internal Audit Limited who added that there had been an overall improvement in all areas over the previous year. He added that in all audits with limited assurance opinions and wherever recommendations were made, a follow-up meeting was arranged with management to verify management self-assessment until full implementation was confirmed.

The Director acknowledged the teething problems over the oracle system but pointed out that such problems were anticipated in a transition to a new system. He added that the main focus was to ensure that suppliers were paid with the minimum delay. Phil Lawson advised the Committee that he would give an update on issues raised at the next meeting.

RESOLVED

that the progress made in achieving the 2010/11 internal audit plan be noted.

10. **Annual Governance Statement**

The Committee considered a report that set out the proposed Annual Governance Statement for inclusion in the council's accounts for 2010/11 as required by the Accounts and Audit Regulations 2003.

In introducing the report, Clive Heaphy, Director of Finance and Corporate Services set out a number of significant governance issues which had been identified, a summary of the actions taken to date and the progress made against those issues raised in the 2009/10 Annual Governance Statement.

The Director continued that the One Council programme which was the key area of focus for the Council going into 2011/12 had continued to progress during 2010/11 with robust governance arrangements in place. Delivery against the programme was fundamental to the financial health of the Council and to the delivery of efficient and effective services to the public. The Director pointed out that one of the key drivers of the One Council programme was the need to achieve significant savings over the period 2010-2014. The situation had been made even more difficult as a result of the cuts made by central Government during the year, coupled with additional demands on services. Out of the required savings of £41.7, £21million would be found from the One Council programme, leaving the remainder to be found through other means including staffing reductions. He stressed that consultation with residents and all other key stakeholders would continue to assume a significant importance during this period.

The Director advised the Committee that the Council had made a significant progress with the construction of the new civic centre which was expected to be in use by March 2013, It would be the "greenest" building in the country, and would deliver net savings of approximately £2million per year through reduced running and maintenance costs. He also advised members that the Government's decision to abolish the Building Schools for the Future (BSF) programme during 2010/11 had had a significant impact on the Council's resources. As this represented a key area of challenge which needed to be addressed, actions were being determined to avoid the Council failing to meet its statutory duty to ensure sufficiency of school places so as to avoid the potential of approximately 188 unplaced Reception pupils for September 2011. On a plus note, the Director drew members' attention to the Treasury Management Strategy and Annual Investment Strategy for 2010/11 and added that about 50% of the original investment with Heritable Bank had been recovered and that the recovery of funds deposited with Glitnir (Icelandic) Bank was progressing satisfactorily.

He continued that Environment & Neighbourhoods recognised monitoring and forecasting of income as a key risk, together with the actual level of income received in key areas including parking, planning, land charges and building control. Waste management costs had also been difficult to forecast. This had been identified in previous years and work had been progressing on developing more sophisticated models of the financial performance in those areas. Further work would be needed though in 2011/12, both in respect of waste management and the parking account.

Clive Heaphy highlighted the main areas of concern including significant budget overspend in the service for children with disabilities and children's Social Care Placements within Children & Families. In addition to the above, leasing arrangements had been entered into by some schools without the review and approval of the Council's Director of Finance. There were also control weaknesses in relation to the education capital portfolio, following the transfer of responsibility from Children & Families to the newly formed Regeneration & Major Works department. In outlining the measures that were being taken to address the above concerns, the Director stated that a joint governance action between Children & Families, Finance & Corporate Services, and Legal & Procurement was being taken to address the issues with leasing. In concluding the presentation, the Director added that the Council proposed over the coming year to take steps to address the above matters to further enhance our governance arrangements. He added that the steps identified would address the need for improvements that were identified in our review of effectiveness and would monitor their implementation and operation as part of the next annual review.

Councillor Choudhary expressed concerns about the consistent budget overspends on Children & Families and Adult Social Care and enquired about measures to ensure that those did not recur. The Director responded that those areas had traditionally suffered from systemic under-funding and that their budgets had not been increased in past years to cope with service demand. He added that in addition to robust monitoring measures, the Council was spending on essential services and maintaining a grip on administrative costs. Councillor Van Kalwala noted the likely impact of the changes to the benefit system on the Council and enquired as to whether appropriate measures were being put in place to minimise the impact. In response, the Director stated that the council was fully aware of the impending changes but that the Government had yet to confirm many of the critical details in the future.

The Chair noted that BHP could represent organisational risks with potential impact on pension funds. In responding to this, the Director informed the Committee that specific risks associated with 'opt outs', monitoring and control and rent arrears were being addressed. Andrea White, District Auditor, added that she expected the Council to make the changes very quickly and that this would form part of the audit to be reported to the Committee at its meeting in September 2011. In bringing the discussion to a close, the Chair suggested the inclusion of key management risk and risk management strategy on the agenda for the next meeting.

RESOLVED:

(i) that the report Annual Governance Statement be approved subject to minor amendments by the Director of Finance and Corporate Services to the internal audit annual report and funding arrangements;

(ii) that the Director of Finance and Corporate Services submit a report to the next meeting on key management risk and risk management strategy.

11. **Annual Audit Report 2010/11**

The annual report from the Head of Internal Audit and Investigations included an opinion on the overall adequacy and effectiveness of the Council's internal controls and presented a summary of the audit work undertaken during the year. In introducing the report, Simon Lane, Head of Internal Audit and Investigations stated that he had considered all of the work conducted by internal audit staff, the council's audit contractor, Deloitte and Touche Public sector Internal Audit Ltd and fraud investigation staff for the year ended 31 March 2011 and work undertaken post year end. He continued that in his opinion, the Annual Governance Statement was robust and complied with CIPFA guidance and that with the exception of those issues set out in the next paragraph, the controls in place in those areas reviewed were adequate and effective and weaknesses identified were being addressed by management and followed up by Internal Audit.

In relation to Oracle, the Council's single accounting system, Simon Lane stated that he had recently issued three draft reports with limited assurance opinions. He accepted that as a new system implemented in 2010/11, there were always likely to be weaknesses identified in such a major change, a situation which he was confident management would address. He also expressed concerns about the apparent lack of financial control within a significant minority of the council's schools and the general approach to internal audit findings. Whilst schools were responsible for their own budgets, they were required to adhere to both legal requirements and to financial regulations issued by the council, thus ensuring that public money was properly spent and accounted for.

A number of schools are demonstrating a lack of compliance with basic procurement regulations, thus placing schools at risk of failing to achieve value for money and at risk of potential legal challenge where EU procurement regulations apply. Thirdly, a number of schools were failing to adhere to the national rules concerning teacher's pay, specifically in relation to head teacher pay being outside the prescribed bandings determined by the school size. Although, in certain circumstances schools were permitted to pay above the maximum group range, he considered that in a number of cases school governing bodies were paying above the ranges set out within the national conditions document to facilitate incremental increases in pay once the natural pay cap, relative to the size of school, had been reached. This was further exacerbated by Governing Bodies not always being diligent in their recording of the reasons for granting permission to exceed to cap thus placing the school at risk of challenge.

The Chair sought further information on guidance that had been put in place to assist schools to work towards achieving substantial assurance. Aina Udeihi informed members that a range of measures including governors' support services, frequent meetings with Children & families finance officers and the appointment of dedicated procurement officer were some of the measures put in place to assist schools.

Members noted that the Accounts and Audit (amendment) Regulations 2006 placed a further requirement on the Council to, at least once in each year, conduct a review of the effectiveness of its system of internal audit. Simon Lane stated that CIPFA were yet to issue guidance on how such a review would be undertaken although some authorities had opted to employ consultants to undertake the review;

others used a peer review process whilst some relied on their audit committee. The District Auditor added that her team were not required to undertake internal review but to make assessment of the control environment as part of the Annual Governance report highlighting any significant weakness. Members agreed with the view expressed by the Chair that there was no merit in employing external consultants.

RESOLVED:

that the internal audit annual report for 2010/11 be noted.

12. **Any other urgent business**

None at this meeting.

13. **Date of next meeting**

The next meeting will be held on Thursday 22 September 2011 at 7:30pm.

The meeting closed at 9.55 pm

S WOOD
Independent Chair

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Audit Committee
Thursday 22 September 2011

Report from the Director of Finance and Corporate Services

For Action

Wards Affected: ALL

Report Title: STATEMENT OF ACCOUNTS 2010/11 AND ANNUAL GOVERNANCE REPORTS

Forward Plan Ref:

1.0 Summary

1.1 Under the Council's Constitution, the Audit Committee has responsibility for approving the annual statement of accounts and considering issues raised by the external auditors.

1.2 The basis for this consideration is the Annual Governance Report which the Council's external auditors, the Audit Commission, produce following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. A separate Annual Governance Report has been produced for the Pension Fund accounts and this will also be considered by the Pension Fund Sub-Committee.

1.3 The Audit Commission are in the process of completing the audit of the 2010/11 accounts and the draft Annual Governance Reports, reflecting the current position, are attached to this report. Representatives from the Audit Commission will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

2.0 Recommendations

The Committee is asked to:

2.1 Consider the Annual Governance Reports from the Audit Commission and the letters of representation to the Audit Commission

2.2 Approve the Statement of Accounts for publication

3.0 Detail

<u>Statement of Accounts</u>

3.1 The process for producing the statement of accounts for 2010/11 has been considerably more complex than in previous years for a number of reasons.

3.2 Firstly, the fundamental change in the Council's financial processes has required a migration of financial information from multiple disparate systems previously in place to a single Council-wide system. Whilst the Council will undoubtedly benefit from this change in future years there has been an impact in the short term in the volume of work and reconciliations to both produce the accounts and to complete the audit process.

3.3 In addition, the Finance Modernisation project resulted in a significant reduction in team numbers and a fundamental shift away from producing accounts locally in directorates to production via a central team. This has entailed the learning of new roles and responsibilities and a degree of unfamiliarity as team members become fully operational on their new roles.

3.4 Further, during 2010/11 the Council completed the mandatory transition of its accounting statements to comply with International Financial Reporting Standards (IFRS). These international standards govern the way financial transactions are brought into account and how they are reported. The transition has affected both the appearance of the Council’s accounts and reported balances.

3.5 In complying with the transition to IFRS, the Council has had to revisit and restate the financial statements it published for 2009/10. The Balance Sheet published as at 31 March 2009 has also been restated. This was necessary in order to present users of the accounts with meaningful comparative information and required a considerable amount of additional work.

3.6 As a result of IFRS, there are many changes to the appearance of the accounts including additional, or expanded, disclosure notes, titles and descriptive terms have also changed

3.7 The timetable for the production and audit of accounts is tight in any normal year but the combination of all of the above factors has made the 2011/12 process particularly problematic. However, the investment of time and effort now will enable significant improvements in future with consequent reductions in audit fees.

3.8 On 30 June 2011 The Director of Finance and Corporate Services formally approved the draft Statement of Accounts, in line with the Accounts and Audit Regulations. The audit of accounts commenced in July and the draft Annual Governance Reports set out the key findings from the Audit Commission's work to date.

Publication of Statement of Accounts

3.9 The Council is required to publish the 2010/11 accounts by 30 September 2011. The statement of accounts attached to this report incorporates the changes agreed with the Audit Commission to date and it is proposed that this set of accounts is published on the Council's website.

3.10 Once the auditors have completed their work, a Letter of Representation (Appendix 4 of the Annual Governance Report) needs to be signed prior to the Audit Commission issuing an audit opinion.

3.11 The final Annual Governance Report will be reported to members of the Audit Committee. Any significant audit matters that arise in the completion of the audit will be reported to the Committee.

4.0 Financial Implications

4.1 There have been some adjustments to the Statement of Accounts during the course of the audit but for the most part these are changes to balance sheet items and notes to the accounts which have no impact the Council's overall financial position or level of available reserves.

5.0 Legal Implications

5.1 No specific implications.

6.0 Diversity Implications

6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

7.0 Staffing Implications

7.1 No specific implications.

8.0 Background Information

8.1 Accounts and Audit Regulations 2011

9.0 Contact Officer

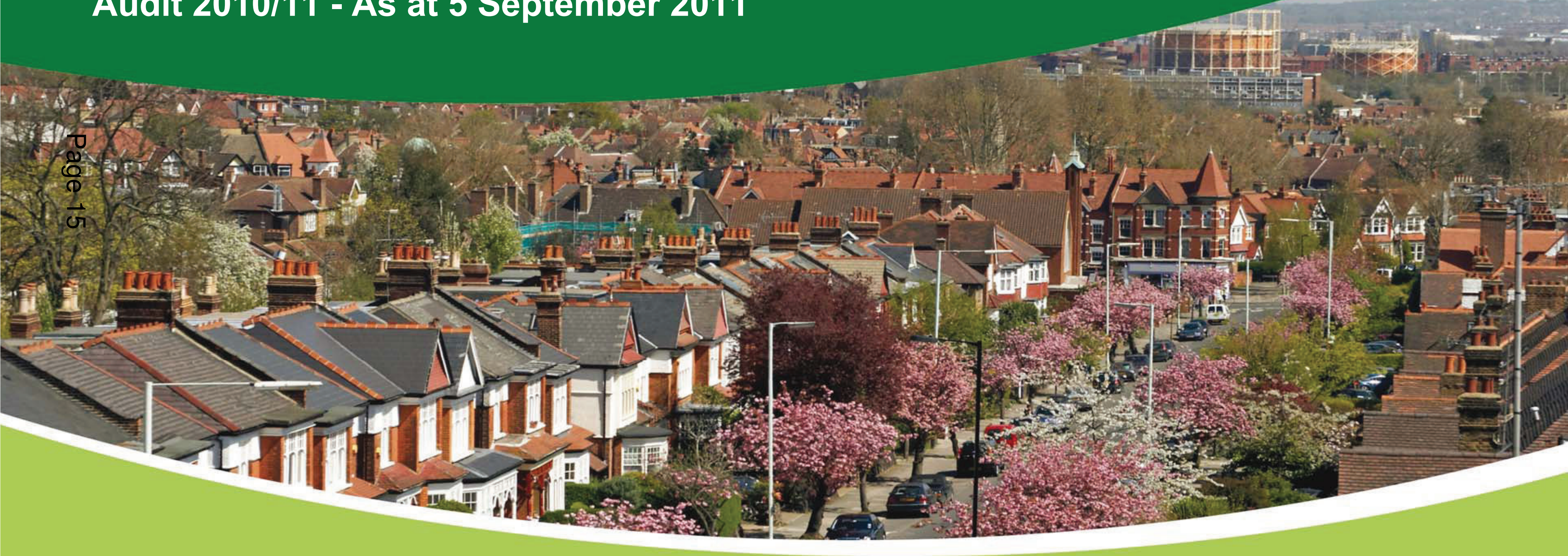
Any person wishing to inspect these documents should contact Max Gray, Finance and Corporate Resources, Room 114, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD. Tel. 020 8937 1464.

CLIVE HEAPHY
Director of Finance and Corporate Services

Annual governance report

Brent Pension Fund DRAFT

Audit 2010/11 - As at 5 September 2011



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Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements.

	My findings
Unqualified audit opinion	
Weaknesses in internal control	

Audit opinion and financial statements

- Subject to the completion of my final review and audit closure procedures, my audit is substantially complete.
- I propose to give an unqualified audit opinion on the financial statements. I cannot issue my opinion until the audit of the Council's main financial statements has been completed. This is because the pension fund statements form part of the Council's financial statements.
- The draft financial statements were submitted for audit by the due date, were substantially complete and were supported by good working papers in line with my expectations.
- Exchequer services are responsible for the preparation of the pension fund statements. Whilst the department experienced some problems during the year due to the introduction of the new Oracle system, the migration of balances to the new system was well controlled and good year end closedown arrangements were in place to ensure financial statements of reasonable quality were produced.
- The financial statements submitted for audit were free from material error. However, during the course of my audit I identified some missing or incomplete disclosures which officers have adjusted.
- Overall I have not identified any significant weaknesses in the pension fund's internal controls.

Before I complete my audit

I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

I ask you to confirm to me

I ask the Audit Committee to:

- take note of the matters which are set out in this report; and
- approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion.

Audit fees

I have completed my work on the pension fund audit within the planned fee of £35,000 reported in my opinion audit plan.

Financial statements

Subject to completion of my final review and audit closure procedures, I propose to give an unqualified opinion on the pension fund financial statements. The financial statements submitted for audit were free from material error. During the course of my audit I identified some disclosure matters that have been adjusted.

During the year the pension fund's main financial system was moved onto a Council wide new Oracle system. Officers ensured that the migration of pension fund balances to the new system was properly documented and well controlled. Senior officers monitored the year end closedown procedures to ensure that all control accounts and reconciliations were properly prepared and that good quality working papers were produced to support the financial statements.

Opinion on the financial statements

Subject to completion of my final review and audit closure procedures, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

Errors in the financial statements

During the course of my audit I identified various amendments to the disclosures within the financial statements (further details are set out in the table on page 7). The Council has amended the pension fund financial statements for these errors.

Financial statements

The Pension Fund's financial statements are important means by which the Fund accounts for its stewardship of public funds. The Council has final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings

Key audit risk	Finding
1. Transition to International Financial Reporting Standards The Council is required to prepare the 2010/11 pension fund financial statements according to International Financial Reporting Standards (IFRS), including a re-statement of 2009/10 balances where applicable. This poses a risk of material misstatement to the pension fund financial statements.	I have: ■ reviewed the Council's approach to the implementation of IFRS; and ■ tested the accounting entries and disclosures relating to IFRS. The draft financial statements did not include an opening net asset statement as at 1/4/2009 as required under IFRS. The Council has amended the pension fund financial statements to include this. There were no other material differences to the pension fund's financial statements on transition to IFRS. I am satisfied that the pension fund financial statements have been properly compiled according to IFRS.
2. Change of financial IT system The pension fund has changed its financial IT systems during the year onto a new Oracle system that is used throughout the Council. This poses a risk of material misstatement to the pension fund financial statements.	I have: ■ reviewed the Council's arrangements to implement the new Oracle system throughout the Council; and ■ tested the migration of balances relating to the pension fund.

Key audit risk	Finding
	I am satisfied that, for the pension fund, the transition to the new system has been properly undertaken and that this has not resulted in any material misstatements to the pension fund financial statements.
3. Disclosures in the financial statement In the previous year the draft pension fund financial statements some of the disclosures required by the Statement of Recommended Practice (SoRP) were missing or incomplete. This poses a risk of incomplete disclosures in the 2010/11 pension fund financial statements.	I have reviewed the disclosures in the pension fund financial statements. The draft financial statements were submitted for audit were substantially complete, however disclosures were missing or incomplete in the following areas: ■ accounting policies - details of judgement areas and significant estimates; ■ impact of accounting standards not yet adopted; ■ analysis of debtors and creditors by type of body; and ■ financial instrument disclosures. The Council has amended the pension fund financial statements for these items. I am now satisfied that the disclosures within the pension fund financial statements comply with requirements.
4. Working papers In the previous year some working papers were not easy to follow and delays occurred in obtaining responses to some audit queries raised. There is a risk that this could impact on the timely delivery and quality of the financial statements and a timely audit opinion.	I have reviewed the quality of the draft financial statements and associated working papers. The draft financial statements presented for audit were of reasonable quality and supported by good working papers in line with my expectations.
5. Actuarial revaluation The pension fund is required to obtain an actuarial valuation of the whole of the fund as at 31 March 2010. There is a risk that the details of the actuarial valuation are not fully disclosed in the pension fund financial statements.	I have reviewed the actuarial revaluation disclosures in the financial statements. I am satisfied that the disclosures within the pension fund financial statements are consistent with the information set out in the actuarial revaluation reports.

Financial statements

Significant weaknesses in internal control

Overall I have not identified any significant weaknesses in internal control.

I am not expressing an opinion on the overall effectiveness of internal control. I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made. I have reported only those matters which have come to my attention because of the audit procedures I have performed.

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. Except for the matters regarding disclosures in the financial statements, as set out on page 7, there are no other issues I want to raise with you.

Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit.

Significant matters that were discussed or subject to correspondence with management

There were no significant matters that were discussed or subject to correspondence with management.

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.

Appendix 1 – Draft audit report

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

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of London Borough of Brent for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Brent in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and Corporate Resources and auditor

As explained more fully in the Statement of the Director of Finance and Corporate Resources' Responsibilities, the Director of Finance and Corporate Resources is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of London Borough of Brent's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Brent in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and Corporate Resources and auditor

As explained more fully in the Statement of the Director of Finance and Corporate Resources' Responsibilities, the Director of Finance and Corporate Resources is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, 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.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

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

Authority's responsibilities

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.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am 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 ending 31 March 2011.

Certificate

I certify that I have completed the audit of the Authority and Group accounts of London Borough of Brent and Brent Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

[*Date*]

Appendix 2 – Draft letter of representation

To: Andrea White

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

London Borough of Brent Pension Fund – Audit for the year ended 31 March 2011

We confirm to the best of our knowledge and belied, having made appropriate enquiries of other officers of the London Borough of Brent, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011 and the associated financial statements of its pension fund.

We acknowledge our responsibility under the relevant statutory authorities for preparing the financial statements which give a true and fair view of the financial position and financial performance of the London Borough of Brent pension fund and for making accurate representations to you.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and relevant information, including minutes of all Members meetings, have been made available to you.

Related party transactions

We confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Contingent assets and contingent liabilities

There are no other contingent assets or contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the London Borough of Brent pension fund.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Irregularities

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or
- deficiencies on, financial reporting practices which could have a material effect on the financial statements.

We also confirm that we have disclosed:

- our knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- our knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Post balance sheet events

Since the date of approval of the financial statements by Members of the Council, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

We confirm that this letter has been discussed and agreed by the Audit Committee on [ ] September 2011

Signed …………………………	Signed …………………………	Signed …………………………
Name: Gareth Daniel	Name: Clive Heaphy	Name: Stephen Woods
Position: Chief Executive	Position: Director of Finance and Corporate Resources	Position: Chair of the Audit Committee

Date …………………………

Appendix 3 – Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as 'an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor's report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects'.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the mteriality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

www.audit-commission.gov.uk

September 2011

Annual governance report

Interim report as at 2 September 2011

London Borough of Brent

Audit 2010/11

audit commission

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Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	My findings
Unqualified audit opinion	◆
Significant weakness in internal control	◆
Proper arrangements to secure value for money	TBA

Audit opinion and financial statements

Significant difficulties encountered during the audit

1 It has been particularly difficult year for the Council, implementing new financial systems and International Financial Reporting Standards (IFRS) whilst also dealing with structural change, staff losses, and a highly challenging budget settlement. This has stretched finance resources and impacted on the Council's ability to produce good quality financial statements and working papers.

2 Significant effort has been required to implement the new financial system and bring about the cultural changes required for more streamlined and efficient financial reporting. Information has been combined from a number of systems into one. It has been a complex and time consuming exercise. Time spent now on thorough data cleansing will enable the Council to improve the quality and speed of financial reporting in future years.

3 Consequently, my audit is taking significantly longer than anticipated. I was not able to start the audit as planned due to the receipt of late and incomplete working papers. Initial responses to audit queries were slow. Audit trails are overly complex because of the high number of adjustments made to correcting transactions within the new system. I carried out a significant amount of additional testing because I was not able to place reliance on internal controls. This has lead to a high volume of audit queries and proposed audit amendments. There remain some key reconciliation differences that need to be explained.

4 To date, my audit has identified six material errors in the financial statements and a significant number of non-trivial, non-material errors

The way forward

5 I have been working with the Director of Finance and his finance team to resolve the issues. However, there remains a significant amount of audit work to complete. Consequently, I do not expect to be

in a position to issue my audit opinion by the due date of 30 September 2011.

6 I have discussed the position with the Director of Finance and we have agreed a revised date for the completion of the audit. Providing my audit queries are resolved, and I am able to complete the bulk of my fieldwork by the end of September, I anticipate that the Council will be able to clear final queries and produce revised financial statements by 14 October. This will enable me to complete my final review and closure procedures and issue my opinion late October 2011, subject to the Audit Committee considering my final Annual Governance Report.

7 To comply with legislation, the Council is required to approve and publish its unaudited financial statements by the end of September 2011. A subsequent Audit Committee will be arranged to review the final Annual Governance Report and approve the audited financial statements.

8 I reported in my opinion audit plan that I planned to charge a fee of £488,000 for the audit. My estimated fee was based on the Council producing good quality financial statements, working papers and audit trails on a timely basis. Because of the issues identified above, I expect to charge an additional audit fee which I will discuss and agree with the Director of Finance following completion of the audit.

Value for money

9 I have substantially completed my work on value for money. I confirm that in the majority of areas reviewed the Council has maintained adequate arrangements to secure economy, efficiency and effectiveness in your use of resources. However, I will need to assess the impact of the Council's financial reporting arrangements once the audit on the financial statements has been substantially completed, before I decide on the nature of the vfm conclusion.

Conclusion of the audit

10 I will need to conclude on outstanding elector queries and legality queries before I formally conclude the audit and issue my certificate closing the audit. I am satisfied that these matters do not have a material effect on the 2010/11 financial statements.

Before I complete my audit

11 I am not able to complete my audit in September. However, I have included the following section to present what will be required from you before I conclude my audit. I anticipate completing my audit in October, and presenting the final Annual Governance Report to the Audit Committee (meeting to be arranged).

I confirm to you	My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you. **Independence** I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity. The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.
I ask you to confirm to me	**I ask the audit committee to:** ■ take note of the adjustments to the financial statements which are set out in this report (Appendix 2); ■ agree to adjust the errors in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the errors (Appendix 3); ■ approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion; and ■ agree your response to the proposed action plan (Appendix 6).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

12 I commenced my audit on 4 July following completion of the Council's financial statements on 30 June. I received the financial statements later than anticipated. The financial statements I received for audit were of poor quality. They omitted private finance initiative and school lease accounting entries as required under IFRS and contained numerous other disclosure and qualitative errors. Working papers to support the financial statements were not available at the start of the audit.

13 Initially, responses to my audit queries were slow. During the course of my work it became clear that the introduction of the new accounting system and IFRS had stretched the capacity of the finance team. A high level of transactions have been raised to due to the system implementation issues. This has led to convoluted and time consuming audit trails to get back to source documentation to support income and expenditure.

14 Year end closedown procedures were not robust and did not take account of the changes required for more centralised year end financial reporting arrangements. Data migrated to the new system was not been properly reconciled and/or cleared, there are significant unexplained differences on key bank reconciliations.

15 I have yet to complete the following areas of audit work:

- mandatory testing (IFRS conversion, disclosures, journals);
- Income and expenditure (mainly internal income, schools and overhead allocation);
- Movement in Reserves Statement;
- Non-current assets;
- Assets held for sale;
- Cash and bank;
- Creditors;
- Contingent liabilities;

- Reserves;
- Cash Flow Statement;
- Group accounts;
- Private Finance Initiative (PFI) contracts;
- Financial instruments; and
- final review and closing procedures.

16 The completion of my testing in these areas are delayed for various reasons, including the volume of audit queries raised, number of unreconciled balances migrated to the new system. We have worked closely with the Council and had regular meetings with the Director of Finance during August. This has led to significant improvements in the time the Council is taking to respond to audit queries and in providing information to support the balances in the financial statements.

17 Appendix 1 contains an example an unqualified audit report.

Errors in the financial statements

18 During the course of my audit I identified the following material errors in the financial statements:

- A large downward revaluation of £240,153,000, caused by changing the valuation basis for Council housing stock, has been incorrectly treated as Other operating expenditure in the Comprehensive Income and Expenditure Statement (CI&E). This should be reclassified to the net cost of services within the CI&E. This has no impact on the reported surplus;
- A large negative past service cost of £117,950,000, reducing the value of the pension liability, has taken place. This is caused by basing annual pension increases on the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), and has been incorrectly treated as Other operating expenditure. This should be treated as a Net cost of service cost within the CI&E as required by International Accounting Standard: Employee Benefits (IAS19). This has no impact on the reported surplus;
- £4,871,000 of school cash and cash equivalents were incorrectly classified as current account bank balances, £11,141,000 should be disclosed as short term deposits with building societies and (£6,271,000) of overdrawn balances. This has no impact on net assets;
- An error was made while entering the valuation for land at Copland Community School into the Council's asset manager system by the valuation team. This resulted in an understatement of land in the balance sheet of £12,685,179. This asset needs to be revalued upwards by £12,685,179, the impairment of £6,000,000 reversed and a revaluation gain of £6,685,179 recognised. This leads to a £12,685,179 increase in net assets;
- The Council's accrual relating to employee leave (£9,589,000) was incorrectly classified as a provision. This needs to be reclassified as a short term creditor. This has no impact on net assets; and
- £9,261,397 of grant income relating to the dedicated schools grant programme for 2011/12 was incorrectly included in the 2010/11 financial statements and treated as a cash receipt and deferred income at 31 March 2011. The income was received in April 2011 and should not have been included in the 2010/11 statements. This has no impact on net assets.

19 During the course of my audit I identified a significant number of non-trivial, non-material errors in the financial statements. Appendix 2 sets out those which the Council has amended.

20 The cumulative impact of all agreed adjustments is to increase the reported surplus and net assets by £5,052,000.

21 There were also a number of non-trivial, non-material errors, which were not amended by the Council. These are set out below, and in Appendix 3:

- My review of debtors in the Iworld system (Housing Benefit overpayments) showed variances between the general ledger and system reports which were run at different dates. The latest report for the period ended 31 March 2011 is £657,000 greater than the ledger balance. Therefore, I am unable to conclude on these uncertainties;
- I identified an uncertainty with a creditor balance. The detailed analysis provided is £278,000 greater than the geneal ledger balance; and
- I found £178,000 of mortgage debtors where limited evidence was available to support their recoverability, and associated deferred credits.

Recommendation

Recommendation
R1 Ensure reports from subsystems are obtained and reconciled to the general ledger at year end.
R2 Review all debtors (mortgage debtors) for recoverability at year end and ensure working papers are available to support their existence.

Financial statements

22 In planning my audit I identified risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings

Key audit risk	Finding
1. Transition to International Financial Reporting Standards The Council is required to prepare the 2010/11 financial statements according to International Financial Reporting Standards (IFRS) (including a full re-statement of 2009/10 balances). This poses a significant risk of material misstatement to the financial statements.	In 2010/11, my audit team has: ■ monitored the implementation of IFRS at key stages; and ■ reviewed restated 2009/10 balances. I rated the Council's progress on IFRS implementation as red (Not on track/Significant issues) and reported this to the Audit Committee in February 2011. The financial statements presented for audit were not complete and not fully compliant with IFRS. The financial statements omitted transactions relating to school leases and PFI contracts. I identified a large number of areas where the financial statements did not comply with IFRS disclosure requirements, the most significant of which related to the Movement in Reserves Statement. Further detailed analysis is found at the Quality of financial statements section of this report. I will review the Council's revised financial statements again when my audit work has been completed and the Council has made the agreed changes.
2. Consolidation and migration of main accounting system The Council has made significant changes to its financial IT systems. Separate departmental arrangements and systems have been consolidated into one Oracle system used throughout the Council, including the general ledger, accounts payable and accounts receivable. There have been associated staff losses and some staff have very different roles within finance, as part of modernising the	My audit team has: ■ considered reviews performed by Internal audit on the system changes; ■ reviewed the migration of data from existing systems to the new financial system; ■ reviewed controls over the new financial IT systems; ■ documented and tested the new financial systems; ■ performed controls testing, taking consideration of Internal audits work; and ■ substantively tested the output during our final accounts audit. My review of the change process confirmed that the data was migrated to the new

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Key audit risk	Finding
service. These changes took place effective 1 September 2010. This is part of the 'One Council' Improvement and Efficiency strategy.	system, although there was limited evidence of controls over the process in place. My audit identified numerous migration balances which have not been reconciled. This has been more time consuming to audit, given the complex audit trails involved and to ensure there is no material impact on the reported surplus. This also represents a control weakness as these are unresolved seven months after migration. Monthly reconciliations of balance sheet accounts should identify and ensure significant reconciling and unreconciled items are cleared in a timely manner. Significant concerns were not identified at our regular meetings with officers. Additionally, I provided anonymised copies of close down plans from three other London Boroughs. However, weaknesses identified during my audit will need to be considered when revisiting close down arrangements for 2011/12 onwards. Where work is complete, I've received sufficient evidence to complete my substantive testing. My audit work which is incomplete, e.g. cash and bank, includes further migration balances for testing.
3. Impact of Council savings plans The Comprehensive Spending Review has put significant pressure on the Council to reduce costs. This may result in reductions to staff. The Council will need to assess the impact on the finance process and whether accounting is required for redundancy provisions.	My audit team has reviewed accounting arrangements and year end balances to account for redundancies in accordance with International Accounting Standard 37: Provisions, Contingent Liabilities and Contingent Assets (IAS37). My work on the redundancy provision is currently in progress.
4. Continued correct accounting for service concessions The Council has five arrangements accounted for under International Financial Reporting Interpretation Committee 12: Service Concession Arrangements (IFRIC12). The Council will need to continue to account for these appropriately, and consider any changes e.g. new asset	My audit team has: ■ reviewed arrangements to ensure any changes are identified and accounted for; and ■ audited year end balances. I found one error in accounting for service concessions, which were brought onto the Council's balance sheet in 2009/10 relating to the unitary payment. The actual payment of £1.8m was not reconciled to the £1.1m payment in the accounting model. This revision has now been agreed to a ballot to allocate ownership between the

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Key audit risk	Finding
transfers or variations to the original agreement.	Council and the contract operator. The allocation of ownership is the basis for allocating rents, unitary payment and liability. The Council have forwarded this onto their accounting consultants to revise the model. I will review this and the final journals once complete. The Council entered into phase two of its Housing PFI in 2010/11. My audit work has uncovered inconsistencies in the valuation of the 2010/11 assets between the operator model and the internal valuer. This is currently close to finalisation. I will review the Council's revised calculations and accounts once the amendments are complete.

Recommendation	
R3	Ensure financial statements include all relevant accounting entries for the year under review
R4	Ensure closedown arrangements are managed against a close down plan, clearly identifying roles, responsiblities and target dates
R5	Ensure working papers used to prepare the financial statements are collated and maintained to support the audit and financial statements on a timely basis
R6	Review the accuracy of PFI accounting entries and review for in year changes in agreements
R7	Ensure quality control and internal review processes are part of the close down process

Financial statements

Significant weaknesses in internal control

23 I have identified the following significant weaknesses in internal control:

- reconciling and clearing data post migration; and
- main bank reconciliation.

24 These weaknesses are only those I identified during the course of the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

25 In my interim report in February 2011 I reported weaknesses in internal control. This included journals, cash and bank, accounts payable, council tax, NNDR and IT controls as follows:

- controls over authoritisation of journals did not operate throughout the year;
- evidence to support authorisation of payment runs or BACS payments were not always retained or approved in accordance with the Council's written procedures;
- the introduction of the new Oracle system during the year resulted in a period where the Council needed to operate transitional procedures before properly establishing formal controls and procedures for the accounts payable and accounts receivable systems;
- reconciliations between the council tax and NNDR systems, bank accounts and cash receipting systems were not completed throughout the year due to the transition to the new Oracle system. These reconciliations were finalised at the year end but some contained significant reconciliation differences;
- there is no formal documented IT problem and incident management policy in place;
- there is no formal IT disaster recovery/business continuity plan in place; and
- no IT back-up restoration testing has been undertaken during the last twelve months for Oracle Financials and Interact.

26 I identified further internal control weaknesses during the course of my audit of the financial statements as set out below.

Internal control issues and our findings

Description of weakness	Potential effect	Management action
1. Cleansing of data post migration My sample testing has identified unreconciled	Unreconciled migrated balances are more susceptible to changes in their nature to not be	**R8** Clear all significant unreconciled migrated balances

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Description of weakness	Potential effect	Management action
migrated balances throughout the audit. This includes debtors, creditors and bank. These items have complex audit trails and require knowledge of specific individuals to resolve.	accounted for i.e. a migrated credit balance may have a new creditor raised, and no change is made to reduce the migrated balance by the opposite amount.	
2. Main bank reconciliation The reconciliation provided to audit for 31 March 2011 included £6.6bn of gross outstanding items. Not all the outstanding items are proper bank reconciliation items, and include reconciling balances. The bank reconciliation was to the transactions processed from 1 September using a nil starting balance. This is opposed to importing the starting bank reconciliation and reconciling to the closing bank statement balance of the relevant periods. This has contributed to unreconciled migrated balances not being cleared in a timely manner. As a result of our audit, the Council are currently reconciling and clearing outstanding items. The latest reconciliation provided to audit has a reduced the gross outstanding items from £6.6bn to £435m.	Significant errors could exist in these large outstanding balances. The effectiveness of the bank reconciliation as a control is undermined by the large outstanding items and not reconciling to the closing bank statement balance.	**R9** Clear material outstanding items in a timely manner **R10** Reconcile the bank account to the bank statement balance

27 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made. I have reported only those matters which have come to my attention because of the audit procedures I have performed.

Financial statements

Quality of your financial statements

28 I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

29 This year has been challenging for local government with the introduction of IFRS. Given the scope and depth of disclosures required by IFRS, there was an increased likelihood of disclosure errors in the first year of IFRS implementation. Notwithstanding these challenges, a comparison with other London Boroughs has indicated a higher number of significant disclosure errors in the Council's financial statements. These largely relate to the Movement in Reserves statement.

30 These are the issues I want to raise with you.

Accounting practices, policies, estimates and financial disclosures

Issue	Findings and recommendations
1. Disclosures in the financial statements The initial draft financial statements did not meet all the disclosure requirements of the CIPFA Code of Practice on Local Authority accounting. Various omissions and additions to disclosures have been agreed arising from our audit. The incomplete accounts (PFI and school leases) highlight the pressure the Council was under to complete the financial statements on time. This pressure has minimised positive impact of potential self review of financial statements against disclosure checklists prior to audit.	Agreed amendments have been summarised and detailed below: ■ Various notes were omitted from the financial statements, including: – Material estimates included in the financial statements; – Key judgements and sources of estimation uncertainty; – Events occurring after the balance sheet date (the Council stated that there were none); and – Group Movement in Reserves Statement. – 1 April 2009 transitional IFRS group balance sheet. ■ Some disclosure notes were incomplete, or not fully compliant with the CIPFA Code of Practice, for example: – The explanatory foreword to the financial statements did not offer a commentary on the Council's financial position, the major influences affecting the Council's income and expenditure and cash flow, or an understandable guide to the most significant matters reported in the financial statements;

Issue	Findings and recommendations
	– Related party transactions note did not disclose income and expenditure, or debtor and creditor balances, with related parties in all cases; – Financial instruments notes 15 and 50 did not include all instruments, such as debtors, creditors and cash. Notes also required more information regarding assumptions applied in valuing financial instruments; and – Insufficient commentary was included regarding the transition from UK GAAP accounting to International Financial Reporting Standards. ■ I found that the following disclosures were also incomplete: – The Council did not compile a note on contractual commitments for the acquisition of property, plant and equipment; – Disclosures regarding the valuation of property, plant and equipment were incomplete; – Disclosure on provisions did not include information regarding expected timing of outflows, and any uncertainties connected to this; – Discount rate used on IAS19 liability was not disclosed; and – Group accounts disclosures were not complete, including details on how group financial statements were compiled, accounting policy harmonisation, and consideration of other group entities. ■ I also found the following more minor disclosure errors: – No disclosure of the nature and purpose of reserves; – de minimis level for accounting for property, plant and equipment was not disclosed in accounting policies; – no reconciliation was included between the total of future minimum lease payments on finance leased assets at the Balance Sheet date, and their present value; – no details were included regarding the revaluation of investment property. ■ The general presentation of the financial statements was poor, including the above omissions; and ■ I found various minor presentation amendments including additions, agreement to supporting notes, note references, typographical errors, correct dates and years.

	Recommendation
R11	Ensure financial statements comply with requirements of IFRS and Cipfa Code
R12	Perform a self review of compliance against disclosure requirements using disclosure checklists (available from Cipfa and Audit Commission)

Financial statements

Significant difficulties encountered during the audit

31 I have reported the significant difficulties encountered during the audit in the sections above.

Significant matters that were discussed or subject to correspondence with management

32 There have been no other matters I discussed with or that were subject to correspondence with management.

Letter of representation

33 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

34 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

35 I have substantially completed my work on value for money. I confirm that in the majority of areas reviewed the Council has maintained adequate arrangements to secure economy, efficiency and effectiveness in your use of resources. However, I will need to assess the impact of the Council's financial reporting arrangements once the audit on the financial statements has been substantially completed, before I decide on the nature of the vfm conclusion.

Value for money criteria and our findings

Criterion	Adequate arrangements	Findings
1. Financial resilience **The organisation has proper arrangements in place to secure financial resilience.** Focus for 2010/11: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	TBA	The Council understands the financial challenges and risks it faces. Executives and non-executives provide constructive scrutiny on financial matters and there is an effective Audit Committee in place. The Council has updated its medium term financial strategy to reflect the savings required over the next four years. The Executive receive regular finance reports that provide a clear link between budget, in-year forecasts and the year-end forecast. I will need to review the impact of the audit on the Council's financial reporting arrangements once this has been substantially completed, before I decide on the nature of the vfm conclusion.

Criterion	Adequate arrangements	Findings
2. Securing economy efficiency and effectiveness **The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** Focus for 2010/11: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.	TBA	The Council has put proper arrangements in place to challenge how it secures economy, efficiency and effectiveness. The One Council Programme covers the four year period 2010 - 2014.The main objective of the programme is to achieve budget savings of up to £94 million by 2014/15 while: ■ raising performance; ■ maximising efficiency; ■ creating a council that looks and feels like one cohesive organisation; ■ creating new flexible ways of working; ■ stopping lower priority activities; ■ generating increased income; ■ improving procurement and property management; and ■ creating a council fit to deliver the members' corporate strategy. The Council must ensure that sufficient capacity is provided to deliver the programme effectively. Planned savings for 2010/11 were reduced from £14.1 million to around £7 million This was due to delays in delivering some projects that had been planned for 2010/11. The savings from the delayed projects have been rolled forward into 2011/12 budget. Savings of £25.9 million are required to be delivered in 2011/12, almost double those originally planned and equivalent to almost half of the total One Council savings. Many projects to be delivered in 2011/12 are now in the implementation phase. Accurately monitoring savings from these projects will be important if budget savings are to be achieved as planned.

Report by exception

36 The Audit Commission requires me to report by exception where significant matters come to my attention, which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

37 There are no matters to report.

Appendix 1 Example audit report

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

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of London Borough of xxxx for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Brent in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of London Borough of xxxx's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of xxxx in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:
- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, 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.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

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

Authority's responsibilities

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.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, London Borough of xxxx put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the Authority and Group accounts of London Borough of xxxx and London Borough of xxxx Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

[*Date*]

Appendix 2 Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Dr Exceptional item (net cost of services) Cr Exceptional item (other operating expenditure)	Exceptional cost, arising from downward revaluation of HRA properties, incorrectly allocated to other operating expenditure. This is reallocated to Net cost of services in accordance with Cipfa Code.	240,153	240,153		
Dr Exceptional item (other operating expenditure) Cr Exceptional item (net cost of services)	Exceptional cost, arising from change in CPI to RPI in calculating IAS19 pension liability, incorrectly allocated to other operating expenditure. This is reallocated to Net cost of services in accordance with Cipfa Code.	117,950	117,950		

		Comprehensive income and expenditure statement		Balance sheet	
Dr Deposits Cr Overdrafts Cr Current bank accounts	School cash and cash equivalents incorrectly allocated to current bank balances. Reallocate short term deposits held and overdrawn balances			11,141	6,271 4,871
Dr Land and buildings Cr Surplus or deficit on revaluation of Property, Plant and Equipment assets Cr Revaluation reserve	Error made entering Copland valuation. Reversal of incorrect downward valuation entries made		6,000	12,685	6,685
Dr Provisions Cr Accrued leave pay	Reallocate accrued leave pay as an accrual			9,589	9,589
Dr Creditors Cr Deferred income	DSG grant income treated as deferred income incorrectly. This related to 2011/12 and was received post 31 March 2011			9,261	9,261
Dr HRA amortised and payment discount (HRA MIHRAS) Cr HRA amortised and payment discount (HRA I&E)	Amount incorrect included in HRA statement. To be reallocated to accounting and funding basis	4,932	4,932		
Dr Creditors Cr HB overpayments	Cash received for housing benefit overpayments incorrectly accounted for as income in advance. Reallocated to debtors			1,967	1,967
Dr Expenditure Cr Non current assets	Reverse settlement costs treated as non current assets Reallocate liability for onerous lease	691			691

		Comprehensive income and expenditure statement		Balance sheet	
Dr Finance lease liability Cr Provision (onerous lease)	costs built into new finance leases			691	691
Dr Loss on disposal of non current assets Cr Difference in accounting and funding basis (MIRS) Dr Capital adjustment account Cr Non current assets	Reverse profitable disposal transaction which was double counted	676	676	676	676
Dr Exceptional item Cr Investment income	Gain on investment incorrectly treated as exceptional item. Reallocate to investment income	501	501		
Dr Teachers payroll costs Cr Teachers pension accrual	Correct understatement of year end teachers pension liability	257			257
Dr Payments to capital receipts pool Cr Difference in accounting and funding basis (MIRS) Dr Capital receipts reserve Cr CFB06 grant creditor	Correct estimate made for capital receipts payment, based on final grant return (CFB06)	121	121	121	121
Dr Impairment Cr Non current asset	Impair capital costs related to Kingsbury Childrens Centre as this will not be completed			116	116
Net effect of adjustments		£5,052k increase in reported surplus		£5,052k increase in net assets	

Appendix 3 Unadjusted misstatements to the financial statements

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

		Comprehensive income and expenditure statement		Balance sheet	
Unadjusted misstatement	Nature of required adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Dr Debtors Cr Income	Accounting for uncertainty of HB overpayment debtors balance as various reports run at different dates to year end.		657	657	
Dr Expenditure Cr Creditors	Accounting for an uncertainty with a creditor balance as the detailed analysis is greater than the general ledger balance	278			278
Dr Other long term liabilities	Entry to remove mortgage debtors where limited evidence available to support			178	178

		Comprehensive income and expenditure statement	Balance sheet
Cr Debtors	recoverability and associated deferred income		
Net impact		379k increase in reported surplus	

Appendix 4 Draft letter of representation

To: Andrea White

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

London Borough of Brent – Audit for the year ended 31 March 2011

We confirm to the best of our knowledge and belied, having made appropriate enquiries of other officers of the London Borough of Brent, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011 and the associated financial statements of its pension fund.

We acknowledge our responsibility under the relevant statutory authorities for preparing the financial statements which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are detailed in the appendix [to be added by Council].

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and relevant information, including minutes of all Members meetings, have been made available to you.

Related party transactions

We confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Contingent assets and contingent liabilities

There are no other contingent assets or contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Irregularities

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or
- deficiencies on, financial reporting practices which could have a material effect on the financial statements.

We also confirm that we have disclosed:

- our knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Post balance sheet events

Since the date of approval of the financial statements by Members of the Council, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

We confirm that this letter has been discussed and agreed by the Audit Committee on dd month 2011

Signed …………………………	Signed …………………………	Signed …………………………
Name: Gareth Daniel	Name: Clive Heaphy	Name: Stephen Woods
Position: Chief Executive	Position: Director of Finance	Position: Chair of the Audit Committee

Date …………………………

Appendix 5 Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as 'an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor's report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects'.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

www.audit-commission.gov.uk

September 2011

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LONDON BOROUGH OF BRENT

STATEMENT OF ACCOUNTS

2010/11

C O N T E N T S

INTRODUCTION BY THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

Brent's annual accounts show the financial performance of the Council for the year 2010/11. They present the financial position of the authority on 31st March 2011 and its income and expenditure for the year ending on that date.

It is intended that these accounts will provide a useful and important source of financial information for the community, Council Members and other interested parties. The Explanatory Foreword on the next few pages gives a brief summary of the Council's financial position in 2010/11.

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

Date: 12th September 2011

CLIVE HEAPHY
Director of Finance and Corporate Services

EXPLANATORY FOREWORD

1. INTRODUCTION

The accounts for the year 2010/11 consist of:

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

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement (M.I.R.S.). This splits reserves into usable and unusable usable reserves included General fund balances.

Comprehensive Income and Expenditure Statement – This shows the accounting costs of providing services. This may be different to the amount raised from taxation in accordance with regulations. Differences are shown in the M.I.R.S.

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

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

Collection Fund - The Collection Fund accounts independently for income related to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised.

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

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

The accounts have been produced in line with the requirements of the 2003 Accounts and Audit Regulations, the 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.

2. GENERAL FUND REVENUE SPENDING IN 2010/11

2010/11 LATEST BUDGET COMPARED WITH OUTTURN

	Latest Budget £'000	Outturn £'000	Variance £'000
Service Area Budgets			
Children & Families	56,169	56,542	373
Environment & Neighbourhood Services	45,354	44,931	(423)
Housing & Community Care			
- Adult Social Care	88,118	89,421	1,303
- Housing	25,371	24,430	(941)
Sub Total	**113,489**	**113,851**	**362**
Corporate			
- Chief Executive	732	496	(236)
- Legal & Procurement	1,482	2,145	663
- Customer & Community Engagement	7,189	7,274	85
- Regeneration & Major Projects	390	(159)	(549)
- Strategy, Partnerships & Improvement	2,931	3,609	678
- Finance & Corporate Services	14,125	14,861	736
Sub Total	**26,849**	**28,226**	**1,377**
-			
Total	**241,861**	**243,550**	**1,689**
Central Budgets	51,371	49,760	(1,611)
Area Based Grants	(26,355)	(26,458)	(103)
Net Cost of General Fund Services	**266,877**	**266,852**	**(25)**
Contribution to/(from) Balances	(1,408)	(1,383)	25
Total Budget Requirement	**265,469**	**265,469**	**0**
Financed By:			
Formula Grant	164,489	164,489	0
Council Tax Income	102,142	102,142	0
Environment & Neighbourhood Services	(1,162)	(1,162)	0
Total	**265,469**	**265,469**	**0**

Explanation of Major Variances 2010/11

	(Under)/Overspending £'000	£'000
Children & Families		
Achievement & Inclusion - alternative education costs mainly	621	
Social Care - Purchasing and Placements	2,301	
Underspends in Early Years and Youth Centres	(1,430)	
Usavings from Non Schools Standards Funds	(569)	
Strategy and Partnership restructure	(173)	
Transport underspend	(694)	
Asset Management and BSF costs	374	
Other	(57)	
		373
Environment & Neighbourhood		
Planning - Shortfall in income and grants	341	
Transportation	186	
Sports Service	(338)	
Parks costs	(410)	
Environmental Health - mainly employee costs	(182)	
Directorate costs	(233)	
Libraries, Arts and Heritage costs	121	
Parking account - shortfall in income	163	
Other	(71)	
		(423)
Housing & Community Care		
Housing		
Housing Solutions - additional grant monies from CLG	(600)	
Reduction in rent on voids	(348)	
Housing Resource Centre - additional grant monies from CLG and GOL	(200)	
Non HRA Housing PFI costs	343	
Temporary Accommodation - reduced housing benefit spend	(58)	
other	(78)	
		(941)
Adult Social Care		
Older Peoples Service - pressures on direct payments, supported living,home and extra care	628	
Mental Health - reduction in support by PCT towards s117 clients	1,822	
Learning Disabilities - demand pressures	1,130	
Physical Disabilities - Home Care	114	
Core Services - reduced costs on bad debts, consultancy and transformation budget	(2,391)	
		1,303

EXPLANATORY FOREWORD (Continued)

	(Under)/Overspending £'000	£'000
Corporate		
Regeneration & Major Projects		
Staffing Costs	(392)	
Maintenance	(236)	
Reduction in letting income	340	
Working Neighbourhood Fund Budget	(420)	
Internal charging	159	
		(549)
Legal & Procurement		
Increased use of agency (partly offset by central savings)	566	
Internal charging	80	
Other	17	
		663
Strategy, Partnerships & Improvement		
Future of Wembley - budgets held in R&MP	200	
Working Neighbourhood Fund Budget in R&MP	420	
Other	58	
		678
Customer & Community Engagement		
One Stop Services - mainly staffing	(466)	
Communications - shortfall in internal income	551	
		85
Chief Executives Office		
Underspend on performance fund	(200)	
Other	(36)	
		(236)
Finance & Corporate Services		
Higher expenditure on HB payments offset by government subsidy	102	
Under recovery of Council Tax and NNDR summons costs	275	
Human Resources & People centre	78	
Revenue & Benefits	158	
Financial Management	(221)	
Information Technology	305	
Other	39	
		736
Corporatel Total		1,377

	(Under)/Overspending £'000	£'000
Central Items		
Additional Area Based Grants received	(103)	
Underspend on Council Elections	(157)	
Levies budget underspend	(432)	
Premature Retirement Underspend	(582)	
Capital Financing charges	(2,388)	
Freedom Pass underspend	(223)	
One Council Programme costs	(178)	
Inflation provision	(120)	
Remuneration Strategy	339	
Ward Working	(101)	
Internal charging adjustments	2,343	
Other	(112)	
		(1,714)
Total		**(25)**

3. Capital Expenditure – Disclosure

The Councils in-year expenditure in 2010/11 was £114.245m (2009/10 £104.337m). The Expenditure was within the definition of capital expenditure within the Local Government and Housing Act 1989.

Capital expenditure has been financed from the following sources:

Funding Source	**2010/11 £000**
Borrowing	35,107
Grants	49,225
Capital Receipts	7,777
Major Repairs Reserve	6,561
General Fund Contributions	10,507
HRA Contributions	5,068
Total	**114,245**

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

Scheme	**2010/11 £000**
Council Housing	15,274
Housing Renovation Grants	4,158
Civic Centre	16,131
South Kilburn Regeneration	8,043
Places of Change Programme	500
Surestart Capital Programme	4,270
Academies Programme	23,117
Schools Asset Management Plan	2,217
Primary Capital Programme	7,048
School Expansions	796
Schools Targeted Capital Fund	2,293
Schools Access Initiatives	574
Harnessing Technology in Schools	679
Libraries	539
Priority Backlog Repairs to Operational Buildings	766
Corporate Property Project Management	530
Transportation	511
Access Corridors	944
Pavements and Roads	9,498
CCTV	1,210
ICT Schemes	1,436
South Kilburn Partnership	2,729
Redundancy	950

Capital Expenditure incurred by Service Departments in 2010/11 is summarized below:

Department	2010/11 Programme £000	2010/11 Out-turn £000	2010/11 Variation £000
Regeneration and Major Projects	97,828	72,086	(25,742)
Children and Families	9,573	4,392	(5,181)
Environment and Neighbourhoods	15,847	12,722	(3,125)
Adult Social Care	886	94	(792)
Housing	26,979	19,437	(7,542)
Corporate	2,397	5,514	3,117
Total	**153,510**	**114,245**	**(39,265)**

Outstanding capital commitments at 31st March 2011 amounted to £45.664m and are shown below:

Department	2010/11 £000
Major Projects and Regeneration	
Civic Centre	3,525
Schools	13,116
Adult Social Care	172
Chalkhill	527
Corporate	959
S106	7,119
Children and Families	
Schools	3,660
Environment and Neighbourhoods	
Pavements and Roads	1,879
Leisure and Sports	819
Parks and Cemeteries	855
Adult Social Care	
Upgrade work to dwellings	622
Housing	
Renovation Grants	2,439
Upgrade work to dwellings	8,496
Corporate	
Information and Communications Technology	406
Central Items	1,070
Total	**45,664**

Borrowing/Investments

During 2010/11 the Council's net borrowing (gross borrowing less investments) rose from £593.4m at 31st March 2010 to £601.9m at 31st March 2011. This resulted from a combination of increased borrowing to fund the capital programme and repayment of debt. However reduced interest rates on recent borrowing meant that interest payable by the Council reduced from £29.791m in 2009/10 to £29.724m in 2010/11. Interest receivable by the Council fell from £2.184m in 2009/10 to £0.975m in 2010/11.

As set out in the Notes to the Balance Sheet (Note27) £15m has been deposited with Icelandic banks that have gone into administration. It is anticipated that at least £13m will be recovered over the period to 2013.

The Council's borrowing is governed by a Prudential Code, under which the Council adopts a borrowing limit and restrictions on the types and pattern of debt in order to ensure that financing costs are sustainably affordable and the risk of unexpected costs is minimised. The limit was £850m for 2010/11 and the Council complied with this and the other limits established.

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

4. Pension Fund Deficit

The pension fund deficit is a long term liability payable over the next eighty/ninety years. It is planned that the deficit will be eliminated over the next 25 years through a combination of investment returns and additional payments by Brent Council. Further information is shown in Note 47 to the Core Financial Statements.

5. Impact of the Current Economic Climate

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

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

6. Housing Revenue Account (HRA)

The Council originally budgeted for a carried forward surplus of £466k after a net transfer to earmarked reserves. It was reported to members, as part of the Housing Revenue Account (HRA) 2011-12 in February 2011 that the carried surplus for the 2010-11 was in line in with the originally budgeted amount. The final accounts show a carried forward surplus of £1.840m, which is £1.374m more than the revised budgeted forward surplus for the year. The main reasons are variances relating to repairs and maintenance expenditure, rental income from Housing dwellings, provision for bad debts, income from investment income, interest charge, general management cost, and cost of providing landlords services, such as electricity.

7. SIGNIFICANT CHANGE FROM LAST YEAR'S ACCOUNTS

The main changes from the 2009/10 audited accounts are as a result of this year's accounts being the first that have to comply with International Financial Reporting Standards (I.F.R.S.). This has led to a number of significant changes.

(i) The main statements have changed. There is a Movement in Reserves Statements (M.I.R.S.) included in this accounts for the first time. However there is no longer a Statement of Movement on the General Fund Balance. In addition the lines that were shown in the Statement of Total Recognised Gains and Losses are now included at the end of the Comprehensive Income and Expenditure Statement.

(ii) There have been changes in Accounting Policies to comply with I.F.R.S. requirements especially relating to capital. Please see the statement on accounting policies for a full list of policies using in preparing the 2010/11 accounts.

(iii) Changes to accounting policies and the format of the accounts has meant that prior year accounts have needed to be restated to comply with I.F.R.S.

(iv) The Notes required to provide further details on the main statements have also changed to comply with I.F.R.S. Consequently the accounts are longer than in previous years.

8. FURTHER INFORMATION

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

9. GLOSSARY

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

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

[TO FOLLOW]

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Corporate Services;

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- to approve the Statement of Accounts.

THE DIRECTOR OF FINANCE AND CORPORATE SERVICES' RESPONSIBILITIES

The Director of Finance and Corporate Services is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Authority at the Accounting date and its income and expenditure for the year ended 31st March 2011.

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice.

The Director of Finance and Corporate Services has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Date: 12th Sept 2011

CLIVE HEAPHY
Director of Finance and Corporate Services

Statement of Accounting Policies

Table of Contents

1. Code of Practice

The general policies adopted in preparing these accounts are in accordance with the 2010-11 Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance Accountants (CIPFA) - Statement of Recommended Practice (SORP), henceforth referred to as the "Code of Practice". This Code of Practice is based upon International Financial Reporting Standards (IFRS), with some adoptions from International Public Sector Accounting Standards (IPSAS).

2. Comprehensive Income and Expenditure Statement

2.1 Accruals of Expenditure and Income

The Statement of Accounts is prepared on an accruals basis set out in the International Accounting Standards Board Framework, with the effects of transactions and other events are recognised when they occur, and recorded in the accounting records and reported in the financial statements of the periods to which they relate. This informs users of the accounts not only of past events, but of future obligation to transfer funds and future rights to receive income.

The exception to this is the Cash Flow Statement, which shows the authority's cash flow as required by the Code of Practice, using 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 expenditure accounts are VAT exclusive, unless VAT is irrecoverable, in which case it is included.

2.4 Revenue Government and Non -Government Grants

Grants are accounted for in line with the Code of Practice. 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.

STATEMENT OF ACCOUNTING POLICIES (Continued)

2.6 Council Tax and National Non Domestic Rates (NNDR)

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

Brent collects NNDR under what is in substance an agency arrangement with the Government. Consequently NNDR income is not recognised in the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement. Similarly NNDR debtor and creditor balances with taxpayers are not recognised in Brent's balance sheet. In addition cash collected from NNDR taxpayers by Brent is collected for the Government so is not included in Brent's cash flow statement. Brent's accrued income from the distribution of NNDR will be shown in the taxation and non-specific grant section of the Comprehensive Income and Expenditure Statement.

2.7 Area Based Grant

Area Based Grant is a general grant allocated by central government directly to local authorities as additional revenue funding. Local authorities are free to use it as they see fit – it is not ring fenced. Area Based Grant is disclosed with the taxation and non-specific grant section of the Comprehensive Income and Expenditure Statement.

2.8 Cost of Support Services

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

2.9 Foreign Currency Transactions

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

2.10 Exceptional items and prior period adjustments

These will be disclosed in line with the Code of Practice.

2.11 Events after the balance sheet date

These will be disclosed in line with the Code of Practice.

3. Balance sheet – Non Current Assets

3.1 Plant, Property and Equipment

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

Fixed assets are valued on the basis required by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice, 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 based on their OMV but adjusted to reflect their value as social housing in accordance with ACOP.
- Other Land and Buildings are included in the balance sheet at their Open Market Value (OMV). The exceptions to this are school buildings and Social Services establishments that are included at their Depreciated Replacement Cost (DRC).
- Surplus assets are included in the balance sheet at their OMV.
- Assets held for sale are held at the lower of the asset's carrying value and fair value less costs to sell.
- Community assets are included in the balance sheet at depreciated historic cost where appropriate otherwise they are included at a nominal value.
- Infrastructure assets, vehicles, plant, furniture and equipment have been valued at historic cost, net of depreciation.
- Assets under construction are held at their invoiced construction cost at year end.

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

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

3.1.1 Depreciation and Amortisation

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

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

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

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

Housing Revenue Account dwellings are depreciated by an assessment of the consumption of economic benefits.

Where buildings assets are revalued, the accumulated depreciation at the beginning of the year is written down to the revaluation reserve.

3.1.2 Component Accounting

The Code of Practice 2010-11 introduces component accounting for Plant, Property and Equipment. This is a prospective change, and 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.

Local Authority Accounting Panel Bulletin 86 provides guidance on component accounting. On the basis of this guidance, only buildings with a gross carrying value of over £2 million will be componentised. These buildings will be componentised into a standard set of components:

1. Structure
2. Roofs
3. Mechanical – including plumbing, boilers and other plant such as swimming pool filtration
4. Electrical – including computer network cabling and telephone cables
5. Windows

These buildings will be componentised when they are revalued, or enhancement expenditure of £250,000 is spent up them, which will trigger a revaluation.

3.2 Investment Properties

Investment properties are properties held solely for capital appreciation or rental income. Investment properties are included in the balance sheet at OMV.

The Code of Practice requires that investment properties are not depreciated, but instead held at fair value, and their book value is adjusted annually where there has been a material change in value. The council adjusts the book value of these assets when appropriate indices indicate that the property has changed in value by 15% or more since the last indexation or revaluation.

Investment properties have a full revaluation on the same five year cycle as Plant, Property and Equipment.

3.3 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. It spreads the cost of buying or developing an intangible asset over the life of the intangible asset.

Amortisation is also calculated using the straight line method based on estimated economic life of between 5 to 7 years.

3.4 Impairment

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

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

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

Impairment and reversal of impairment loss are not proper charges to the General Fund under legislation and the Code of Practice and will be reserved out of the General Fund in the Movement of Reserves Statement.

4. Balance sheet – Current Assets

4.1 Inventories

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

4.2 Cash and Cash Equivalents

IAS 7 requires 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 authority 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 authority 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 Debtors and Creditors

The revenue accounts of the Council have been compiled on an accruals basis in accordance with IAS 18.

5.2 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 28 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 24 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 debtors 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 debits. Debts are not actually written off until there is no realistic chance of collection, at which point the write-off reduces both the debtors and provision totals.

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

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

5.2.1 Employee benefits

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

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2010 prohibit council tax payers from being charged for this provision, so any movement in this provision is transferred to the Accumulated Absences Account as advised by CIPFA's IFRS transition guidance.

5.3 Reserves

Reserves are divided into usable and unusable reserves in line with the Code of Practice. Within the usable reserves there are amounts set aside for earmarked purposes out of the balances on the Council's funds. One of the main financial statements details Movements in Reserves. Further details of Earmarked Reserves are given in Note 35 to the Core Financial Statements.

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

- 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 Available for Sale assets

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

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

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

Changes in fair value are balanced by an entry in the Available for Sale reserve and the gain/loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the surplus or deficit on the provision of services section of the Comprehensive Income and Expenditure Statement, along with any net gain / loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the 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 the provision of services section of the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the surplus or deficit on revaluation of available-for-sale financial assets line in the Comprehensive Income and Expenditure Statement.

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

6.1.3 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, in accordance with the Code of Practice as amended by Regulations, is to amortise premia and discounts over a period which reflects the life of the loans with which they are refinanced determined as described below. This will not be followed in the following situations:

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

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

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

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

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

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.

STATEMENT OF ACCOUNTING POLICIES (Continued)

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.

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

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. As central government has recently rescinded major capital grants prior to financial close, the council will only recognise capital grants for specific projects in full at financial close of the specific project. Prior to financial close, income will be recognised as equal to expenditure on the project.

Where funds have been recognised, but not spent, they are transferred to the Capital Grants Unapplied Account within the usable reserves. Grants where conditions have not been met in full are credited to Capital Grants Receipts in Advance; once conditions have been met they will transferred to the Capital Grants Unapplied Account. Upon expenditure funds are transferred to the Capital Adjustment Account.

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 finance leases.

Finance leases are initially recognised on balance 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 the council's historical interest rate for borrowing from the Public Works Loans Board will be used.

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, assuming 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.

In accordance with accounting convention, rentals payable under operating leases are charged to revenue in the year in which they are paid and no provision is made for outstanding lease commitments.

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. In line with the Code of Practice, 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 and the Code of Practice. The Council has analysed its contracts and other arrangements and has determined the five arrangements below to be *"service concessions".*
The council has entered into three PFI projects which have generated assets to be used by the council, these are:

> In 1998/99 a 20 year project to provide and maintain street lights throughout the Borough;
>
> In 2006/07 a 25 year project to provide and maintain a new sports centre and related facilities in Willesden.
>
> In 2008/09 a 20 year project to provide and maintain social housing and replacement residential facilities for people with learning disabilities.

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

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

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

Where the PFI operator's right to third party income is recognised in reductions to the unitary payment, a proportion of the finance lease creditor is re-allocated to a deferred income balance based on the proportion of fixed payments (if any) from the Council and expected third party payments. The deferred income balances is amortised to the 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 calculated in line with the requirements of the Code of Practice 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 the 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 Streetlighting PFI are treated as revenue maintenance expenditure due to the nature of maintaining streetlighting.

7.3.2 Embedded Finance Leases

The council has two major contracts with significant value of assets funded by embedded finance leases within the contract. Due to the complex nature of these contracts assets have been recognised on the basis appropriate to each contract:

- for the waste services contract, commenced in April 2007, assets have been recognised on the basis of an inventory provided by the contractor; and
- for the parking contract, commenced July 2005, assets have been recognised based on documentation supplied as part of the tender.

Accounting for these assets and the corresponding liabilities follows the policies set out for leases above.

7.4 Minimum Revenue Provision

The Minimum Revenue Provision (MRP) included within the 2008/09 Accounts has been calculated on the basis of the 2007/08 outturn position, amended for the inclusion of PFI projects as per the requirements of the introduction of the International Financial Reporting Standards. In accordance with the revised regulations for the calculation of MRP issued in 2008 the Council adopted the following policy for non-HRA assets:

> *For supported borrowing, the council will continue with the existing method (Option 1). This option, 'the regulatory method', continues to use the calculations that were used under the system that existed from 2004/05 when the previous regulations came into effect. This means that the amount of non-housing Capital Financing Requirement (CFR), adjusted as set out in the original regulations (Adjustment A'), is used as the starting position for the MRP calculation in 2008/09 and adjusted thereafter for supported borrowing in each year.*
>
> *For prudential borrowing, the council will adopt Option 3, 'the asset life method', and an 'annuity' approach for calculating repayments. This option allows provision for repayment of principal to be made over the estimated life of the asset. The use of the 'annuity' method, is akin to a mortgage where the combined sum of principal and interest are equalised over the life of the asset.*

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

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

These policies do not apply to HRA assets.

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

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

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

7.5 Contributions from the Capital Adjustment Account

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

7.6 Income from the Sale of Fixed Assets

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

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

7.7 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. Previously the Council has had a policy of capitalising all borrowing costs as an expense as they are incurred. It is the Council's intention that in line with the introduction of the International Financial Reporting Standards and International Accounting Standard 23 – Borrowing Costs, from 2010/11 the London Borough of Brent will capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs will be deemed as interest and other costs that the Council incurs in connection with the borrowing of funds, and a qualifying asset will be that which takes in excess of three years to get ready for intended use and has forecast expenditure in excess of £100 million. Cessation of capitalisation will occur when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

8 Group Accounts

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

8.1 Interest in Companies

Brent Housing Partnership (BHP) is a subsidiary of the London Borough of Brent. It is the only organisation that meets the criteria for inclusion in Brent's group accounts. Group accounts are included in this document after Brent's single entity financial statements. BHP's accounting policies are based on UK Generally Accepted Accounting Practice. Their accounts have been amended prior to consolidation into the group accounts to reflect the council's accounting policies.

9 Brent Pension Fund Accounting policies

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

10.1 Statements of accounting policies

i. The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the pension fund for those employees.

ii. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. These costs have been determined on the basis of contribution rates that are set to meet 100 per cent of the liabilities of the Pension Fund, in accordance with relevant Government Regulations.

10.2 Basis of accounting

The Pension Fund accounts have been prepared in accordance with the accounting recommendations of:

- Financial Reports of the Pension Schemes: A Statement of Recommended Practice (revised May 2007),
- International Financial Reporting Standards, and
- Chapter six of the Code of Practice.

STATEMENT OF ACCOUNTING POLICIES (Continued)

10.3 Asset valuation principles

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

10.4 Income from investments

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

10.5 Foreign currencies

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

10.6 Transfer values to and from the fund

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

10.7 Ex-gratia payments

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

10.8 Taxation

10.8.1 INVESTMENTS

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

10.8.2 COMPOUNDED PENSIONS

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

10.9 Employers' contributions

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

10.10 Statement of investment principles

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

10.11 Related party's transactions

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

10.12 The administrative authority's responsibilities

The authority is required:

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

10.13 Responsibilities of the Director of Finance and Corporate Services

The Director is responsible for the preparation of the Authority's Pension Fund's Statement of Accounts, in terms of the Code and the Statement of Recommended Practice. The Director is required to present fairly the financial position of the Pension Fund (and its income and expenditure) for the year ended 31st March 2011. In preparing this statement of accounts, the Director has: selected suitable accounting policies and applied them consistently; made judgements and estimates that were reasonable and prudent; complied with the Code; kept proper up to date accounting records; and taken reasonable steps for the prevention of fraud and other irregularities.

Clive Heaphy
Director of Finance and Corporate Services

Movement in Reserves Statement

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance as at 31 March 2009	**22,640**	**45,484**	**4,428**	**3,051**	**0**	**116**	**11,672**	**87,391**	**197,604**	**284,995**
Movement in reserves during 2009/10										
Surplus or (deficit) on the provision of services	(35,209)		12,897					(22,312)		(22,312)
Other comprehensive income & expenditure								0	(91,485)	(91,485)
Total comprehensive income & expenditure	**(35,209)**	**0**	**12,897**	**0**	**0**	**0**	**0**	**(22,312)**	**(91,485)**	**(113,797)**
Adjustments between accounting basis & funding basis under regulations (note 7)	31,525		(14,083)		140	4,082	7,824	29,488	(29,488)	0
Net increase/decrease before transfers to earmarked reserves	**(3,684)**	**0**	**(1,186)**	**0**	**140**	**4,082**	**7,824**	**7,176**	**(120,973)**	**(113,797)**
Transfers to/from earmarked reserves (note 8)	4,079	(4,079)	(1,068)	1,068				0		0
Increase/decrease in 2009/10	**395**	**(4,079)**	**(2,254)**	**1,068**	**140**	**4,082**	**7,824**	**7,176**	**(120,973)**	**(113,797)**
Balance as at 31 March 2010 carried forward	**23,035**	**41,405**	**2,174**	**4,119**	**140**	**4,198**	**19,496**	**94,567**	**76,631**	**171,198**
Movement in reserves during 2010/11										
Surplus or (deficit) on the provision of services	(106,073)		285			0		(105,788)		(105,788)
Other comprehensive income & expenditure						0		0	(11,956)	(11,956)
Total comprehensive income & expenditure	**(106,073)**	**0**	**285**	**0**	**0**	**0**	**0**	**(105,788)**	**(11,956)**	**(117,744)**
Adjustments between accounting basis & funding basis under regulations (note 7)	96,375		(113)		12,388	(4,198)	15,660	120,112	(120,112)	0
Net increase/decrease before transfers to earmarked reserves	**(9,698)**	**0**	**172**	**0**	**12,388**	**(4,198)**	**15,660**	**14,324**	**(132,068)**	**(117,744)**
Transfers to/from earmarked reserves (note 8)	917	(917)	(505)	505				0		0
Increase/decrease in 2010/11	**(8,781)**	**(917)**	**(333)**	**505**	**12,388**	**(4,198)**	**15,660**	**14,324**	**(132,068)**	**(117,744)**
Balance as at 31 March 2011	**14,254**	**40,488**	**1,841**	**4,624**	**12,528**	**0**	**35,156**	**108,891**	**(55,437)**	**53,454**

General fund balances include balances held by schools. The split between balances available to the Council to spend and balances for schools expenditure is shown on the right.

	Council balances £000	Schools balances £000	Total balances £000
31.3.09	8,054	14,586	22,640
31.3.10	8,963	14,072	23,035
31.3.11	7,580	6,674	14,254

Comprehensive Income & Expenditure Statement

2009/10 Restated Gross Expenditure £'000	2009/10 Restated Gross Income £'000	2009/10 Restated Net Expenditure £'000		2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Net Expenditure £'000
79,418	(50,288)	29,130	Central services to the public	48,013	(38,205)	9,808
71,383	(10,223)	61,160	Cultural, environmental, regulatory and planning services	61,943	(11,666)	50,277
386,699	(297,307)	89,392	Education and children's services	443,333	(363,217)	80,116
34,399	(15,226)	19,173	Highways and transport services	30,430	(20,440)	9,990
36,015	(68,158)	(32,143)	Local authority housing (HRA)	34,015	(53,784)	(19,769)
318,273	(297,784)	20,489	Other housing services	364,897	(332,306)	32,591
107,129	(19,983)	87,146	Adult social care	121,564	(25,276)	96,288
7,397	(21)	7,376	Corporate and democratic core	6,325		6,325
			Exceptional item - downward revaluation of assets	234,654		234,654
			Reduction in past service pension costs	(117,950)		(117,950)
460		460	Non distributed costs	6,168	(6,852)	(684)
1,041,173	**(758,990)**	**282,183**	**Cost of Services**	**1,233,392**	**(851,746)**	**381,646**
		9,186	Other operating expenditure (note 9)			32,408
		61,533	Financing and investment income and expenditure (note 10)			56,395
		(330,590)	Taxation and non-specific grant income (note 11)			(364,661)
		22,312	**(Surplus) or Deficit on Provision of Services**			**105,788**
		(84,845)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(564)
			Surplus or deficit on revaluation of available for sale financial assets			
		176,330	Actuarial gains/losses on pension assets and liabilities			12,520
		91,485	**Other Comprehensive Income and Expenditure**			**11,956**
		113,797	**Total Comprehensive Income and Expenditure**			**117,744**

Balance Sheet

Restated 1 April 2009 £'000	Restated 31 March 2010 £'000		Notes	31 March 2011 £'000
1,388,292	1,457,866	Property, Plant & Equipment	12	1,255,228
1,802	2,493	Investment Property	13	2,993
1,070	1,894	Intangible Assets	14	2,676
		Assets Held for Sale	20	
54,654	20,214	Long Term Investments	15	264
1,809	12,458	Long Term Debtors	15	24,044
1,447,627	**1,494,925**	**Long Term Assets**		**1,285,205**
33,435	44,628	Short Term Investments	15	41,895
	2,799	Assets Held for Sale	20	
99	120	Inventories	16	104
75,637	72,347	Short Term Debtors	18	65,461
18,466	21,981	Cash and Cash Equivalents	19	60,419
127,637	**141,875**	**Current Assets**		**167,879**
		Cash and Cash Equivalents	19	(6,271)
(79,699)	(58,216)	Short Term Borrowing	15	(77,117)
(90,535)	(87,505)	Short Term Creditors	21	(102,081)
(2,196)	(3,188)	Provisions	22	(3,044)
		Deferred income		(9,261)
		Liabilities in Disposal Groups	20	
(172,430)	**(148,909)**	**Current Liabilities**		**(197,774)**
(25,698)	(24,139)	Long Term Creditors	15	(23,449)
(2,365)	(2,665)	Provisions	22	(3,760)
(593,473)	(607,530)	Long Term Borrowing	15	(584,530)
(486,262)	(682,359)	Other Long Term Liabilities	15	(590,117)
		Donated Assets account	38	
(10,041)		Capital Grants Receipts in Advance	38	
(1,117,839)	**(1,316,693)**	**Long Term Liabilities**		**(1,201,856)**
284,995	**171,198**	**Net Assets**		**53,454**
87,391	94,567	Usable Reserves	23	108,891
197,604	76,631	Unusable Reserves	24	(55,437)
284,995	**171,198**	**Total Reserves**		**53,454**

Cash Flow Statement

The 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 (ie borrowing) to the authority.

2009/10 Restated £'000		**2010/11 £'000**
22,312	Net (surplus) or deficit on the provision of services	105,788
20,858	Adjustments for non-cash movements	21,564
(63,441)	Adjustments for investing and financing activities	(93,739)
(20,271)	Net cash flows from Operating Activities (note 25)	**33,613**
16,360	Investing activities (note 26)	(5,545)
7,426	Financing activities (note 27)	4,099
3,515	**Net increase or decrease in cash and cash equivalents**	**32,167**
18,466	Cash and cash equivalents at the beginning of the reporting period	21,981
21,981	Cash and cash equivalents at the end of the reporting period (note 19)	**54,148**

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1. - TRANSITION TO IFRS - 2009/10 INCOME AND EXPENDITURE

The 2010/11 statement of accounts is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures Presented in the 2009/10 Statement of Accounts.

	Published 2009/10 Net Expenditure £000	IRFS Adjustments £000	Restated 2009/10 Net Expenditure £000
Education	46,251	2,008	48,259
Cultural Services	22,257	84	22,341
Highways, Roads and Transport	16,930	2,243	19,173
Environmental	29,197	(13)	29,184
Planning and Development	9,472	163	9,635
Housing (General Fund)	21,953	(1,464)	20,489
Adult Social Care	87,040	106	87,146
Children's Social Care	41,128	5	41,133
Corporate and Democratic Core	7,365	11	7,376
Central Services	28,770	360	29,130
Housing Revenue Account	(29,551)	(2,592)	(32,143)
(Profit) / Loss on Disposal of Fixed Assets	241	(1,002)	(761)
Interest Payable	31,732	(38)	31,694
Interest and Investment Income	(2,184)	(100)	(2,284)
Income from Capital Grants and Contributions	0	(52,350)	(52,350)
Total	**310,601**	**(52,579)**	**258,022**

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 1.- TRANSITION TO IFRS - 31.3.09 BALANCE SHEET

	Published 31.3.09 Accounts £000	IRFS Adjustments £000	Restated 31.3.09 Accounts £000
LONG TERM ASSETS			
Other Land and Buildings	524,700	(3,677)	521,023
Vehicles Plant Furniture and Equipment	20,563	3,987	24,550
Surplus Assets	6,179	625	6,804
Investment Property	0	1,802	1,802
Long Term Debtors	504	1,305	1,809
CURRENT ASSETS			
Short Term Investments	42,835	(9,400)	33,435
Inventories	421	(322)	99
Payments in Advance	6,489	267	6,756
Cash and Cash Equivalents	9,066	9,400	18,466
CURRENT LIABILITIES			
Short Term Creditors	(66,922)	(1,169)	(68,091)
Short Term Provisions	0	(13,572)	(13,572)
LONG TERM LIABILITIES			
Long Term Creditors	(22,222)	(3,476)	(25,698)
Provisions	(4,561)	2,196	(2,365)
Capital Grants Receipts in Advance	(21,713)	11,672	(10,041)
Government Grants Deferred	(132,780)	132,780	0
RESERVES			
Capital Grants Unapplied	0	(11,672)	(11,672)
Accumulated Absences Account	0	11,376	11,376
Revaluation Reserve	(53,575)	300	(53,275)
Capital Receipts Deferred	0	(1,250)	(1,250)
Capital Adjustment Account	(545,190)	(131,172)	(676,362)
Total	**(236,206)**	**0**	**(236,206)**

Note 1.- TRANSITION TO IFRS - 31.3.10 BALANCE SHEET

	Published 31.3.10 Accounts £000	IRFS Adjustments £000	Restated 31.3.10 Accounts £000
LONG TERM ASSETS			
Other Land and Buildings	546,950	(7,665)	539,285
Vehicles Plant Furniture and Equipment	24,881	2,818	27,699
Assets under Construction	23,750	284	24,034
Surplus Assets	6,527	1,355	7,882
Investment Property	233	2,260	2,493
Long Term Debtors	11,134	1,324	12,458
CURRENT ASSETS			
Short Term Investments	48,628	(4,000)	44,628
Inventories	262	(142)	120
Payments in Advance	7,038	68	7,106
Cash and Cash Equivalents	17,981	4,000	21,981
Assets held for Sale	0	2,799	2,799
CURRENT LIABILITIES			
Short Term Creditors	(64,160)	(1,034)	(65,194)
Short Term Provisions	0	(15,519)	(15,519)
LONG TERM LIABILITIES			
Long Term Creditors	(21,684)	(2,455)	(24,139)
Provisions	(5,853)	3,188	(2,665)
Capital Grants Receipts in Advance	(19,496)	19,496	0
Government Grants Deferred	(168,667)	168,667	0
RESERVES			
Capital Grants Unapplied	0	(19,496)	(19,496)
Earmarked Reserves	(45,240)	(284)	(45,524)
Accumulated Absences Account	0	12,331	12,331
Revaluation Reserve	(140,373)	2,988	(137,385)
Capital Receipts Deferred	0	(1,250)	(1,250)
Capital Adjustment Account	(490,790)	(169,733)	(660,523)
Total	**(268,879)**	**0**	**(268,879)**

Note 2 – Accounting Standards that have been issued but have not yet been adopted

Financial Reporting Standard 30 sets out the disclosure requirements for the reporting of Heritage Assets regardless of whether or not they are reported in the balance sheet, and where information is available on cost or value that this is reported in the balance sheet.

A heritage asset is 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."

Brent Museum, located at Willesden Green Library, holds various collections that reflect working and domestic life in Brent from about 1850 to the present day. These collections comprise of artefacts, video and oral history recordings that meet the definition of Heritage Assets and extend to approximately 10,000 items. The founding collection of Brent Museum was gifted to the Council in 1937 by George Titus Barham.

The museum collections are not recognised in the Council's balance sheet. These items have been assembled over many years and whilst being of historical interest do not include items whose value is significant to the financial position of the Council. Further, it is considered valuations could only be obtained at disproportionate cost to the value of the assets.

Note 3 - 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, 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.

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

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.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

· Retirement Benefit Obligations – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority's retirement benefit obligation. The key assumptions made are set out in note 47 (1)-(5).

· 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 notes 22 and 48 respectively.

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

· Future Levels of Government Funding and Levels of Reserves – the future levels of funding for local authorities has a high degree of uncertainty. The authority has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the authority's track record in financial management. The authority's budget strategy for 2011/12 was approved in February 2011.

· Classification of Leases – The authority has entered into a number of lease arrangements in respect of property and other assets. The authority has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels and in reviewing contractual arrangements having the substance of a lease (e.g. contract values and length of contract). Details of the authority's leases and lease type arrangements are set out in note 41.

· 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 42.

· Deposits with Icelandic banks – The authority has deposited £15M with Icelandic banks which are in administration. Based on the latest information from the administrators an impairment of £2M has been recognised to cover reasonably expected losses relating to Heritable Bank. Further information on deposits with Icelandic Banks is included in note 15 (3).

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 4 – Assumption made about the future and other major sources of estimation uncertainty –

This note is not required.

Note 5 – Material items of Income and Expenses –

This note is not required.

Note 6 – Events After the Balance Sheet

There were no events after the balance sheet date that required disclosure here.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 7 - Adjustments Between Accounting Basis and Funding Basis under Regulations

2010/11	Useable Reserves				
	General Fund + HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and					
Charges for depreciation and impairment of non-current assets	(29,186)		7,830		21,356
Revaluation losses on Property Plant and Equipment	(21,344)				21,344
Movements in the market value of Investment Properties					0
Amortisation of intangible assets					0
Capital grants and contributions applied					0
Movement in the Donated Assets Account					0
Revenue expenditure funded from capital under statute	(8,841)				8,841
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	(42,475)				42,475
Insertion of items not debited or credited to the Comprehensive Income and					0
Statutory provision for the financing of capital investment	9,230				(9,230)
Capital expenditure charged against the General Fund and HRA balances	4,724				(4,724)
Adjustments primarily involving the Capital Grants Unapplied Account:					0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				73,007	(73,007)
Application of grants to capital financing transferred to the Capital Adjustment	62,353			(57,347)	(5,006)
Adjustments primarily involving the Capital Receipts Reserve:					0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		21,006			(21,006)
Use of the Capital Receipts Reserve to finance new capital expenditure	7,777	(7,777)			0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(50)			50

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 7 - Adjustments Between Accounting Basis and Funding Basis under Regulations (Continued)

2010/11	Useable Reserves				
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Contribution from the Capital Receipts Reserve to finance the apyments to the Government capital receipts pool		(791)			791
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					0
Adjustments primarily involving the Deferred Capital Receipts Reserve:					0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					0
Adjustment primarily involving the Major Repairs Reserve:					0
Reversal of Major Repairs Allowance credited to the HRA			(67)		67
Use of the Major Repairs Reserve to finance new capital expenditure	6,561		(11,961)		5,400
Adjustment primarily involving the Financial Instruments Adjustment Account:					0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements					0
Adjustments primarily involving the Pensions Reserve:					0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 47)	104,720				(104,720)
Employer's pensions contributions and direct payments to pensioners payable in the year					0
Adjustment primarily involving the Accumulated Absences Account:					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	2,743				(2,743)
					0
Total Adjustments	**96,262**	**12,388**	**(4,198)**	**15,660**	**(120,112)**

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 7 - Adjustments Between Accounting Basis and Funding Basis under Regulations (Continued)

2009/10 Comparative Figures	Useable Reserves				
	General Fund + HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	85,266		12,955		(98,221)
Revaluation losses on Property Plant and Equipment					
Movements in the market value of Investment Properties					
Amortisation of intangible assets					
Capital grants and contributions applied	(58,234)				58,234
Movement in the Donated Assets Account					0
Revenue expenditure funded from capital under statute	10,569				(10,569)
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	(761)				761
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					0
Statutory provision for the financing of capital investment	(11,242)				11,242
Capital expenditure charged against the General Fund and HRA balances	(17,653)				17,653
Adjustments primarily involving the Capital Grants Unapplied Account:					0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement				55,392	(55,392)
Application of grants to capital financing transferred to the Capital Adjustment Account				(47,568)	47,568
Adjustments primarily involving the Capital Receipts Reserve:					0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		15,587			(15,587)

Note 7 - Adjustments Between Accounting Basis and Funding Basis under Regulations (Continued)

2009/10 Comparative Figures	Useable Reserves General Fund + HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Use of the Capital Receipts Reserve to finance new capital expenditure		(14,780)			14,780
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					0
Contribution from the Capital Receipts Reserve to finance the apyments to the Government capital receipts pool	667	(667)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					0
Adjustments primarily involving the Deferred Capital Receipts Reserve:					0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					0
Adjustment primarily involving the Major Repairs Reserve:					0
Reversal of Major Repairs Allowance credited to the HRA	(5,340)		(59)		5,399
Use of the Major Repairs Reserve to finance new capital expenditure			(8,814)		8,814
Adjustment primarily involving the Financial Instruments Adjustment Account:					0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(5,465)				5,465
Adjustments primarily involving the Pensions Reserve:					0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (note 47)	18,680				(18,680)
Employer's pensions contributions and direct payments to pensioners payable in the year					0
Adjustment primarily involving the Accumulated Absences Account:					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	955				(955)
Total Adjustments	**17,442**	**140**	**4,082**	**7,824**	**(29,488)**

Note 8 - Transfers to/from Earmarked Reserves

	Balance at 1 April 2009 £'000	Transfers in 2009/10 £'000	Transfers out 2009/10 £'000	Balance at 31 March 2010 £'000	Transfers in 2010/11 £'000	Transfers out 2010/11 £'000	Balance at 31 March 2011 £'000
General Fund							
S106 and Commuted Car Parking	10,841	2,481	(3,301)	10,021	5,204	(2,645)	12,580
Care of the Elderly	235	2	(3)	234	26		260
Capital Funding	1,302	728		2,030		(1,425)	605
NNDR Revaluation Refunds	114	27	(133)	8		0	8
Systems Development	500	820	(772)	548		(548)	0
Middlesex House and Lancelot Road	3,558	2,076	(955)	4,679		(4,679)	0
Nurseries	548		(234)	314	218		532
Standards Fund	4,276		(622)	3,654	2,151		5,805
Property & Civic Centre	2,243	284	(9)	2,518	1,984		4,502
Single Regeneration Budget	307	87		394		(13)	381
Local Public Service Agreement (LPSA)	750		(750)	0			0
JFS School PFI	2,014	164		2,178	176		2,354
Supporting People	2,203	373	(1,400)	1,176		(1,176)	0
Chalkhill Community Building	1,871			1,871		(1)	1,870
Viewstar Replacement	104		(59)	45			45
Granville Plus	123			123		(123)	0
Brent Performance Fund	236	224		460		(350)	110
Willesden Sports Centre PFI	1,430	230		1,660	54		1,714
Remuneration Strategy	1,664		(429)	1,235		(500)	735

Note 8 - Transfers to/from Earmarked Reserves (Continued)

	Balance at 1 April 2009 £'000	Transfers in 2009/10 £'000	Transfers out 2009/10 £'000	Balance at 31 March 2010 £'000	Transfers in 2010/11 £'000	Transfers out 2010/11 £'000	Balance at 31 March 2011 £'000
Local Housing Allowance	664	28	(369)	323		(35)	288
Dedicated Schools Grant Balance	672		(672)	0		0	0
Wembley Youth and Community	250			250		0	250
Boiler Refurbishment	362		(362)	0		0	0
Long Term Sickness	713		(250)	463	79	(400)	142
Local Development Framework	200			200		(97)	103
South Kilburn Delivery	696		(696)	0		0	0
Transform	712	10	(712)	10		(10)	0
Working Neighbourhood Fund	2,303	1,342	(1,874)	1,771	411	(892)	1,290
Capital Finance	1,616		(1,616)	0			0
Performance Reward Grant		491		491		(491)	0
Brent NHS Trust Settlement	1,137	750	(592)	1,295		(904)	391
Area Child Protection	132	41		173		(41)	132
Destination Wembley	577		(314)	263		(74)	189
Concessionary Fare		863		863		(863)	0
Homeless Strategy		100		100		0	100
Vehicle Purchase		205		205		(205)	0
Tackle Extremism	75	114	(75)	114		(114)	0
External Schools Active Grant	33	153	(33)	153		(88)	65

Note 8 - Transfers to/from Earmarked Reserves (Continued)

	Balance at 1 April 2009 £'000	Transfers in 2009/10 £'000	Transfers out 2009/10 £'000	Balance at 31 March 2010 £'000	Transfers in 2010/11 £'000	Transfers out 2010/11 £'000	Balance at 31 March 2011 £'000
Affordable Housing PFI		576		576	2,789		3,365
Trading Standards Proceeds of Crime				0	62		62
Poplar Grove Lease				0	22		22
Preventing Homelessness				0	400		400
CLG Funding Secondment Officer				0	135		135
CLG Funding Balance				0	26		26
Transformation				0	1,170		1,170
Miscellaneous	1,023	2,848	(2,864)	1,007	147	(297)	857
Total	**45,484**	**15,017**	**(19,096)**	**41,405**	**15,054**	**(15,971)**	**40,488**
HRA							
Housing Revenue Account	3,051	1,618	(550)	4,119	1,183	(678)	4,624
Total	**3,051**	**1,618**	**(550)**	**4,119**	**1,183**	**(678)**	**4,624**

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 9 - Other Operating Expenditure

2009/10 £'000		2010/11 £'000
	Parish Council Precepts	
9,280	Levies	10,265
667	Payments to the Government Housing Capital Receipts Pool	669
(761)	Gains/losses on the disposal of non-current assets	21,353
9,186	**Total**	**32,408**

Note 10 - Financing and Investment Income and Expenditure

2009/10 £'000		2010/11 £'000
31,694	Interest payable and similar charges	35,139
33,870	Pensions interest cost and expected return on pensions assets	23,010
(3,229)	Interest receivable and similar income	(973)
	Income and expenditure in relation to investment properties and changes in their fair value	
(259)	(Surplus)/Deficit on Trading Accounts	(280)
(543)	Other Investment Income	
61,533	**Total**	**56,395**

Note 11 - Taxation and non-Specific Grant Incomes

2009/10 £'000		2010/11 £'000
(99,741)	Council tax income	(100,982)
(131,697)	Non domestic properties	(143,632)
(46,802)	Non-ringfenced government grants	(47,315)
(52,350)	Capital grants and contributions	(72,732)
(330,590)	**Total**	**(364,661)**

Note 12 - Property, Plant and Equipment - Movements on Balances

Movements in 2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Infrastructure Assets £'000	Plant Vehicle & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or valuation									
At 1 April 2010	**747,060**	**563,816**	**170,731**	**58,166**	**0**	**8,019**	**24,301**	**1,572,093**	**52,881**
Additions	14,493	31,577	10,611	6,207	0	0	37,784	100,672	0
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	5,247	0	0	0	0	0	5,247	(7,615)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(223,184)	(16,454)	0	0	0	0	0	(239,638)	0
Derecognition - disposals	(929)	(152)	0	0	0	0	(39,388)	(40,469)	(152)
Derecognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Reclassifications	0	(1,692)	0	0	0	1,692	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2011	**537,440**	**582,342**	**181,342**	**64,373**	**0**	**9,711**	**22,697**	**1,397,905**	**45,114**

Note 12 - Property, Plant and Equipment - Movements on Balances (Continued)

Movements in 2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Infrastructure Assets £'000	Plant Vehicle & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment									
At 1 April 2010	**(29,183)**	**(24,530)**	**(29,641)**	**(30,468)**	**0**	**(139)**	**(267)**	**(114,228)**	**(4,111)**
Depreciation charge	(7,763)	(13,057)	(3,853)	(7,119)	0	(89)	0	(31,881)	(594)
Depreciation written out to the Revaluation Reserve	0	3,283	0	0	0	0	0	3,283	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(121)	0	0	0	0	0	(121)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	3	0	0	0	0	267	270	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
At 31 March 2011	**(36,946)**	**(34,422)**	**(33,494)**	**(37,587)**	**0**	**(228)**	**0**	**(142,677)**	**(4,705)**
Net Book Value									
At 31 March 2011	**500,494**	**547,920**	**147,848**	**26,786**	**0**	**9,483**	**22,697**	**1,255,228**	**40,409**
At 31 March 2010	**717,877**	**539,286**	**141,090**	**27,698**	**0**	**7,880**	**24,034**	**1,457,865**	**48,770**

Note 12 - Property, Plant and Equipment - Movements on Balances (Continued)

Comparative Movements in 2009/10	Council Dwellings £'000	Other Land and Buildings £'000	Infrastructure Assets £'000	Plant Vehicle & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000	PFI Assets included in Property, Plant and Equipment £'000
At 1 April 2009	**720,236**	**556,567**	**159,861**	**49,917**	**0**	**7,143**	**3,252**	**1,496,976**	**52,756**
Additions	24,671	33,475	10,870	9,431	0	0	21,049	99,496	3,626
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(89,284)	0	(1,169)	0	(344)	0	(90,797)	(3,329)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	2,593	83,871	0	0	0	1,220	0	87,684	0
Derecognition - disposals	(440)	(15,834)	0	(12)	0	0	0	(16,286)	(172)
Derecognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Reclassifications	0	(4,979)	0	0	0	0	0	(4,979)	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2010	**747,060**	**563,816**	**170,731**	**58,167**	**0**	**8,019**	**24,301**	**1,572,094**	**52,881**

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 13 - Investment Properties

	2009/10 £'000	2010/11 £'000
Rental income from investment property	155	39
Direct operating expenses arising from investment property	0	0
Net gain/(loss)	**155**	**39**
Balance at start of the year	**1,802**	**2,493**
Additions		
Purchases	0	0
Construction	0	0
Subsequent expenditure	233	133
Disposals	0	(134)
Net gains/losses from fair value adjustments	458	501
Transfers	0	
to/from inventories	0	0
to/from Property, Plant and Equipment	0	0
Other changes	0	0
Balance at end of the year	**2,493**	**2,993**

Note 14 - Intangible Assets

	2010/11			2009/10		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of the year						
Gross carrying amounts	1,301	629	1,930	524	665	1,189
Accumulated amortisation	(36)	0	(36)	(36)	(83)	(119)
Net carrying amount at start of year	**1,265**	**629**	**1,894**	**488**	**582**	**1,070**
Additions:			0			0
Internal development	1,069	0	1,069	777	0	777
Purchases	0	92	92	0	47	47
Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluation increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the surplus/deficit on the Provision of Services	0	0	0	0	0	0
Reversals of past impairment losses written back to the surplus/deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	(233)	(145)	(378)	0	0	0
Other changes	0	0	0	0	0	0
Net carrying amount at end of year	**2,101**	**576**	**2,677**	**1,265**	**629**	**1,894**
Comprising						
Gross carrying amounts	2,370	721	3,091	1,301	629	1,930
Accumulated amorisation	(269)	(145)	(414)	(36)	0	(36)
	2,101	**576**	**2,677**	**1,265**	**629**	**1,894**

NOTES TO THE CORE FINANCIAL STATEMENTS
(Continued)

Note 15 - Financial Instruments - Categories

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Investments				
Loans and receivables	0	19,949	41,895	44,624
Available for sale financial assets				
Unquoted equity investment at cost	264	264		
Financial assets at fair value through profit and loss				
Total investments	**264**	**20,213**	**41,895**	**44,624**
Borrowings				
Financial liabilities at amortised cost	584,530	607,530	77,117	58,215
Financial liabilities at fair value through profit and losss				
Total Borrowings	**584,530**	**607,530**	**77,117**	**58,215**
Other Long Term Liabilities				
PFI and finance lease liabilities	34,875	26,904		
Total other long term liabilities	**34,875**	**26,904**		

Note 15 - Financial Instruments - Income, Expense, Gains and Losses

	2010/11				
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at fair value through profit and loss £'000	Total £'000
Interest expense	29,734				29,734
Losses on derecognition					0
Reductions in fair value					0
Impairment losses					0
Fee expense					0
Total expense in surplus or deficit on the provision	**29,734**	**0**	**0**	**0**	**29,734**
Interest income		(974)			(974)
Interest income accrued on impaired financial					0
Increases in fair value					0
Gains on derecognition					0
Fee income					0
Total income in surplus or deficit on the provision	**0**	**(974)**	**0**	**0**	**(974)**
Gains on revaluation					0
Losses on revaluation					0
Amounts recycled to the surplus or deficit on					0
Surplus/deficit arising on revaluation of financial					0
					0
Net gain/(loss) for the year	**29,734**	**(974)**	**0**	**0**	**28,760**

Note 15 - Financial Instruments - Income, Expense, Gains and Losses (Continued)

	2009/10				
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at fair value through profit and loss £'000	Total £'000
Interest expense	29,791				29,791
Losses on derecognition					0
Reductions in fair value					0
Impairment losses					0
Fee expense					0
Total expense in surplus or deficit on the provision of services	**29,791**	**0**	**0**	**0**	**29,791**
Interest income		(2,184)			(2,184)
Interest income accrued on impaired financial assets					0
Increases in fair value					0
Gains on derecognition					0
Fee income					0
Total income in surplus or deficit on the provision of services	**0**	**(2,184)**	**0**	**0**	**(2,184)**
Gains on revaluation					0
Losses on revaluation					0
Amounts recycled to the surplus or deficit on provision of services after impairment					0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure					0
					0
Net gain/(loss) for the year	**29,791**	**(2,184)**	**0**	**0**	**27,607**

Note 15 - Fair Values of Assets and Liabilities

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

The Council's long term borrowing at 31 March 2010 and 31 March 2011 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.

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.

	31 March 2011		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Long Term Borrowing	584,530	682,859	607,530	688,357
Deferred Liabilities (eg PFI)				
Long Term Creditors				

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.

	31 March 2011		31 March 2010	
Financial Assets				
Loans and Receivables	41,895	41,895	64,573	64,573
Long-Term Debtors				

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

Impairment of Deposits with Icelandic Banks

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

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

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

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

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7th October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17th April 2009 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment of £2m in order to cover any reasonably expectable loss. As at 31st March 2011, the Council had recovered £5,01m. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2013. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

April 2011 – 6.25%
July 2011 - 5%
October 2011 - 5%
January 2012 - 5%
April 2012 - 5%
July 2012 - 5%
October 2012 - 3.65%

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

Glitnir Bank hf

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

· Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts. The district court has upheld the claim to preferential creditor status. The claim will now be tested in the Icelandic Supreme Court, probably in September 2011.

· The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.

· Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

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

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank equate to less than 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be around 30p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31st March 2012.

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 16 - Inventories

	Consumable Stores	
	2010/11 £'000	2009/10 £'000
Balance outstanding at start of year	**120**	**99**
Purchases		21
Recognised as an expense in the year	(16)	
Written off balances		
Reversals of write-offs in previous years		
Balance outstanding at year end	**104**	**120**

Note 17 - Construction Contracts - This note is not required.

Note 18 - Debtors

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Central government bodies	11,452	21,800	18,259
Other local authorities	5,902	7,988	7,602
NHS bodies	2,505	3,999	2,661
Public corporations and trading funds	136	0	0
Other entities and individuals	45,466	38,560	47,115
Total	**65,461**	**72,347**	**75,637**

Note 19 - Cash and Cash Equivalents

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Cash held by the Authority	48	137	184
Bank current accounts	35,329	17,844	8,882
Short-term deposits with building societies	25,042	4,000	9,400
Total	**60,419**	**21,981**	**18,466**

Schools overdrawn accounts	(6,271)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 20 - Assets Held for Sale

	Current		Non-Current	
	2010/11	2009/10	2010/11	2009/10
	£'000	£'000	£'000	£'000
Balance outstanding at start of the year	**2,799**	**0**	**0**	**0**
Assets newly classified as held for sale:				
Property, Plant and Equipment	0	2,799	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(2,817)	0	0	0
Transfers from non-current to current	0	0	0	0
Other movements	18	0	0	0
Balance outstanding at year end	**0**	**2,799**	**0**	**0**

Note 21 - Creditors

	31 March 2011	31 March 2010	31 March 2009
	£'000	£'000	£'000
Central government bodies	9,139	7,700	15,005
Other local authorities	6,592	6,196	929
NHS bodies	818	556	540
Public corporations and trading funds	1,466	399	0
Other entities and individuals	84,066	72,654	74,061
Total	**102,081**	**87,505**	**90,535**

Note 22 - Provisions

	Outstanding Legal Cases	Compensation Claims	Other Provisions	Total
SHORT TERM PROVISIONS	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2010	**1,000**	**2,188**		**3,188**
Additional provisions made in 2010/11				0
Amounts used in 2010/11		(144)		(144)
Unused amounts reversed in 2010/11				0
Unwinding of discounting in 2010/11				0
Balance at 31 March 2011	**1,000**	**2,044**	**0**	**3,044**
LONG TERM PROVISIONS				
Balance at 1 April 2010	**826**	**1,839**		2,665
Additional provisions made in 2010/11	167	3,428	691	4,286
Amounts used in 2010/11	(626)	(2,565)		(3,191)
Unused amounts reversed in 2010/11				0
Unwinding of discounting in 2010/11				0
Balance at 31 March 2011	**367**	**2,702**	**691**	**3,760**

<u>**Outstanding legal claims**</u>

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

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

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

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

Quainton Street S106 - Ongoing court case.

Chalkhill - Works to be carried out on Chalkhill estate.

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

CPO - Compulsory Purchase Order compensation monies relating to Wembley Estate Access Road.

London Lets - Legal costs relating to ongoing legal case taken by London Lets Ltd on disputed agreement relating to financial commitment to house 2 bed households in 3 bed properties.
agreement relating to financial commitment to house 2 bed households in 3 bed properties

St Raphaels - Contract commitments on works for St Raphael's estate

Compensation Claims

Uninsured Losses - The Council meets a proportion of its insurance liabilities and claims from the Uninsured Losses provision. The level of the provision is reviewed annually on the basis of information from the Council's advisers.

Other Provisions

Finance lease liability – provision for onerous lease.

Note 23 - Usable Reserves

Movements in Brent's usable reserves are detailed in the Movement in Reserves Statement and Note 8 to the accounts.

Note 24 - Unusable Reserves - Summary

31 March 2010 £'000		31 March 2011 £'000
137,385	Revaluation Reserve	140,788
0	Available for Sale Financial Instruments Reserve	0
660,523	Capital Adjustment Account	427,757
(36,316)	Financial Instruments Adjustment Account	(33,964)
1,250	Deferred Capital Receipts Reserve	1,250
(673,880)	Pensions Reserve	(581,680)
0	Collection Fund Adjustment Account	0
0	Unequal Pay Back Pay Account	0
(12,331)	Accumulated Absences Account	(9,589)
76,631	**Total Unusable Reserves**	**(55,438)**

Note 24 - Unusable Reserves - Movements in year

Revaluation Reserve

2009/10 £'000		2010/11 £'000
53,276	**Balance at 1 April**	137,385
91,449	Upward revaluation of assets	8,869
(3,280)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(461)
88,169	Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the Provision of Services	8,408
(3,951)	Difference between fair value depreciation and historical cost depreciation	(3,487)
(109)	Accumulated gains on assets sold or scrapped	(1,518)
(4,060)	Amount written off to the Capital Adjustment Account	(5,005)
137,385	**Balance at 31 March**	**140,788**

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Capital Adjustment Account

2009/10 £'000		2010/11 £'000
674,481	**Balance at 1 April**	660,523
0	**Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:**	0
(33,466)	Charges for depreciation and impairment of non-current assets	(32,282)
(75,664)	Revaluation losses on Property, Plant and Equipment	(239,813)
0	Amortisation of intangible assets	0
0	Revenue expenditure funded from capital under statute	(8,841)
40	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	(42,475)
(109,090)		(323,411)
0	Adjusting amounts written out of the Revaluation Reserve	0
(109,090)	Net written out amount of the cost of non-current assets consumed in the year	(323,411)
0	**Capital Financing applied in the year:**	0
14,779	Use of the Capital Receipts Reserve to finance new capital expenditure	7,777
8,814	Use of the Major Repairs Reserve to finance new capital expenditure	6,561
68,956	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	62,353
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
13,152	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	9,230
(10,569)	Capital expenditure charged against the General Fund and HRA balances	4,724
95,132		90,645
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
660,523	**Balance at 31 March**	**427,757**

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Financial Instruments Adjustment Account

2009/10 £'000		2010/11 £'000
(43,037)	**Balance at 1 April**	(36,316)
	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(5,033)
5,465	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	5,486
1,256	Impairment of deposits with Icelandic Banks	1,899
(36,316)	**Balance at 31 March**	**(33,964)**

Pensions Reserve

2009/10 £'000		2010/11 £'000
(478,870)	**Balance at 1 April**	(673,880)
(176,330)	Actuarial gains or losses on pensions assets and liabilities	(12,520)
(49,840)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	73,270
31,160	Employer's pensions contributions and direct payments to pensioners payable in the year	31,450
(673,880)	**Balance at 31 March**	**(581,680)**

Deferred Capital Receipts Reserve

2009/10 £'000		2010/11 £'000
1,250	**Balance at 1 April**	1,250
0	Transfer of Deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
0	Transfer to the Capital Receipts Reserve upon receipt of cash	
1,250	**Balance at 31 March**	1,250

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Accumulated Absences Account

2009/10 £'000		2010/11 £'000
11,376	**Balance at 1 April**	12,331
	Settlement or cancellation of accrual made at the end of the preceding year	
955	Amounts accrued at the end of the current year	(2,742)
955	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,742)
12,331	**Balance at 31 March**	**9,589**

Note 25 - Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2009/10 £'000		2010/11 £'000
(2,184)	Interest received	(1,714)
29,824	Interest paid	29,983

Note 26 -Cash Flow Statement - Investing Activities

2009/10 £'000		2010/11 £'000
103,048	Purchase of property, plant and equipment, investment property and intangible assets	110,877
(23,247)	Net decrease in short-term and long-term investments	(22,683)
	Other payments for investing activities	
(15,751)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(20,732)
(47,690)	Capital grants received	(73,007)
16,360	**Net cash flows from investing activities**	**(5,545)**

Note 27 -Cash Flow Statement - Financing Activities

2009/10 £'000		2010/11 £'000
7,426	Net decrease in short-term and long-term borrowing	4,099
7,426	**Net cash flows from financing activities**	**4,099**

Note 28 - Directorate Income and Expenditure

2010/11	Children and Families £'000	Environment and Neighbourhood Services £'000	Housing and Community Care - Housing £'000	Housing and Community Care - Adults £'000	Central Units £'000	Total £'000
Fees, charges and other service	(74,873)	(28,843)	(14,009)	(12,770)	(43,828)	(174,323)
Government grants and	(292,693)	(3,475)	(9,908)	(12,506)	(341,244)	(659,826)
Total Income	**(367,566)**	**(32,318)**	**(23,917)**	**(25,276)**	**(385,072)**	**(834,149)**
Employee expenses	237,693	27,217	8,356	21,763	36,184	331,213
Other service expenses	131,439	43,492	35,991	93,471	365,554	669,947
Support service recharges	58,315	6,430	3,537	1,599	12,219	82,100
Total Expenditure	**427,447**	**77,139**	**47,884**	**116,833**	**413,957**	**1,083,260**
Net Expenditure	**59,881**	**44,821**	**23,967**	**91,557**	**28,885**	**249,111**

2009/10 Comparative Figures	Children and Families £'000	Environment and Culture £'000	Housing and Community Care - Housing £'000	Housing and Community Care - Adults £'000	Central Units £'000	Total £'000
Fees, charges and other service	(68,539)	(35,055)	(27,437)	(25,810)	(72,530)	(229,371)
Government grants	(265,371)	(2,911)	(24,523)	(1,551)	(289,864)	(584,220)
Total Income	**(333,910)**	**(37,966)**	**(51,960)**	**(27,361)**	**(362,394)**	**(813,591)**
Employee expenses	238,516	30,061	9,597	23,526	37,940	339,640
Other service expenses	118,854	48,382	53,018	89,939	336,933	647,126
Support service recharges	36,774	7,668	2,649	4,301	13,367	64,759
Total Expenditure	**394,144**	**86,111**	**65,264**	**117,766**	**388,240**	**1,051,525**
Net Expenditure	**60,234**	**48,145**	**13,304**	**90,405**	**25,846**	**237,934**

Note 28 - Directorate Income and Expenditure (Continued)

Reconciliation to the Comprehensive Income and Expenditure Statements

2009/10 £'000		2010/11 £'000
237,934	**Net expenditure in the Directorate analysis**	**249,111**
(8,674)	Net expenditure of services and support services not included in the analysis	(9,939)
52,664	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	142,194
259	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	280
282,183	**Cost of Services in Comprehensive Income and Expenditure Statement**	**381,646**

Note 28 - Directorate Income and Expenditure (Continued)

Reconciliation to Subjective Analysis

2010/11	Directorate Analysis £'000	Services and support services not in analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in Income & Expenditure £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other income	(174,323)	(5,351)	(48,186)			(227,860)		(227,860)
Surplus or deficit on associates and joint ventures						0		0
Interest and investment income						0	(973)	(973)
Income from council tax						0	(100,982)	(100,982)
Government grants and contributions	(659,826)	(4,588)	(10,670)			(675,084)	(263,679)	(938,763)
Total Income	**(834,149)**	**(9,939)**	**(58,856)**	**0**	**0**	**(902,944)**	**(365,634)**	**(1,268,578)**
Employee expenses	331,213		8,686			339,899		339,899
Other service expenses	669,947		164,475	280		834,702	(118,230)	716,472
Support service recharges	82,100		3,437			85,537		85,537
Depreciation, amortisation and impairment			24,452			24,452		24,452
Interest payments						0	58,149	58,149
Precepts and levies						0	10,265	10,265
Payments to Housing capital receipts pool						0	669	669
Gain or loss on disposal of fixed assets						0	20,677	20,677
Total expenditure	**1,083,260**	**0**	**201,050**	**280**	**0**	**1,284,590**	**(28,470)**	**1,256,120**
Surplus or deficit on the provision of services	**249,111**	**(9,939)**	**142,194**	**280**	**0**	**381,646**	**(394,104)**	**(12,458)**

Note 28 - Directorate Income and Expenditure (Continued)

Reconciliation to Subjective Analysis (Continued)

2009/10 comparative figures	**Directorate Analysis £'000**	**Services and support services not in analysis £'000**	**Amounts not reported to management for decision making £'000**	**Amounts not included in Income & Expenditure £'000**	**Allocation of Recharges £'000**	**Cost of Services £'000**	**Corporate Amounts £'000**	**Total £'000**
Fees, charges and other income	(229,371)	(3,187)	(56,425)			(288,983)		(288,983)
Surplus or deficit on associates and joint ventures						0		0
Interest and investment income						0	(3,772)	(3,772)
Income from council tax						0	(99,741)	(99,741)
Government grants and contributions	(584,220)	(5,487)	(24,887)			(614,594)	(230,849)	(845,443)
Total Income	**(813,591)**	**(8,674)**	**(81,312)**	**0**	**0**	**(903,577)**	**(334,362)**	**(1,237,939)**
Employee expenses	339,640		9,108			348,748		348,748
Other service expenses	647,126		34,090	259		681,475	(259)	681,216
Support service recharges	64,759		2,356			67,115		67,115
Depreciation, amortisation and impairment			88,422			88,422		88,422
Interest payments						0	65,564	65,564
Precepts and levies						0	9,280	9,280
Payments to Housing capital receipts pool						0	667	667
Gain or loss on disposal of fixed assets						0	(761)	(761)
Total expenditure	**1,051,525**	**0**	**133,976**	**259**	**0**	**1,185,760**	**74,491**	**1,260,251**
Surplus or deficit on the provision of services	**237,934**	**(8,674)**	**52,664**	**259**	**0**	**282,183**	**(259,871)**	**22,312**

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 29 – Acquired and Discontinued Operations – This note not required

Note 30 - Trading Operations Accounts

	2009/10 £'000	2010/11 £'000
Trading Operation A - Brent Transport Services		
Turnover	(5,938)	(6,723)
Expenditure	5,979	6,165
Surplus/Deficit	41	(558)
Trading Operation B - Grounds Maintenance		
Turnover	(574)	(180)
Expenditure	413	0
Surplus/Deficit	(161)	(180)
Trading Operation Finance (no longer trading)		
Turnover	(329)	
Expenditure	271	
Surplus/Deficit	(58)	0
Trading Operation Lead Tenants (no longer trading)		
Turnover	(7,070)	
Expenditure	6,890	
Surplus/Deficit	(180)	0
Net surplus/deficit on trading operations	**(358)**	**(738)**
Net surplus/deficit on trading operations	(358)	(738)
Services to the public included in the Expenditure of Continuing Operations		
Support services recharged to Expenditure of Continuing Operations	99	98
Net surplus credited to Other Operating Expenditure	(259)	(640)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 31 – Agency Services – This note not required

Note 32 – Road Charging Schemes Under the Transport Act 2000 (or Transport (Scotland) Act 2001)

This note not required

Note 33: Pooled Budgets

The Council entered into partnership agreements under Section 31 of the Health Act 1999 with Brent NHS Trust for pooled budget arrangements of the Senior Management Teams and related expenditure of the Learning Disability Partnership Board and the Integrated Community Equipment Service Partnership Board. Any overspends will be funded equally by both partners according to the agreement. The London Borough of Brent is the host partner for Learning Disabilities and Occupational Therapy equipment. There is also a Section 31 arrangement with the Central and North West London NHS Foundation Trust (CNWLNFT) which is the host partner for Mental Health.

The Partnerships' income and expenditure for 2010/11 was:

	Learning Disabilities £'000	Mental Health £'000	Occupational Therapy £'000
Funding: London Borough of Brent	(91)	(498)	(715)
Brent NHS Trust	(113)	-	(715)
CNWLNFT	-	(1,312)	-
Total Funding	**(204)**	**(1,810)**	**(1,430)**
Expenditure	**204**	**1,798**	**1,374**
Net Overspend/(Underspend)	**-**	**(12)**	**56**
2009/10 Net Overspend/(Underspend)	**3**	**18**	**109**

Note 34 - Members Allowances

Total payments including National Insurance costs in 2010/11 were £940,000 (£906,000 in 2009/10). The scheme for Members' allowances and amounts paid to each Member under the scheme are publicly available.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 35 - Senior Employees' Remuneration

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

		2009/10					2010/11				
Postholder	Note	Salary (including fees and allowances) £	Compen-sation for loss of office £	Total remuneration excluding pension contributions £	Employers pension contributions £	Total remuneration including pension contributions £	Salary (including fees and allowances) £	Compen-sation for loss of office £	Total remuneration excluding pension contributions £	Employers pension contributions £	Total remuneration including pension contributions £
Chief Executive – G Daniel	1	205,077	-	205,077	28,793	233,870	203,853	-	203,853	28,793	232,646
Director of Environment & Culture (until 15.10.10)	2	140,508	-	140,508	20,795	161,303	107,951	111,155	219,106	11,236	230,342
Director of Environment & Neighbourhood Services (from 18.10.10)	2						54,013		54,013	7,994	62,007
Director of Housing & Community Care		140,508	-	140,508	20,795	161,303	140,508	-	140,508	20,795	161,303
Director of Children & Families (from 20.9.10)	3						63,079	-	63,079	9,336	72,415
Director of Children & Families (until 6.9.10)	3	140,508	-	140,508	20,795	161,303	60,887	-	60,887	9,011	69,898
Director of Finance & Corporate Resources (until 13.10.10)	4	140,508	-	140,508	20,795	161,303	75,164		75,164	11,124	86,288
Director of Finance & Corporate Services (from 23.9.10)	4						67,732		67,732	10,024	77,756

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 35 - Senior Employees' Remuneration (Continued)

		2009/10					2010/11				
Postholder	Note	Salary (including fees and allowances) £	Compen-sation for loss of office £	Total remuneration excluding pension contributions £	Employers pension contributions £	Total remuneration including pension contributions £	Salary (including fees and allowances) £	Compen-sation for loss of office £	Total remuneration excluding pension contributions £	Employers pension contributions £	Total remuneration including pension contributions £
Director of Strategy, Partnerships and Improvement (formerly Director of Policy & Regeneration)		140,508	-	140,508	20,795	161,303	140,508	-	140,508	20,795	161,303
Director of Business Transformation (until 11.08.10)	5	130,471	-	130,471	19,310	149,781	95,536	-	95,536	14,139	109,675
Director of Customer & Community Engagement (formerly Director of Communications and Diversity)	6	126,008	-	126,008	18,649	144,657	108,084	-	108,084	15,996	124,080
Borough Solicitor (until 29.1.10)	7	91,726	-	91,726	13,575	105,301					
Director of Legal and Procurement (from 4.5.10)	7						90,840	-	90,840	13,444	104,284
Director of Regeneration and Major Projects (from 18.10.10)	8						54,013		54,013	7,994	62,007
Total		**1,255,822**	**0**	**1,255,822**	**184,303**	**1,440,125**	**1,262,168**	**111,155**	**1,373,323**	**180,683**	**1,554,006**

Note 35 - Senior Employees' Remuneration (Continued)

Note 1: The Chief Executive's salary in 2010/11 included £7,975 for his duties as returning officer for the General and Council elections paid by the Government plus £947 for a Council by-election as well as £381 for travel mileage. The Chief Executive's salary in 2009/10 includes £9,410 for acting as returning officer for the European elections paid by the Government and £862 for returning officer duties in the Council by-election paid by the Council as well as £255 for travel mileage. The Chief Executive's salary, excluding returning officer duties and travel mileage, was £194,550 in 2010/11 and 2009/10.

Note 2: The former Director of Environment and Culture left on 15.10.10. His annualised salary was £140,508. The Director of Environment and Neighbourhood Services had an annualised salary of £118,893 in 2010/11.

Note 3: The former Director of Children and Families worked until 6.9.10. His annualised salary was £140,508. The current Director's annualised salary was £118,893 in 2010/11.

Note 4: The former Director of Finance and Corporate Resources left on 13.10.10. His annualised salary was £140,508. The department was renamed Finance and Corporate Services and the new Director started on 23.9.10. His annualised salary was £129,699 in 2010/11.

Note 5: The Director of Business Transformation left on 11.8.10. His annualised salary for 2010/11 was £135,105. His areas of responsibility went to other Directors.

Note 6: The Director of Customer and Community Engagement's salary in 2009/10 included a backdated pay award.

Note 7: After the Borough Solicitor left the Council the duties were undertaken by an interim appointment. Brent paid £24,945 for these interim services for this post in 2009/10. The annualised salary of the Borough Solicitor was £108,084 in 2009/10. Brent paid £18,441 for interim services in 2010/11. This included an introduction fee when the interim officer was appointed to the post of Director of Legal and Procurement on a permanent basis .

Note 8: The post of Director of Regeneration and Major Projects was created after a reorganisation in 2010/11. The annualised salary was £118,893.

Note 35 - Officers' Remuneration

The number of employees whose remuneration in 2010/11 and 2009/10, excluding emloyer's pension contributions, was £50,000 or more in bands of £5,000 were:-

Remuneration band £'s	2010/11			2009/10		
	Schools Staff	Officers	Total	Staff	Officers	Total
50,000 - 54,999	268	75	343	233	71	304
55,000 - 59,999	114	43	157	76	39	115
60,000 - 64,999	65	19	84	55	25	80
65,000 - 69,999	39	31	70	38	33	71
70,000 - 74,999	27	6	33	17	5	22
75,000 - 79,999	13	6	19	19	4	23
80,000 - 84,999	15	7	22	10	1	11
85,000 - 89,999	8	8	16	6	11	17
90,000 - 94,999	5	4	9	3	2	5
95,000 - 99,999	2	3	5	3	2	5
100,000 - 104,999	5	6	11	5	5	10
105,000 - 109,999	3	6	9	2	6	8
110,000 - 114,999	3	2	5	1	0	1
115,000 - 119,999	0	1	1	1	0	1
120,000 - 124,999	1	1	2	0	0	0
125,000 - 129,999	1	0	1	1	1	2
130,000 - 134,999	0	1	1	0	1	1
135,000 - 139,999	1	0	1	0	0	0
140,000 - 144,999	0	2	2	0	5	5
190,000 - 194,999	0	1	1	0	1	1
215,000 - 219,999	0	1	1	0	0	0
Total	570	223	793	470	212	682

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

NOTES TO THE CORE FINANCIAL STATEMENTS(Continued)

Note 36 - External Audit Costs

	2009/10 £'000	2010/11 £'000
Fees payable to the Audit Commission with regard to external audit services carried out for the year	470	461
Fees payable to the Audit Commission in respect of statutory inspections	20	
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	100	78
Fees payable in respect of other services provide by the Audit Commission during the year	0	
Total	**590**	**539**

Note 37 - Deployment of Dedicated Schools Grant

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

Details of the deployment of DSG receivable in 2010/11 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £0	Individual Schools Budget £0	Total £0
Original grant allocation to Schools Budget for the current year in the authority's budget	22,774	176,160	198,934
Adjustment to finalised grant allocation	-	-	-
DSG receivable for the year	22,774	176,160	198,934
Actual expenditure for the year	24,820	176,160	200,980
(Over)/underspend for the year	(2,046)	-	(2,046)
Brought Forward from 2009/10	(2,977)	-	(2,977)
(Over)/underspend carried forward to 2011/12	**(5,023)**	**-**	**(5,023)**

Note 38 - Grant Income

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

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
Grants:		
ASC Single capital pot	311	0
Basic Safety Needs	14,766	0
Big Lottery Fund	206	1,296
City Learning Centres	300	300
Co-Location	609	0
Cooking in the classroom	300	645
Devolved Formula	1,910	6,273
Extended Schools	127	538
Fair Playbuilder	276	429
Football Foundation	0	360
Framework Academies	16,920	7,034
Growth Fund Housing	1,457	2,663
Harnessing Technology	470	869
LAA spend to save	0	1,817
Loft Conversion Grant	400	0
LSC BACES	0	604
Modernisation	0	3,571
My Place	276	0
Place of change	0	500
Primary Capital Programme	7,033	4,655
SKNDC	2,219	2,000
Socialcare	0	311
Surestart	3,285	2,345
TCF 14-19 Diploma SEN	5,342	2,000
TCF Kitchens	746	746
Transport for London	4,154	5,643
Other Grants	697	751
Contributions:		
Partner Contributions	443	3,900
GF Revenue Contributions	0	6,025
Schools	1,075	1,089
HRA	4,541	5,756
S106	2,645	2,022
Capital Funding Reserve	1,425	0
Telecom Reserve	527	0
Other Contributions	272	190
Total	**72,732**	**64,332**

Note 38 - Grant Income (Continued)

	2010/11 £'000	2009/10 £'000
Credited to Services		
Adult and Community Learning from Learning and Skills Council (LSC)	0	1,961
AIDS Support	377	248
AIMING HIGH DISABLD CHILD	251	60
Asylum Seekers	0	1,857
BACES - SFA (ASL)	1,733	0
BACES - SFA (Learners - Participation)	2,511	0
Council Tax Benefit	34,665	32,545
Crime and Disorder Reduction Partnerships	0	281
Dedicated Schools Grant (DSG)	198,934	189,555
DIPLOMA GRANTS 14-19 OLDS	218	346
DISCRETIONARY HSG PAYMNTS	226	236
Homelessness Strategy Grant	806	1,157
Housing Benefit and Council Tax Benefit Administration	10,046	12,960
Housing Non HRA PFI	2,789	0
Housing Planning Delivery Grant	0	337
Jewish Free School	884	0
LDA Childcare Affordability Grant (CAP09)	475	0
Local Area Agreements (LAA) Reward Grant or Local Public Service Agreement (LPSA) Performance Reward Grant	0	1,817
Local Authority Business Growth Incentive (LABGI) scheme	0	383
London Pay Addition	1,028	735
Magistrates - Ministry of Justice	0	472
Mandatory Rent Allowances: subsidy	261,395	223,611
Mandatory Rent Rebates outside HRA: subsidy	10,994	10,348
Mental Health Suuporting People Team	472	0
New Deal for Communities (NDC)	916	1,824
Positive Activities for Young People	0	233
Preventing Homelessness	600	0
Private Finance Initiative Public Lighting	787	0
Private Finance Initiative Willesden Sports Cente - Pfi Rese	1,242	0
Rent Rebates Granted to HRA Tenants: subsidy	28,320	28,347
Schools Standards Grant	8,609	0
Sixth forms funding from Learning and Skills Council (LSC)	23,386	24,538
Social Care Reform	1,329	1,069
Standards Fund (excluding elements now in ABG)	27,673	25,522
Supporting People Grant - Housing	0	12,807
Sure Start, Early Years and Childcare Grant	11,565	9,651
Tackling Extremism	0	260
The Private Finance Initiative (PFI)	0	3,167
Thnk Family Grant	474	409
Training and Develpoment Agency for Schools	348	457
Unaccompanied Asylum Seeking Children (UASC) Grant	1,733	0
Other Grants	2,335	2,513
Total	**637,121**	**589,706**

Note 38 - Grant Income (Continued)

Capital Grants Receipts in Advance

The Council has received the following grant that is yet to be recognised as income due to the conditions attached to the grant. The balance at year end is:

	31 March 2011 £'000
Aiming high for Disabled Children	152

Note 39: Related Party Transactions

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

Central Government provides grant income for the council which is shown in the Cash Flow Statement and Note 38 to the Core Financial Statements.

Councillors and Chief Officers complete related party transactions forms each year. A number of voluntary organisations which received grants from the London Borough of Brent in 2010/11 have Brent Members as Directors, Trustees or employees. The following information has been obtained from Members' 2010/11 Declarations of Related Party Transactions:

	£'000
Brent Arts Council	10
Brent Association of Disabled People	159
Brent Irish Advisory Service	16
Federation of Patidar Associations	10
Iraqi Welfare Association	2
Islamic Cultural Centre (Wembley)	5
Kings Hall Community Centre	5

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

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

Pooled Budgets - Details of partnerships with Brent tPCT and the North West London Mental Health Trust are shown in Note 33 to the Core Financial Statements.

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

Note 40 - Capital Expenditure and Capital Financing

	2009/10 £'000	2010/11 £'000
Capital Investment		
Property, Plant and Equipment	92,711	101,363
Investment Properties	233	133
Intangible Assets	824	1,161
Assets Held for Sale	0	18
Revenue Expenditure Funded from Capital under Statute	10,569	8,841
Total Expenditure	104,337	111,516
Sources of Finance		
Capital Receipts	(14,780)	(7,777)
Government Grants and other Contributions	(62,791)	(64,092)
Direct revenue contributions	(11,781)	(4,541)
Borrowing	(14,985)	(35,106)
Total Resources	(104,337)	(111,516)
Net Balance	**0**	**0**
Calculation of Capital Financing Requirment		
Fixed Assets	1,460,364	1,251,386
Intangible Assets	1,894	1,515
Longterm Debtors relating to Capital Transactions	0	0
Investments treated as Capital Expenditure	0	0
Revaluation Reserve	(137,385)	(134,224)
Capital Adjustment Account	(660,523)	(428,433)
Deferred Income	(8,478)	(8,437)
Capital Financing Requirement	**655,872**	**681,807**

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)
Note 41: 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-10	31-Mar-11
	£'000	£'000
Plant, Furniture, Vehicles and Equipment	4,620	2,928

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

	31-Mar-10	31-Mar-11
	£'000	£'000
Finance lease liabilities		
Current	1,669	1,533
Non-current	4,104	2,467
Finance costs payable in future years	1,055	601
Minimum lease payments	6,828	4,601

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	
	2010-11	2009-10	2010-11	2009-10
	£'000	£'000	£'000	£'000
Not Later than one year	1,846	2,116	1,533	1669
Later than one year and not later than five years	2,753	4,526	2,465	3922
Later than five years	2	186	2	182
	4,601	6,828	4,000	5,773

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:

	2009-10	2010-11
	£'000	£'000
Not later than one year	3,981	3,066
Later than one year and not later than five years	8,131	6,708
Later than five years	7,983	7,296
	20,095	17,070

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

	2009-10	2010-11
	£'000	£'000
Future Minimum Sublease Payments Receivable	3,980	5,034

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

	2009-10	2010-11
	£'000	£'000
Minimum Lease payments	4,892	4,796
(Sublease payments receivable)	(107)	(185)
	4,785	4,611

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

The following payments are for an adult Social care contract where payments cannot be separated, so are disclosed separately:

	2009-10	2010-11
	£'000	£'000
Minimum Lease payments	1,518	1,653

Future payments under this contract are:

	2009-10	2010-11
	£'000	£'000

Not later than one year	1,653	1,694
Later than one year and not later than five years	3,431	1,736
	5,084	3,430

Authority as Lessor

Finance Leases

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

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

	2009-10	2010-11
	£'000	£'000
Finance lease debtor		
Current	0	0
Non Current	1,250	1,250
Gross Investment in Lease	1,250	1,250

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

	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	2010-11	2009-10	2010-11	2009-10
	£'000	£'000	£'000	£'000
Not Later than one year	0	0	0	0
Later than one year and not later than five years	0	0	0	0
Later than five years	1,249	1,249	1,249	1249
	1,249	1,249	1,249	1,249

The council receives additional contingent rent based on the turnover of the golf course. In 2010-11, £12,153 contingent rent was receivable.

Operating Leases

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

Future minimum lease payments expected under these contracts are:

	2009-10	2010-11
	£'000	£'000
Not later than one year	912	959
Later than one year and not later than five years	2,696	2,078

Later than five years	5,145	6,100
	8,753	9,137

The council receives additional contingent rent for one of its properties based on the turnover of the lessee's business. In 2010-11, £37,273 contingent rent was receivable.

NOTE 42: PRIVATE FINANCE INITIATIVE (PFI) AND SERVICE CONCESSIONS

The accounting rules that the council has to use for these PFI projects have changed this financial year to use International Finance Reporting Standards. IFRIC 12 sets out the detailed criteria for determining if a PFI is on balance sheet. A detailed assessment of the council's contract has been carried out, as a result of this assessment the PFI projects detailed below are accounted for as Service Concessions under IFRIC 12.

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.

In addition, IFRIC 12 and Code of Practice require the council to assess its other contracts to see if they are service concessions. The council ha reviewed its contracts and identified the followin agreements that meet the definitio of a Service Concession:

- In 2005/06 a 32 year agreement to provide and maintain social housing within Stonebridge. Whether or not a b ock of flats or house paid for by this contract appears on Brent's balance sheet was de ermined by a tenant's vote at the start of the contract. The PFi operator manages and maintains these properties on behalf of Brent.
- In 2006/07 a 5 ye r greement to refurbish a sports centre in Wembley. T is Sports Centre is on balance shee , and the value of these refurbishments is controlled by Brent Council when the contract ends.

The assets that have been recognised on the bal nc sheet funded by PFIs and service concessions are s own in Note 12 on Plant, Property, nd Equipment. There is a further £1,890,000 prepayment recognised on the balance sheet.

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

	2009-10	2010-11
	£'000	£'000
Balance outstanding at start of year	(22,706)	(23,569)
Payments during the year	718	983
Additional liabilities	(1,581)	(12,874)
Balance outstanding at end of year	(23,569)	(35,460)

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

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2011/12	2,442	2,863	2,315	7,621
Payable with two to five years	10,804	12,894	9,295	32,993
Payable within 6 to 10 years	13,806	15,277	7,902	36,985
Payable within 11 to 15 years	7,958	16,161	4,801	28,920
Payable within 16 to 20 years	8,353	16,080	1,959	26,392
Payable within 21 to 25 years	2,495	7,093	336	9,924
Payable within 25 to 30 years	339	1,384	14	1,737
Total	45,858	70,368	26,608	142,835

Where a PFI asset is paid for by third party payments, the Statement of recommended practice 2010-11 requires recognition of deferred income, recognising the expected future third party payments. The following deferred income balance has been recognised in line with the Code of Practice:

	2009-10	2010-11
	£'000	£'000
Deferred Income opening balance	(7,132)	(6,877)
Additions		(11,019)
Amortisation	255	255
Deferred Income closing balance	(6,877)	(17,641)

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

1. Residential facilities for people with learning disabilities Legal title to 20 units residential facilities for people with learning disabilities transfers to Brent. This element of the PFI is accounted for using the service concession rules for IFRIC 12

2. Residential social housing with guaranteed nomination rights Brent controls the residual value of this Social Housing stock at the end of the contract by a combination of restrictions on the sale and use of the social housing built and nomination rights to some of the properties built. Brent will be granted at least 158 nomination rights. This element of the PFI is accounted for using the service concession rules for IFRIC 12.

3. Residential social housing without guaranteed nomination rights This residual stock after Brent is granted at least 158 nomination rights. This will be at most 206 units. These units can be sold by the PFI Operator to other Registered Social Landlords under the conditions of the contract. This element is therefore considered to be temporary housing stock, and is accounted for using the embedded lease rules for IFRIC 4.

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

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

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

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

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

Note 43 – Impairment Losses

Note 44 – Capitalisation of Borrowing Costs

As per International Financial Reporting Standards and International Accounting Standard 23 – Borrowing Costs, from 2010/11 the London Borough of Brent has adopted an accounting policy of capitalising borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which takes in excess of three years to get ready for intended use and has forecast expenditure in excess of £100 million. The Civic Centre scheme is currently the Council's only qualifying asset.

Amount of Borrowing Costs Capitalised

-

	2009/10	2010/11
Total Borrowing Costs Capitalised	**284,362**	**825,544**

Capitalisation Rate used to determine borrowing costs eligible for capitalisation

-

	2009/10	2010/11
Annual Borrowing Rate at Year End	4.60%	4.92%

Note 45 - Termination Benefits

Brent terminated the contracts of a number of employees in 2010/11 incurring liabilities of £3,503k (£859k in 2009/10). Of this total £111k was paid to the former Director of Environment and Culture as compensation for loss of office as disclosed in Note 35.

Note 46 - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2010/11, the Council paid £13.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £13.6m and 14.1%. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

Note 47 - Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The authority participates in two post employment schemes:

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

(2) Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. 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:

	Local Government Pension Scheme		**Dicretionary Benefits Arrangements**	
	31 March 2011 £'000	**31 March 2010 £'000**	**31 March 2011 £'000**	**31 March 2010 £'000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	21,760	15,510		
Past service costs	(109,830)	460	(8,120)	
Settlements and curtailments				
Financing and investment Income and Expenditure:				
Interest cost	49,040	46,600	4,980	5,770
Expected return on scheme assets	(31,100)	(18,500)		
Total PostEmployment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(70,130)**	**44,070**	**(3,140)**	**5,770**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains and losses				
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(70,130)**	**44,070**	**(3,140)**	**5,770**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	96,840	(18,020)	7,880	(660)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	**26,710**	**26,050**		
Retirement benefits payable to pensioners			**4,740**	**5,110**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £338.2million.

Note 47 - Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Opening Balance at 1 April	**977,480**	**697,010**	**99,100**	**88,700**
Current service cost	21,760	15,510		
Interest cost	49,040	46,600	4,980	5,770
Contributions by scheme participants	6,990	7,380		
Actuarial gains and losses	(6,120)	236,990	300	9,740
Benefits paid	(30,920)	(26,470)	(4,740)	(5,110)
Past service costs	(109,830)	460	(8,120)	
Entity combinations				
Curtailments				
Settlements				
Expected return on scheme assets				
Closing Balance at 31 March	**908,400**	**977,480**	**91,520**	**99,100**

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	31 March 2011 £'000	31 March 2010 £'000
Opening Balance at 1 April	**402,700**	**306,840**
Expected return on assets	31,100	18,500
Actuarial gains and losses	(18,340)	70,400
Employer contributions	26,710	26,050
Contributions by scheme participants	6,990	7,380
Benefits paid	(30,920)	(26,470)
Entity combinations		
Settlements		
Closing Balance at 31 March	**418,240**	**402,700**

Note 47 -Scheme History

	31 March 2011 £'000	31 March 2010 £'000
Present Value of Liabilities:		
Local Government Pension Scheme	908,400	977,480
Discretionary Benefits	91,520	99,100
Fair Value of Assets in the Local Government Pension Scheme	418,240	402,700
Surplus/(Deficit) in the Scheme:		
Local Government Pension Scheme	(490,160)	(574,780)
Discretionary Benefits	(91,520)	(99,100)
Total	**(581,680)**	**(673,880)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £999.92m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall net liability of £581.68m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £28.72m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 is £4.89m.

Note 47 - Basis for Estimating Assets and Liabilities

The latest actuarial valuation of the London Borough of Brent's liabilities took place as at 31 March 2010. 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010-11	**2009-10**	**2010-11**	**2009-10**
	£'000	**£'000**	**£'000**	**£'000**
Long-Term Expected Rate of Return on Assets in the Scheme				
Equity Investments	8.4%	8.0%		
Private Equity / Infrastructure	13.4%	13.0%		
Hedge Funds	8.2%	8.3%		
Property	7.9%	8.5%		
Government Bonds	4.4%	4.5%		
Corporate Bonds	5.1%	5.5%		
Cash	1.5%	n/a		
Other	8.4%	8.0%		
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	23.8	23.2	23.8	23.2
Women	26.6	25.2	26.6	25.2
Longevity at 65 for future pensioners:				
Men	25.6	25.6		
Women	28.6	27.4		
Rate of inflation - RPI	3.7%	3.9%	3.6%	3.8%
Rate of Inflation - CPI	2.8%	n/a	2.7%	n/a
Rate of increase in salaries	5.2%	5.4%		
Rate of increase in pensions	2.8%	3.9%	2.7%	3.8%
Rate for discounting scheme liabilities	5.4%	5.5%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	25%	50% of pre-April 2008 entitlements and 75% thereafter		

The Discretionary Benefits arrangements have no assets to cover the liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/2011	31/03/2010
Equity Investments	51.1%	56.3%
Private Equity / Infrastructure	10.1%	9.6%
Hedge Funds	8.7%	9.1%
Property	6.9%	6.0%
Government Bonds	5.3%	3.3%
Corporate Bonds	4.9%	14.0%
Cash	1.9%	0.0%
Other	11.1%	1.7%
Total	100.0%	100.0%

Note 47 - History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March each year:

	2009-10	2010-11
	%	%
Local Government Pension Scheme		
Differences between the expected and actual return on assets	18	(4)
Experience gains and losses on liabilities	1	(2)
Discretionary Benefit Arrangements		
Experience gains and losses on liabilities	3	1

Note 48: Contingent Liabilities

The Council has a number of contingent liabilities listed below. The potential maximum liability for all the issues could be in the region of £24m. Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

Potential claims from two parties arising out of a planning agreement have been notified to the Council which disputes liability. This will be subject to an inquiry.

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

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

The Council has entered into a number of agreements, including guarantees and indemnities, leases and management agreements with Housing Associations and other bodies both for private sector leasing schemes and for accommodation for the homeless. It is not considered necessary to make any direct provision in respect of these agreements. The Council has been discharged from the guarantees of two of these housing schemes. The Court of Appeal ruling on the Allerdale case cast doubt over the enforceability of at least some of the guarantees and indemnities previously given by the Council listed above.

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

The Council has granted a performance guarantee bond to the Homes and Community Agency (HCA) to guarantee the performance of a grant agreement between a company wholly owned by the Council (Brent Housing Partnership) and the HCA so that Brent Housing Partnership can obtain funding to build affordable family homes in respect of two small housing schemes in the areas of Stonebridge and Wembley. This is subject to the financial position of the guaranteed party.

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

Brent Teaching Primary Care Trust (tPCT) has indicated that a number of patients that it is currently responsible for to provide and fund care should transfer to the local authority as they do not meet health care criteria. The Council does not accept the legal basis of many of these funding changes and it cannot properly assess responsibility in individual cases without a proper assessment process having been undertaken. These uncertainties have resulted in the Council being unable to quantify any liability and the Council will deal with claims as they arise. At this stage, there is a judicial review pending between the Brent PCT and two neighbouring boroughs relating to alleged failure to comply with their statutory duty to ten persons in need of community care. The Council is an interested party to the judicial review proceedings and the outcome could have a financial impact on the Council.

Two claims for compensation for land taken under Compulsory Purchase Orders in connection with the Wembley Park Estate Access Corridor have been lodged with the Lands Tribunal. The Council believes it has made adequate provision for any claim on the whole scheme. Both claims have effectively been settled but there are still minor issues to be resolved and the outstanding costs and compensation will be paid out in due course.

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

There has been a data protection breach in a social services matter which is being reported to the Information Commissioner. This could result in a substantial fine.

There is a dispute between an electricity company and a company wholly owned by the Council. The company wholly owned by the Council is resisting the claim by the electricity company and the Council is making no special provision.

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

The Council may receive claims for various employee allowances. This is dependant upon negotiations with staff and trade unions or the outcome of legal proceedings. This note should not be regarded as an acceptance of liability in any case.

Note 49 - Exceptional Items

There are 2 exceptional items in Brent's 2010/11 accounts:-

1) With effect from 1st April 2011, increases in local government pensions in payment and deferred pensions will be linked to annual increases in the CPI (Consumer Prices Index), rather than the Retail Prices Index (RPI). Since, over the long term CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the defined benefit obligation on the balance sheet. The change also reduces this (and future) periods' current service cost and interest cost. The actuary has allowed for the impact of the change as a benefit change and therefore recognised this as a (negative) past service

cost reflecting the reduction in the constructive obligation. The impact of the change is around £110m for funded benefits, and £8m for unfunded benefits.

2) Government regulations have changed the factor used to discount social housing from 37% to 25%. This has resulted in a reduction in the value of council dwellings of £242M.

Note 50 - Nature and extent of risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

- Market risk - the possibility that financial loss might arise for the Council as a result of interest rate movements or other market changes.

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years establishing:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

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

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

Credit risk

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

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

	Amount at 31 March 2011 £'000	Historical experience of default %	Estimated maximum exposure to default £'000
	(a)	(b)	
Deposits with banks and financial institutions	28,986	0	9,990
Building societies	5,243	0	
Certificates of deposit	23,566		
Total short term investments	**57,795**		**9,990**
Trade debtors	96,153	56	54,210
	153,948		**64,200**

The short term investments are loans and receivables and shown at amortised cost, with the exception of £23.566m which are fair value through profit and loss, but still at amortised cost.

The Certificates of deposit have a capital value of £23.401m and accrued value of £23.566m. As at 1st April 2010, the capital value was £21.9m and the accrued value was £22.141m. Our treasury adviser, Arlingclose, has advised that the certificates of deposit should not be defined as 'available for sale' assets as the maturity of the assets is less than 12 months.

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

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

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

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

Liquidity risk

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

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

Refinancing and Maturity Risk

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

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

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

The maturity analysis of borrowing is as follows:

	£'000
Less than one year	77,117
Between one and two years	2,000
Between two and five years	6,000
Between five and ten years	19,000
Between ten and twenty years	5,000
Between 20 and 30 years	30,000
Between 30 and 40 years	95,000
Between 40 and 50 years	367,030
More than 50 years	60,500
	661,647

The maturity analysis of investments is as follows:

	£'000
Less than one year	57,795
Between one and two years	
Between two and three years	
More than three years	
	57,795

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

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

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

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

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

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

	£'000
Increase in interest payable on variable rate borrowings	692
Increase in interest receivable on variable rate investments	578
Impact on Income and Expenditure Account	(114)
Increase in Government grant receivable for financing costs	-
Share of overall impact debited to the HRA	55
Decrease in fair value of fixed rate investment assets	(55)
Impact on STRGL	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	(120)

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

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

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

Fair Value

The council follows the CIPFA Treasury Code, and only invests in very high quality institutions so that the risk of capital loss is minimised. The in-house team makes cash deposits for periods up to three years. The external manager (Aberdeen Asset Management) is allowed to invest in a wider range of instruments (cash, gilts, supranational bonds, certificates of deposit) with institutions that are named on the council's lending list. The manager has invested in cash and certificates of deposit (CDs) with less than one year to maturity. As CDs are more volatile than cash, the council has accounted for them at market value as at 31st March 2011.

HOUSING REVENUE ACCOUNT – 2010/2011

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	2010/2011 £'000	2009/2010 £'000
Income		
Dwelling Rents	(41,878)	(42,284)
Non Dwelling Rents(Gross)	(553)	(599)
Tenants Charges for Services and Facilities	(2,911)	(3,039)
Contribution Towards Expenditure	(179)	(138)
Leaseholders'charge for services and Facilities	(2,593)	(2,697)
HRA Subsidy Receivable	(5,670)	(19,401)
Sums directed by the Secretary of State	0	0
Housing Benefit Transfers	0	0
Total Income	(53,784)	(68,158)
Expenditure		
Repairs and Maintenance	7,318	9,247
Supervision and Management	12,302	13,925
Special Services	4,042	4,296
Rent and Rates and Other Charges	963	3,345
Subsidy Limitation		
Depreciation of Fixed Assets	7,830	5,030
Impairment of Fixed Assets	0	0
Bad or Doubtful Debts	1,140	(11)
Debt Management Expenses	150	183
Sum directed by Secretary of State	0	0
Total Expenditure	33,745	36,015
Net Cost of Services included in the Council's Income and Expenditure Account	(20,039)	(32,143)
Exceptional items - downward revaluation of assets	223,183	
HRA share of Corporate and Democratic Core	270	252
Net Cost of HRA Services	203,414	(31,891)
HRA share of the operating income and expenditure included in the Council's income and expenditure		
(Gain) or Loss on Sale of HRA fixed Assets	(676)	(559)
Interest payabale and similar charges	15,049	15,298
HRA Investment Income/Mortgage Interest	(98)	(944)
Pension interest and expected return on pension assets	277	277
(Surplus)or Deficit for the Year on HRA Services	**217,966**	**(17,819)**

HOUSING REVENUE ACCOUNT – 2010/2011 (Continued)

Statement of Movement on HRA Balance	**2010/2011 £'000**	**2009/2010 £'000**
Housing Revenue Account brought forward	(2,174)	(4,428)
(Surplus) or deficit on the provision of services	217,966	(17,819)
Other comprehensive income & expenditure		
Total comprehensive income & expenditure	217,966	(17,819)
Adjustment between accounting basis and funding basis unders regulations (note 7)	(218,138)	19,005
Net increase/decrease before transfers to earmarked reserves	(172)	1,186
Transfers to/from earmarked reserves (note 8)	505	1,068
Increase/decrease	333	2,254
Balance as at 31 March 2010 carried forward	(1,841)	(2,174)

<u>HRA adjustments between accounting basis and funding basis under regulations</u>

-

	2010/11 £000	**2009/10 £000**
Gain / (Loss) on sale of HRA non-current assets	676	559
HRA share of contributions to / from Pensions Reserve	(165)	(163)
Capital expenditure funded by HRA	5,069	5,756
Amortised payment and discount	4,932	4,921
Exceptional items - downward revaluation of assets	(223,183)	
Transfers to / from Major Repairs Reserve	(5,467)	5,340
Transfers to / from Captal Adjustment Account		2,592
TOTAL adjustments between accounting basis and funding basis under regulations	(218,138)	**19,005**

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 9,238 to 9,131, a net reduction of 107 Dwellings. These reductions resulted from Right to Buy sales, sales to the Council ALMO at market value, demolition of dwellings as a result of the ongoing regeneration work at South Kilburn, transfers to Housing Associations on Short Term Leases, and transfers to the Council General Fund to be used for Temporary Accommodation for Homelessness households . Included in Housing stock units of 9131, are 30 properties sold on an equity basis.

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

	31st March 2011	31st March 2010
Leasehold	211	211
Freehold	8,920	9,027
Total	**9,131**	**9,238**

Note 2: RENT ARREARS

The level of rent arrears at 31st March 2011 was £2.118m. Movement on the arrears and related provisions are shown below.

	Arrears £'000	Provision £'000	Net Arrears £'000
Balances at 31 March 2010	2,080	1,941	139
Net movement in rent arrears	38	0	38
Net amounts written off/write backs during the year		(516)	516
(Decrease)/Increase in Provision in year		599	(599)
Balances at 31 March 2011	**2,118**	**2,024**	**94**

Note 3: FIXED ASSETS

	Council Dwellings £'000	Non-Operational £'000	Total £'000
Gross Book Value at 1 April 2010	747,060	6,296	753,356
Revaluation (Note 13)	(218,520)	0	(218,520)
Impairment (Note 5)	0	0	0
Expenditure during the Year	14,493	0	14,493
Transfers to the General Fund	(629)	0	(629)
Disposals	(4,287)	0	(4,287)
Gross Book Value at 31st March 2010	**538,117**	**6,296**	**544,413**
Accumulated Depreciation B/fwd	(29,184)	(187)	(29,371)
Depreciation/adjustment for current year	(7,763)	(67)	(7,830)
Net Book Value at 31st March 2011	**501,170**	**6,042**	**507,212**

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

Note 4: Vacant Possession Value of HRA Dwellings

The vacant possession value of dwellings within the HRA at 1st April 2010 was £1.978 billion. The difference between this value and the balance sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than open market value.

Note 5: IMPAIRMENT CHARGE.

During the financial year 2010-11 the Council undertook an impairment review of the HRA Assets and found that there were no factors that necessitated an impairment charge to the HRA Account.

Note 6: Major Repairs Reserve

	2010/11 £000`s	2009/10 £000`s
Balance at 1st April	4,198	116
Transfer to Major Repairs Reserve	7,823	7,556
Transfer from Major Repairs Reserve	(60)	(60)
Major Repairs Allowance 2010-11 claw back	(5,400)	5,400
Capital expenditure finance from Major Repairs Reserve	(6,561)	(8,814)
Balances at 31st March	**0**	**4,198**

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

Note 7: HRA SUBSIDY

	2010/11 £000`s	2009/10 £000`s
Management Allowance	7,432	**7,490**
Maintenance Allowance	12,239	**12,360**
Major Repairs Allowance	7,763	**7,556**
Major Repairs Allowance 2010-11 b/fwd	(5,400)	**5,400**
ALMO Allowance	4,320	**4,320**
Capital Charges	20,750	**20,907**
Interest On Receipt	(10)	**(17)**
Other Reckonable Expenditure	118	**1,865**
	47,212	**59,881**
Guideline Rent Income	**(41,542)**	**(40,514)**
Housing Subsidy Due	**5,670**	**19,367**
Prior Year Audit Adjustment	0	34
	5,670	**19,401**

The HRA Subsidy figures are calculated in accordance with the HRA Subsidy Determinations issued by the central government department, DCLG for the relevant Financial Year. Included in the above is a claw back of (£5.4m) advance payment of Major Repairs Allowance , which the CLG paid to the Council in the financial year 2009-10, as part of the Government housing spending stimulus package.

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

Note 8(A): HRA CAPITAL EXPENDITURE FUNDING IN 2010/11

	2010/11 £000`s	2009/10 £000`s
Borrowing	2,864	8,066
External Contribution	0	2,035
Earmarked reserves	527	
Revenue Contribution	4,541	5,756
Major Repairs Reserve	6,561	8,814
Total	**14,493**	**24,671**

NOTE 8(B): HRA CAPITAL RECEIPTS IN 2010/11

	2010/11 £000`s	2009/10 £000`s
Land	0	0
Houses	256	1,803
Other Properties	0	0
Total	**256**	**1,803**

NOTE 9: DEPRECIATION

	2010/11 £000`s
Operational Assets	
-Dwellings	7,763
-Other land and Buildings	0
Non Operational Assets	67
Total	**7,830**

Note 10: NET INTEREST CHARGED TO THE HRA

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

	31.03.11 £000's	31.03.10 £000's
Interest on HRA mid year Capital Financing Requirement	15,049	15,298
Total	**15,049**	**15,298**

Note 11: Transfer To Pension Reserve

The 2010-11 Housing Revenue Account has been produced in accordance with the requirements of the Financial Reporting Standard (FRS) 17- Retirement Benefits. FRS17 is described further in the notes to the Consolidated Revenue Account.

The adjustment to Net Cost of Services in the HRA in 2010/11 and 2009/10 was:

	2010/11 £000's	2009/10 £000's
Direct Employee	165	163
Premature Retirement Compensation	0	0
Adjustment	165	163

Note 12: Brent Housing Partnership

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

Note 13: Revaluation

HRA dwellings are valued at Existing Use Value. 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. In addition there was an instruction from Central Government to reduce the social housing discount factor, which is resulted in a revaluation loss.

COLLECTION FUND

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

COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

Notes		2010/11 £000	2009/10 £000
	Income		
1	Income from Council Tax	101,000	101,395
	Transfers from General Fund		
	- Council Tax Benefits	34,227	32,116
4	Collection Fund Deficit	1,500	1,500
2	Income from Non Domestic Rates	89,882	89,265
		226,609	**224,276**
	Expenditure		
3	Precepts and Demands	132,026	130,414
2	Non-Domestic Rates:-		
	- Payment to National Pool	89,456	88,844
	- Cost of Collection Allowance	426	421
	Bad and Doubtful Debts:		
1	- Write-offs made in year	1,598	12,619
	- Provisions for uncollectable amounts	3,103	(8,022)
		226,609	**224,276**
	Deficit/Surplus for Year	**0**	**0**
	Collection Fund Account Reserves		
	Fund Balance Brought Forward	(1,500)	(1,500)
	Increase/(Decrease) in Fund Balance	0	0
	Fund Balance Carried Forward	(1,500)	(1,500)

NOTES TO THE COLLECTION FUND

NOTE 1: COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was 96,457 for 2010/11. This basic amount of Council Tax for a Band D property £1,368.76 for 2010/11 is multiplied by the proportion specified for the particular band to give an individual amount due.

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

Proportion of Band D Charge		Number of Band D Equivalent Properties	
Band A	0.67	1,369	
Band B	0.78	7,573	
Band C	0.89	24,625	
Band D	1.00	27,453	
Band E	1.22	24,161	
Band F	1.44	8,248	
Band G	1.67	5,071	
Band H	2.00	430	
		98,930	x 97.5% Collection Rate = 96,457

The final income of £136.727m for 2010/11 (including adjustments to debits during the year) was receivable from the following sources:

	£000
Billed to Council Tax Payers	102,500
Council Tax Benefits	34,227
	136,727

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

NOTE 2: NATIONAL NON-DOMESTIC RATES (NNDR)

Non Domestic Rates are organised on a national basis. The Government specified a rate of 41.4p in the £ for 2010/11 (40.7p for small businesses having a rateable value of below £25,000) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nation-wide re-valuation of all properties which took effect from 1st April 2010. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £265,553,054 at 31st March 2011, but pays the proceeds into a national NDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a Formula Grant calculation. The amounts collected from the ratepayers on behalf of the Government and paid into the Pool can be analysed as follows:

NOTES TO THE COLLECTION FUND (Continued)

	2010/11 £000	2009/10 £000
Gross Debit	109,310	105,902
Transitional Relief	(2,388)	380
Charitable Relief	(5,508)	(5,827)
Provision for Uncollectable Amounts	(2,370)	(1,890)
Other Adjustments	(2,706)	(2,819)
Empty/Void Relief	(6,456)	(6,481)
Net NNDR Income	89,882	89,265
Cost of Collection Allowance Payable to General Fund	(426)	(421)
Amount Payable to NNDR Pool	**89,456**	**88,844**

The increase in transitional relief in 2010/11 was due to the aforementioned revaluation which took place in April 2010, which increased the transitional relief for properties facing a large rise in rates due to the revaluation.

In addition to the above, properties with a rateable value over £55,000 pay an additional business rates supplement to the Greater London Authority, to pay towards the costs of the Crossrail project. This supplement began on 1st April 2010, and for 2010/11 £2.916m was paid over to the GLA.

NOTE 3: PRECEPTS

	2010/11 £000	2009/10 £000
London Borough of Brent	102,142	100,895
Greater London Authority	29,884	29,519
	132,026	**130,414**

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

NOTES TO THE COLLECTION FUND (CONTINUED)

NOTE 4: ESTIMATED SURPLUS AND DEFICIT

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

	2010/11 £000	2009/10 £000
London Borough of Brent	1,160	1,154
Greater London Authority	340	346
Deficit	**1,500**	**1,500**

GROUP ACCOUNTS

Local authorities are required to produce group accounts which include interests in subsidiaries, associates and joint ventures.
Brent has one subsidiary, Brent Housing Partnership (BHP) Limited. This is an arms length management organisation (ALMO) which was set up in October 2002 to manage council properties on behalf of Brent.
BHP is a limited company. It is limited by a guarantee with no share capital. It is fully owned by the London Borough of Brent. The London Borough of Brent has an obligation to meet BHP's pension fund liabilities. BHP's accounts may be obtained from their financial controller, Greg Trenear at Chancel House, Neasden Lane, London, NW10 2UF, e-mail address greg.trenear@bhphousing.co.uk.

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

The following group financial statements have been prepared:

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

A significant amount of information in these statements is identical to Brent's accounts on the preceding pages of this document. Information has not been reproduced in the group accounts where it can be readily seen in Brent's accounting statements.

GROUP COMPRENHENSIVE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2011

2009/10 Restated				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
79,869	(49,534)	30,335	Central services to the public	48,013	(37,328)	10,685
70,903	(10,220)	60,683	Cultural, environmental, regulatory and planning services	61,943	(11,666)	50,277
386,699	(297,264)	89,435	Education and children's services	442,380	(363,180)	79,200
34,399	(15,223)	19,176	Highways and transport services	30,430	(20,439)	9,991
38,095	(69,502)	(31,407)	Local authority housing (HRA)	34,616	(55,690)	(21,074)
318,231	(297,627)	20,604	Other housing services	364,659	(331,899)	32,760
107,106	(19,983)	87,123	Adult social care	121,542	(25,276)	96,266
7,397	(21)	7,376	Corporate and democratic core	6,325		6,325
			Exceptional item - downward revaluation of assets	246,906		246,906
			Reduction in past service pension costs	(121,670)		(121,670)
		0	Non distributed costs	6,168	(6,852)	(684)
1,042,699	**(759,374)**	**283,325**	**Cost of Services**	**1,241,312**	**(852,330)**	**388,982**
		9,186	Other operating expenditure			31,611
		62,554	Financing and investment income and expenditure			57,924
		0	Surplus or deficit of discontinued operations			
		(330,590)	Taxation and non-specific grant income			(366,386)
		24,475	**(Surplus) or Deficit on Provision of Services**			**112,131**
		(85,984)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			
			Surplus or deficit on revaluation of available for sale financial assets			
		180,710	Actuarial gains/losses on pension assets and liabilities			12,510
		94,726	**Other Comprehensive Income and Expenditure**			**12,510**
		119,201	**Total Comprehensive Income and Expenditure**			**124,641**

GROUP BALANCE SHEET AS AT 31st MARCH 2011

Restated 31 March 2,009 £'000	Restated 31 March 2010 £'000		31 March 2011 £'000
1,389,092	1,471,221	Property, Plant & Equipment	1,260,056
1,802	2,493	Investment Property	18,739
1,070	1,894	Intangible Assets	2,676
		Assets Held for Sale	
54,654	20,214	Long Term Investments	264
1,809	1,820	Long Term Debtors	2,076
1,448,427	**1,497,642**	**Long Term Assets**	**1,283,811**
33,435	44,628	Short Term Investments	41,895
	2,799	Assets Held for Sale	
207	482	Inventories	456
75,631	72,513	Short Term Debtors	66,179
21,133	22,659	Cash and Cash Equivalents	57,475
130,406	**143,081**	**Current Assets**	**166,005**
		Cash and Cash Equivalents	
(79,699)	(53,091)	Short Term Borrowing	(77,117)
(78,640)	(74,894)	Short Term Creditors	(103,644)
(13,625)	(15,574)	Provisions	(13,092)
		Liabilities in Disposal Groups	
(171,964)	**(143,559)**	**Current Liabilities**	**(193,853)**
(25,698)	(24,139)	Long Term Creditors	(24,140)
(2,365)	(3,065)	Provisions	(2,666)
(593,473)	(613,689)	Long Term Borrowing	(584,530)
(488,090)	(688,270)	Other Long Term Liabilities	(601,267)
		Donated Assets account	
(10,041)		Capital Grants Receipts in Advance	
(1,119,667)	**(1,329,163)**	**Long Term Liabilities**	**(1,212,603)**
287,202	**168,001**	**Net Assets**	**43,360**
90,949	96,016	Usable Reserves	116,075
196,253	71,985	Unusable Reserves	(72,715)
287,202	**168,001**	**Total Reserves**	**43,360**

GROUP CASH FLOW STATEMENT

2009/10 Restated £'000		2010/11 £'000
24,475	Net (surplus) or deficit on the provision of services	(134,775)
2,204	Adjustments for non-cash movements	252,286
(63,441)	Adjustments for investing and financing activities	(93,739)
(36,762)	Net cash flows from Operating Activities	**23,772**
30,862	Investing activities	6,945
7,426	Financing activities	4,099
1,526	**Net increase or decrease in cash and cash equivalents**	**34,816**
21,133	Cash and cash equivalents at the beginning of the reporting period	22,659
22,659	**Cash and cash equivalents at the end of the reporting period**	**57,475**

NOTES TO THE GROUP ACCOUNTS

SUMMARY OF ITEMS IN GROUP ACCOUNTS

This shows the main differences between items in Brent's single entity accounts and the group accounts.

2009/10 Restated

	LBB	BHP	Group
	£000	£000	£000
Financing and investment income	61,533	1,021	62,554
Property plant and equipment	1,457,866	13,355	1,471,221
Inventories	120	362	482
Short term debtors	71,637	876	72,513
Cash and cash equivalents	21,981	678	22,659
Short term creditors	69,026	5,868	74,894
Short term provisions	15,519	55	15,574
Long term provisions	2,665	400	3,065
Other long term liabilities	682,359	5,911	688,270
Usable reserves	94,567	1,449	96,016
Unusable reserves	76,631	(4,736)	71,895
Cash flow from investing activities	16,360	14,502	30,862

2010/11

	LBB	BHP	Group
	£000	£000	£000
Financing and investment income	56,896	1,028	57,924
Taxation and non specific grant income	(364,661)	(1,725)	(366,386)
Property plant and equipment	1,250,031	10,025	1,260,056
Investment properties	2,993	15,746	18,739
Inventories	104	352	456
Short term debtors	64,666	1,513	66,179
Cash and cash equivalents	54,148	3,327	57,475
Short term creditors	100,872	2,772	103,644
Short term provisions	13,037	55	13,092
Other long term liabilities	590,117	11,150	601,267
Usable reserves	109,960	6,115	116,075
Unusable reserves	(61,325)	(11,390)	(72,715)
Cash flow from investing activities	(5,545)	12,490	6,945

BRENT PENSION FUND

Brent Pension Fund responsibilities

The Brent Pension Fund

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

ADMINISTERING AUTHORITY

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

Brent Pension Fund Sub-Committee

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

Chair	Councillor S. Choudhary
Vice-Chair	Councillor G. Crane
Member	Councillor J. Bacchus
Member	Councillor S. Hashmi
Member	Councillor D. Brown
Member	Councillor B.M. Patel
Member	Councillor W. Mitchell Murray
CO-OPTED MEMBERS	
North West London College	Mr. A. Patel
GMB	Mr. G. Fraser
Independent Adviser	Mr V. Furniss

Brent Pension Fund responsibilities – Pension Fund Sub-Committee

As set out in the scheme of governance, only councillors have voting rights because management of the Fund is part of their legal responsibility. However, representatives of both the staff and the largest employer outside Brent Council attend the Sub-Committee and take a full part in discussions. The Sub-Committee takes executive decisions.

During 2010/11, members attended Sub-Committee meetings and received training as follows:-

Member	Meetings attended	Training attended
S. Choudhary	5	3
G. Crane	5	3
B.M. Patel	5	1
J. Bacchus	5	1
S. Hashmi	6	2
D. Brown	3	1
W. Mitchell Murray	1	1
A. Patel	-	-
G. Fraser	2	-

Training was an amalgam of on-line, conferences and manager / actuary presentations on key areas.

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

The following Fund managers manage individual portfolios:

Fund Managers	Asset Class	£M	per cent
Henderson Global Investors (Jennifer Ockwell)	Fixed Interest	85.0	17.4
Legal & General Investment Management (Helen Gawkrodger)	Overseas Equities	159.1	32.6
Brent Finance and Corporate Resources (Bina Chauhan-Wild)	UK Equities	74.3	15.2
Aviva Investors (Catriona Allen)	UK and European Property	33.1	6.8
Gartmore Investment Managers (Martin Powis)	UK Small Companies	15.9	3.2
Yorkshire Fund Managers (Geoff Sankey)	Private Equity	2.0	0.4
Capital Dynamics (Angela Willetts)	Private Equity	50.1	10.2
Fauchier Partners (Alex Dolbey)	Hedge Fund	42.2	8.7
Mellon Global Investors (Alastair Stewart)	Global Tactical Asset Allocation	18.8	3.8
Alinda Capital Partners (Simon Riggall)	Infrastructure	8.1	1.7
		488.6	**100.0**

Custodians
The Fund uses two custodians for segregated portfolios as follows:

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

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

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

YEARS	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000
VALUE	**498,500**	**472,040**	**339,573**	**454,815**	**491,528**

Table B: Fund membership and contributions 2006/07 to 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Number of contributing employees as at 1 April	5,849	5,922	6,075	5,896	5,462
Deferred	5,159	5,380	5,713	6,096	6,600
Pensioners and dependants	5,024	5,161	5,269	5,438	5,714
	£M	**£M**	**£M**	**£M**	**£M**
Employee contributions	7.1	7.4	8.5	8.8	8.3
Employer contributions	25.6	28.4	28.1	29.8	31.2
Total contributions	**32.7**	**35.8**	**36.6**	**38.6**	**39.5**

Actuarial valuation

London Borough of Brent
Statement of the Actuary for the year ended 31 March 2011

INTRODUCTION

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Brent Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

ACTUARIAL POSITION

1. Rates of contributions paid by the participating Employers during 2010/11 were based on the actuarial valuation carried out as at 31 March 2007.
2. The valuation as at 31 March 2010 showed that the funding ratio of assets to liabilities had decreased from 72% to 61% since the previous valuation.
3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2011 was as set out below:
   - 13.4% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

   Plus

   - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2011, amounting to £15.9M in 2011/12, and increasing by 5.3% p.a. thereafter, before any phasing in or 'stepping' of contribution increases.

   This implies an average employer contribution rate of about 24.6% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.
4. The majority of employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. In addition the Administering Authority agreed that the significant increases in contribution requirements could be phased in for some employers over periods of up to 6 years. The resulting aggregate deficiency contributions in 2011/12 are £13.6M. The aggregate deficiency contributions payable are anticipated to remain lower than indicated by point 3 above until 2015/16.
5. The rates of contributions payable by each participating Employer over the period 1 April 2011 to 31 March 2014 are set out in a certificate dated 30 March 2011 which is appended to our report of the same date on the actuarial valuation.
6. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

7. The main actuarial assumptions were as follows:

Discount rate	
Scheduled Bodies	7.5% p.a.
Admitted Bodies	
In service:	6.25% p.a.
Left service:	4.75% p.a.
Rate of general pay increases	5.3% p.a.
Rate of increases to pensions in payment	3.3% p.a.
Valuation of assets	market value

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

8. Contribution rates for all employers will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.

9. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of London Borough of Brent. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2010. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

Aon Hewitt Limited

June 2011

BRENT PENSION FUND (Continued)

Table C: Employer Contribution Rates

	2009/10 per cent	2010/11 per cent	2011/12 per cent	2012/13 per cent
Brent	22.9	22.9	25.1	26.9

List of scheduled bodies and admitted bodies	Employee contributions	Employer contributions
Scheduled bodies	**£ 000s**	**£ 000s**
London Borough of Brent	6,193	23,530
Alperton Community School	66	240
ARK Academy	27	61
Avigdor Hirsch Torah Temimah School	2	5
Barham park Primary School	23	88
Cardinal Hinsley High School	80	287
Claremont High School	31	126
College of North West London	378	1223
Brent Housing Partnership	330	687
Convent of Jesus & Mary RC Language College	36	129
Capital City Academy	67	283
The Copland Community School & Technology Centre	71	256
Furness Primary School	15	56
JFS	67	220
Crest Boys	38	136
Crest Girls	70	251
Kilburn Park School	6	25
Kingsbury High School	111	400
Islamia Primary School	19	50
Malorees Junior School	9	33
Manor Day School	46	170
Michael Sorbell Sinai School	38	142
North West London Jewish Day School	12	48
Oakington Manor Primary School	15	90
Preston Park Primary School	34	128
Preston Manor High School	70	278
Queens Park Community School	52	206
Salusbury Primary School	22	84
Sudbury Primary School	25	97
St Gregory's RC School	28	102
St Joseph's RC School	29	105
	8,010	**29,536**
Admitted bodies: contributing		
Age Concern	0	4
Brent Association of Disabled People	2	6
Brent Society for Mentally Handicapped Children (Mencap)	6	17
Churchill contracts Ltd	1	2

BRENT PENSION FUND (Continued)

Goldsborough Homecare and Nursing Services Ltd	72	550
Jarvis	0	55
Local Employment Access Project	21	69
National Autistic Society	187	868
Sudbury Neighbourhood Centre	9	32
Wetton Cleaning Services and (N & S) Grounds	16	94
Willow	8	29
	322	**1,726**

ADMITTED BODIES: NON-CONTRIBUTING

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

Pension Fund – GENERAL INFORMATION

Fund income

The fund receives income from the following sources:

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

Investments

Administration of the fund

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

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

SALES AND PURCHASES

Sales proceeds totalled £ 279.1million (£164.0 million 2009/10) and the purchases totalled £ 296.1million (£192.6 million 2009/10) during 2010/11.

London Borough of Brent Pension Fund accounts as at 31 March 2011

	Note	2008/2009 £ 000s	2009/2010 £ 000s	2010/2011 £ 000s
Contributions and benefits				
Contributions receivable	3		38,600	39,594
Transfer values in	4		4,389	4,306
			42,989	**43,900**
Benefits payable	5		28,376	32,948
Payments to and account leavers	6		4,869	5,117
Administrative expenses	7		1,155	1,214
			34,400	**39,279**
Net additions (withdrawals) from dealings with members			**8,589**	**4,621**
Returns on investment				
Investment income	8		12,059	12,007
Change in market value of investments	9		96,029	20,431
Investment management expenses	10		(1,435)	(1,515)
Return on investments			**106,653**	**30,923**
Net increase / (decrease) in the funds during the year			**115,242**	**35,544**
IFRS net assets of the scheme				
Opening net assets		**472,039**	**339,573**	**454,815**
Closing net assets		**339,573**	**454,815**	**490,359**

NET ASSETS STATEMENT 31 MARCH

	Note	2008/2009 £ 000s	2009/2010 £ 000s	2010/2011 £ 000s
Investment assets	9	**340,356**	**454,112**	**487,443**
Investment liabilities		**(154)**	**0**	**0**
TOTAL Investments		**340,202**	**454,112**	**487,443**
Current assets	11	**852**	**971**	**3,880**
Current liabilities	12	**1,481**	**(268)**	**(964)**
Net assets of the scheme at 31 March		**339,573**	**454,815**	**490,359**

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

There are no material differences on transition to IFRS.

The actuarial certificate (page 8) sets out the actuarial position of the Fund and the required level of contributions payable. In accordance with International Financial Reporting Standards, the actuary has valued the whole Fund as at 31st March 2010 on the basis of International Accounting Standard 26. This is produced as a separate report (web reference), and will be updated every three years in accordance with CIPFA guidance.

London Borough of Brent Pension Fund
Accounting policies and notes to the accounts March 2011

1. Basis of preparation
The financial statements summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay pensions and other benefits in the future, and have been prepared on a going concern basis. The actuarial position of the fund, which **does** take account of such liabilities, is dealt with in the statement by the actuary on page 8 of the annual report of the Fund and these financial statements should be read in conjunction with it.

2. Accounting policies
The consolidated accounts of the Fund for the year to 31st March 2011 are presented in accordance with the following accounting policies:

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

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

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

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

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

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

G Ex-gratia payments
No ex-gratia payments were met from the Fund in 2010/2011.

H Taxation

(i) Investments
The Fund is exempt from United Kingdom Capital Gains Tax. Income from overseas sources suffers a withholding tax in the country of origin, unless exemption is permitted as in the United States and Australia. A proportion of the tax deducted in some European countries is recovered. The amounts recovered will vary from the amounts paid due to exchange rate fluctuations. All VAT paid is recoverable.

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

I Employers' contributions
In 2010/2011 employers' contributions of £31.2 million were paid (2009/10 £ 29.7 million).
The increased contributions will allow elimination of the funding deficit over a 25 year period.

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

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

L The administrative authority's responsibilities
The authority is required to:

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

M Responsibilities of the Director of Finance and Corporate Services

The Director is responsible for the preparation of the authority's pension fund's Statement of Accounts, in terms of the Code and the Statement of Recommended Practice. The director is required to present fairly the financial position of the Fund (and its income and expenditure) for the year ended 31st March 2011. In preparing this statement of accounts, the director has: selected suitable accounting policies and applied them consistently; made judgements and estimates that were reasonable and prudent; complied with the Code; kept proper up to date accounting records; and taken reasonable steps for the prevention of fraud and other irregularities.

Clive Heaphy
Director of Finance and Corporate Services

BRENT PENSION FUND (Continued)

3 Contributions receivable

Employees contributed £8.3 million in 2010/2011. The numbers of contributing members increased during the year.

	2009/10 £000s	2009/10 £000s	2010/11 £000s	2010/11 £000s	2009/10 £000s	2010/11 £000s
Employers	**ongoing**	**deficit**	**ongoing**	**deficit**		
Brent	16,842	9,218	17,383	9,514	26,060	26,897
Scheduled	1,993	395	2,176	465	2,388	2,641
Admitted	908	412	1,091	633	1,320	1,724
Members						
Brent					7,384	6,892
Scheduled					912	904
Admitted					289	316
Additional voluntary contributions					247	220
	19,743	**10,025**	**20,650**	**10,612**	**38,600**	**39,594**

4 Transfers in	2009/10 £000s	2010/11 £000s
Individual Transfers in from other schemes	**4,389**	**4,306**
5 Benefits payable		
On retirement or death		
Pensions		
Brent	20,781	21,721
Scheduled	689	906
Admitted	735	795
Lump sum retirement benefits		
Brent	4,775	7,762
Scheduled	251	972
Admitted	249	296
Lum sum death benefits		
Brent	690	496
Scheduled	16	0
Admitted	190	0
	28,376	**32,948**
6 Payments to and on account of leavers		
Refund to members leaving service	45	(6)
Individual transfers to other schemes	4,824	5,123
	4,869	**5,117**
7 Administration expenses		
Administration and processing	1,055	1,064
Actuarial fees	61	115
Audit fees	39	35
	1,155	**1,214**

8 Investment Income

	2009/10 £000s	2010/11 £000s
Dividend income equities	7,535	5,003
Income from fixed interest securities	2,902	2,371
Income from property unit trusts securities	1,104	1,285
Income from private equity	663	2,408
Interest on cash deposits	38	42
Infrastructure	68	289
Commission recapture	3	17
Miscellaneous	296	758
Class action	4	0
	12,613	**12,173**
Irrecoverable tax	(554)	(166)
Total investment income	**12,059**	**12,007**

9 Investments (summary as in the Statement of Recommended Practice)

Fixed interest securities – public sector	14,769	17,144
Equities	227,124	72,751
Pooled investment vehicles	205,591	396,519
Derivative contracts	9	0
Cash	5,676	540
	453,169	**486,954**

Investments (detail)

	Value at 31.03.10 £'000s	Purchases At cost £'000s	Sales Proceeds £'000s	Change in Market Value £'000s	Value at 31.03.11 £'000s
UK equities-quoted	100,325	6,814	37,966	3,578	72,751
Global equities-quoted UK Alliance	14,721	3,683	17,810	(594)	0
Global equities-quoted Alliance	112,078	52,160	158,312	(5,926)	0
Global Equities-LGIM	0	111,304	0	10,817	122,121
Emerging markets-LGIM	0	34,724	0	1,580	36,304
Fixed interest (including unit trusts)	81,792	63,211	61,291	1,253	84,965
Property UK FOF UT	19,731	4,000	0	2,696	26,427
Property European FOF UT	6,756	0	0	(90)	6,666
UK equities small companies UT	15,447	77	2,400	2,760	15,884
*Private equity-YFM/CapDyn LLP	38,331	13,045	1,413	2,110	52,073
Hedge fund Open ended Trust	41,842	0	0	444	42,286
*Infrastructure LLP	5,011	3,079	0	20	8,110
GTAA Open ended Trust	11,450	4,000	0	3,377	18,827
	447,484	**296,097**	**279,192**	**22,025**	**486,414**
Cash deposits	5,676	0	5,175	39	540
Henderson Bond Future	0	106	(15)	(121)	0
Henderson FX	4	1,829	1,829	(4)	0
AllianceBernstein FX	0	5,765	4,298	(1,467)	0
AllianceBernstein Futures	5	154	118	(41)	0
	453,169	**303,951**	**290,597**	**20,431**	**486,954**
Investment income due	943				489
	454,112				**487,443**

BRENT PENSION FUND (Continued)

UT is unit trust

LP is limited partnership

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

*Private equity and Infrastructure

The Brent pension fund has made commitments as a limited partner to ten funds managed by Capital Dynamics, the Capital Fund for London and to the Alinda Infrastructure Fund. As at 31st March 2011, outstanding commitments totalled £91.3m.

Fixed interest securities	**2009/10 £000s**	**2010/11 £000s**
Segregated		
UK public sector	14,769	17,144
Pooled		
UK corporate – open ended unit trust	22,325	23,957
Overseas government open ended unit trust	8,834	8,257
Secured loans open ended unit trust	8,630	4,613
Credit opportunities open ended unit trust	11,534	9,201
Credit alpha open ended unit trust	11,062	12,516
Currency fund open ended unit trust	1,255	646
Absolute return fund open ended unit trust	0	0
Infrastructure Limited Partnership	812	920
Money market fund	2,571	7,711
	81,792	**84,965**

Pooled investment vehicles (excluding fixed interest).

	2009/10 £000s	**2010/11 £000s**
Property - UK fund of funds unit trust	19,731	26,427
Property - European fund of funds unit trust	6,756	6,666
UK Equities – small companies unit trust	15,447	15,884
Overseas equities – developed markets	0	122,121
Overseas equities - emerging markets	0	36,304
Private equity limited partnerships	38,331	52,073
Hedge fund open ended trust	41,842	42,286
Infrastructure limited partnership	5,011	8,110
GTAA open ended trust	11,450	18,827
	138,568	**328,698**

Derivative Contracts	**2009/10 £000**	**2010/11 £000**
Currency – Henderson	4	-
Futures – bonds	-	-
Futures – equities	5	-

Type of derivative	Expiration	Economic exposure value £000	Fair Value Asset	Fair Value Liability
Henderson				
UK Sterling	27th June 2011	50	-	
US Dollars	27th June 2011	(50)	-	
Futures UK LIFFE Long Gilt	28thJune 2011	(1172)	-	
Futures Canada MSE 10 year	21st June 2011	(616)		-
Futures Australia 3 year Bond	15th June 2011	(1522)	-	
Futures EUX Euro-bund	8th June 2011	1074		-

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

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

BRENT PENSION FUND (Continued)

AVC Investments

Additional voluntary contributions are not included in the pension fund accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds Regulations 1998. Individuals hold assets invested separately from the main fund in the form of with profits, equity related, or building society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVCs). Members participating in this arrangement each receive an annual statement made up to 31st March confirming the value of their account and the movements in the year. The aggregate value of the AVC investments is as follows:-

	2009/10 £000s	2010/11 £000s
Equitable Life	194	180
Clerical Medical	1,235	1,212
	1,429	**1,392**

10 INVESTMENT MANAGEMENT EXPENSES	2009/10 £000s	2010/11 £000s
Administration, management and custody fees	1,340	1,429
Performance measurement fees	18	19
Other advisory fees	77	67
	1,435	**1,515**
AVC INVESTMENTS	194	180
	1,235	1,212
	1,429	**1,392**

11 CURRENT ASSETS		
Contributions due		
Employers	569	2,507
Employees	92	98
Additional voluntary contributions	2	1
Other miscellaneous debtors	308	1,274
	971	**3,880**

12. CURRENT LIABILITIES		
Management / advisor's fees	(222)	(48)
Lump sums not paid	0	0
Accrued expenses	(46)	(916)
	(268)	**(964)**

13. Short-Term Debtors		
Central government bodies	0	0
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	971	3,880
	971	**3,880**

BRENT PENSION FUND (Continued)

14. Short-Term Creditors		
Central government bodies	0	0
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	(264)	(964)
	(264)	**(964)**
15. Cash and cash equivalents		
Cash held by authority	0	0
Bank current accounts	5,676	540
Short-term deposits with building societies	0	0
	5,676	**540**

GLOSSARY

ACCRUALS

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

AREA BASED GRANT

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CORPORATE AND DEMOCRATIC CORE

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

CORPORATE MANAGEMENT

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

CREDITORS

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

DEBTORS

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

DEMOCRATIC REPRESENTATION AND MANAGEMENT

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

FINANCE LEASE

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

FIXED ASSETS

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

FORMULA GRANT

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

GOING CONCERN

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

GOVERNMENT GRANTS - SPECIFIC

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

INFRASTRUCTURE ASSETS

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

LONG TERM INVESTMENTS

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

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

LEVIES

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

LONG-TERM CONTRACTS

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

MINIMUM REVENUE PROVISION

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

NATIONAL NON DOMESTIC RATE (NNDR)

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

OPERATING LEASES

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

OPERATIONAL ASSETS/NON OPERATIONAL ASSETS

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

GLOSSARY (Continued)

PRECEPTS

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

PRIOR YEAR ADJUSTMENTS

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

PRUDENCE

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

REVENUE SUPPORT GRANT

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

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

Guidance issued by the professional bodies on best accounting practice.

ABBREVIATIONS

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

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BRENT COUNCIL	**Audit Committee** 22nd September 2011 **Report from the Director of Finance and Corporate Services**
For Action	Wards Affected: ALL
Report Title:	**2011 Treasury Annual Report**

1. SUMMARY

1.1 This report attaches the 2011 Treasury Annual Report that was approved by Full Council, and updates members on recent treasury activity.

2. RECOMMENDATIONS

2.1 Members are asked to note and comment on the 2011 Treasury Annual Report and recent treasury activity.

3 DETAIL

3.1 I attach the 2011 Treasury Annual Report that was approved by Full Council.

3.2 The Annual Report includes a market update to July 2011 (paragraphs 3.23 – 3.24). Recent treasury activity has involved borrowing and lending for short periods as cash flow allows. It had been hoped that the Lending List might be expanded to include overseas banks, but the continued volatility has prevented further action.

3.3 Forecasts that interest rates will remain low for some years mean that cash balances are being reduced. However, the new Civic Centre project will require major capital expenditure, so that timing new loans is an important consideration. As part of the strategy to reduce cash holdings, and in response to turbulence in the markets, the external mandate managed by Aberdeen Asset Management has been terminated. However, it is likely that further long term loans will be sought in the autumn.

4. FINANCIAL IMPLICATIONS

These are covered in the report.

5 DIVERSITY IMPLICATIONS

The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

6 STAFFING IMPLICATIONS

None

7 LEGAL IMPLICATIONS

There are no legal implications arising from the report.

8 BACKGROUND

Annual Treasury Strategy – Report to Full Council (and the Audit Committee) as part of the Budget Report – March 2010.

Persons wishing to discuss the above should contact the Exchequer and Investment Section, Finance and Corporate Resources, on 020 8937 1472/74 at Brent Town Hall.

CLIVE HEAPHY
Director of Finance and Corporate Services

MARTIN SPRIGGS
Head of Exchequer and Investment

BRENT COUNCIL	**Full Council** **12th September 2011** **Report from the Director of Finance and Corporate Services**
For Action	Wards Affected: ALL

Report Title: The Treasury Management Annual Report 2010/11

1. SUMMARY

The purpose of this report is to provide information to members on borrowing and investment activity, and performance compared to prudential indicators during 2010/11. As the Treasury Management Annual Report should be agreed by Full Council, the Executive is asked to recommend it to Full Council for approval. The report will also go to the Audit Committee as part of the scrutiny function required under the 2009 Treasury Management Code of Practice issued by CIPFA.

The Executive, at its meeting on 23 August 2011, resolved to submit the recommendations in the report to Full Council without any further comments.

2. RECOMMENDATIONS

That Full Council:

2.1 Approves the Treasury Management Annual Report (section 3); and Annual Investment Strategy Report (section 4)

2.2 Notes the outturn for prudential indicators (section 5)

2.3 Notes the updated position in 2010/11 (para.3.23 – 3.24).

3. TREASURY MANAGEMENT ANNUAL REPORT

3.1 Full Council adopted the 2009 CIPFA Code of Practice on Treasury Management in Local Authorities in September 2010. The Code stipulates that the Chief Financial Officer should set out in advance to Full Council the treasury strategy for the forthcoming financial year, issue a progress report during the year, and subsequently report the treasury management activities at year-end. The report will also go to the Audit Committee. This section of the report details:-

a) The economic background for 2010/11 (paras 3.6 to 3.7)
b) The agreed treasury strategy (para 3.8)
c) Borrowing activity during 2010/11 (paras 3.9 to 3.12)
d) Lending activity during 2010/11 (paras 3.13 to 3.21)
e) Overall interest paid and received (para 3.22)
f) Developments since the year end (paras 3.23 – 3.24)

3.2 Treasury management in this context is defined as 'the management of the local authority's cash flows, its banking, money market (short term borrowing and lending) and capital market (long term borrowing) transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks.' This means that the pursuit of additional returns must be placed within the framework of the protection of the council's cash balances and a rigorous assessment of risk.

ECONOMIC AND MARKET BACKGROUND DURING 2010/11

3.6 The world economy grew by 4.5% in 2010, whereas the UK grew by 1.6%, USA by 2.9%, and the Euro area by 1.7%, and the Chinese and Indian economies continued to grow rapidly (around 10%). In the UK growth remained slow as banks were unable / unwilling to lend and borrowers were unwilling to increase existing debts. In the USA, quantitative easing (governments buying back debt and increasing the money supply) supported activity and reduced longer term interest rates. In the UK, Retail Price Inflation rose by 4.6% (Consumer Price Index 3.3%) as VAT increased to 20% and energy and other commodity prices rose sharply. However, the bank rate remained at 0.5% as monetary policy sought to encourage economic growth and assumed that inflation would fall to reflect low economic activity. Overnight interest rates remained very low, at 0.25% - 0.45%. Fiscal policy has also been very loose, with the government running a large payments deficit, but policy has been tightened in 2010/11. Markets experienced renewed volatility in April 2010 as Greece, followed by Ireland and Portugal later in the year, required bailouts from the International Monetary Fund and European countries. Concerns about the cost of country bailouts, and the potential impact of their default on European banks and the euro, have encouraged a cautious approach to lending.

3.7 Table 1 shows interest rates charged during the year by the Public Works Loans Board (PWLB), the government agency that provides long term credit to local authorities. Previously, the PWLB enabled local authorities to borrow at similar rates to the government (gilt yield plus 0.15%). However, on 20th October 2010 it was decided that local authorities would pay rates set at gilt yield plus 1% in order to increase revenue to the Treasury, discourage capital projects and encourage local authorities to use their cash reserves. It can be seen that, although PWLB rates have increased, underlying gilt yields have fallen during the year, reflecting the low demand for credit.

Table 1 – PWLB Interest rates during 2010/11

	1st April 2010 %	30 June %	30 Sept. %	31 March 2011 %
10 year	4.19	3.59	3.14	4.58
25 year	4.47	4.31	3.95	5.23
50 year	4.70	4.32	4.01	5.23

STRATEGY AGREED FOR 2010/11

3.8 On the basis of advice and research from Arlingclose, Capital Economics and treasury / pension fund managers, it was anticipated that the bank rate would remain at 0.5% (possibly rising to 1% by the end of the financial year). It was agreed that lending would be kept fairly short (less than one year), that long term loans would be allowed to mature, and that the lending list would be expanded when market conditions allowed. It was also agreed that borrowing would remain flexible, but that the Council would take short term or variable debt if it was likely that rates would stay low. It was also agreed that officers would look for opportunities to restructure debt, but that low rates might make this uneconomic.

BORROWING ACTIVITY DURING 2010/11

3.9 The split of the council's treasury portfolio between fixed interest and variable loans and investments, as at 31 March 2010, is set out in Table 2.

Table 2 – Treasury portfolio at 31st March 2011 – loans and investments

	31.03.10	31.03.2011	
	Actual £m	Planned £m	Actual £m
Fixed rate loans – PWLB	522.0	556.5	491.0
Variable rate loans – PWLB	-	-	-
Variable rate loans – Market	85.5	85.5	95.5
Short-term loans – Market	52.0	-	69.2
Total Debt	**659.5**	**642.0**	**655.7**
INVESTMENTS	**69.0**	**56.0**	**57.5**
NET DEBT	**590.5**	**586.0**	**598.2**

3.10 The average rate of interest payable by Brent Council on its loans has fallen from 4.6% in 2009/10, to 4.37% in 2010/11. A debt restructuring was undertaken in October 2010, repaying £50m of PWLB loans and taking advantage of cheaper short term debt. The saving will be around £700,000 per annum, depending on short term interest rates. The Debt restructuring of £64.8m, undertaken in March 2009, continues to save around £1.5m per annum as rates remain low. Also in 2010/11 Brent Council took a new PWLB £20m equal instalment of principal loan at 2.94% (10 years).

3.11 As outlined above, the PWLB has increased the rates charged on loans to gilts plus 1%. This has increased the cost of new loans and will discourage debt restructuring activity.

3.12 The duration and average interest rate, of loans in the treasury portfolio at 31st March 2011 is set out in Table 3.

Table 3 – Treasury portfolio at 31st March 2011 – duration/interest rates

Maturing Within	£m 31.03.10	31.03.11	Share of total debt %	Average Interest Rate 2010/11 %
1 Year	52.0	71.2	10.9	0.58
1 – 5 Years	-	8.0	1.2	2.94
6 - 10 years	10.0	9.0	1.4	2.94
11 – 15 years	5.0	5.0	0.8	8.88
Over 15 years	507.0	467.0	71.2	5.08
Variable PWLB	-	-	-	-
Variable Market	85.5	95.5	14.5	4.31
TOTAL	**659.5**	**655.7**	**100.0**	**4.37**

LENDING ACTIVITY DURING 2010/11

3.13 The council's investments averaged £78m during 2010/11 (£86m during 2009/10) and earned £0.9m in interest. Returns were assisted by the declining portfolio of long term deposits (deposited in 2007 and 2008 for up to three years), some of which continued to generate returns in excess of 5% per annum when overnight rates had fallen to 0.25%. The amount invested varied from day to day depending on cash-flow and the Council's borrowing activity. Responsibility for investing funds was split between the in-house team, which manages approximately two thirds of the investments and an external house managing approximately one third of the investments.

3.14 Investments by the in-house team were made primarily with the intentions of achieving security and liquidity, and were all placed with for money market funds or for periods up to one month. Rates achieved ranged between 0.25% and 0.83%, but existing long term loans raised the average rate achieved to 1.3% (2009/10 2.54%). Loans were made to high quality counterparties included on the Treasury Lending list. Appendix 1 lists the deposits outstanding at 31st March 2011.

3.15 The financial tsunami following the bankruptcy of Lehman brothers forced a number of banks into administration in the autumn of 2008, and the collapse of the main Icelandic banks (7th October 2008). Brent Council has two deposits outstanding with Icelandic banks, as follows:-

Heritable	£10m	5.85%	Lent 15.08.08	Due back 14.11.08
Glitnir	£5m	5.85%	Lent 15.09.08	Due back 12.12.08

3.16 The Council continues to work with the Local Government Association and other authorities to recover the loans. All other deposits have been repaid on time. The most recent advice from CIPFA, the Department for Communities and Local Government (CLG) and the Local Government Association (LGA) states that authorities are likely to be treated as preferred creditors to Glitnir.

However, the Winding Up Board (WUB) for Glitnir has proposed that local authority deposits be treated as ordinary creditors (only likely to recover around 30% of their losses), meaning that legal action will continue – our legal advisers, Bevan Brittan, believe that the deposit will be recovered. Hearings before the district court in Iceland have been successful, but the WUB has appealed to the Icelandic Supreme Court. Further hearings are expected in September. The administrators for Heritable have repaid a further £2.1m in 2010/11, a further £1,030,000 to date in 2011/12, and state that creditors should receive 80% / 85% of deposits plus interest to October 2008, by instalments to 2013.

3.17 External cash managers were initially appointed in 1998 to manage two portfolios with the aim of achieving an improved return at an acceptable level of risk. Aberdeen Asset Management has managed a portfolio throughout the period. The value of the Aberdeen's portfolio was £23.6m as at 31st March 2011 (£23.3m 2010). Actual performance for 2010/11 (2009/10 in brackets), and the three and five years to 2010/11 are set out in Table 4.

Table 4 - Performance of Aberdeen Asset Management and the In-House team against benchmark

	Aberdeen %		Brent in-house %	7 Day LIBID Benchmark %
2010/11	2.0 (1.9)		1.3 (2.8)	0.5 (0.4)
Three Years	3.6		3.4	1.4
Five Years	4.25		3.85	3.0

3.19 Aberdeen outperformed the benchmark in 2010/11 by using longer dated certificates of deposit of up to twelve months duration with financial institutions on the Brent lending list.

3.20 The in-house team did not have access to the same wider range of lending instruments as the managers (gilts or CDs), but was able to add value by using money market funds (pooled funds managed by city finance houses) and benefiting from previous long term deposits made in 2007 and 2008.

3.21 The three and five year records indicate that Aberdeen has achieved their out-performance target (+0.5% per annum). Aberdeen is among the best managers over all periods (there are around ten in the market).

TOTAL INTEREST PAID AND RECEIVED

3.22 Total interest paid and received in 2010/11 is shown in Table 5. The reduced interest paid on external debt reflects the restructuring in October 2010 and short term borrowing at lower rates. The reduced interest received on deposits reflects lower market rates and lower cash balances.

Table 5 – Overall interest paid and received in 2010/11

	Budget £m	Actual £m
Interest paid on external debt	31.0	29.7
Interest received on deposits	1.7	0.9
Debt management expenses	0.4	0.2

By way of comparison, interest received on deposits was £7.0m in 2008/09 (budget £3.5m) and £2.2m in 2009/10 (budget £3.0m).

DEVELOPMENTS SINCE THE END OF THE YEAR

3.23 Although the UK financial markets have been fairly calm since the end of the financial year, markets continue to worry about credit worthiness and debt owed by Portugal, Ireland, Italy, Greece and Spain. Short term interest rates remain very low, and long term rates have fallen in response to 'flight to safety' concerns and the growing belief that economic recovery will be very slow and monetary conditions loose. The list of loans outstanding as at 30th June 2011 is attached as Appendix 2.

3.24 In response to concerns about the impact of the Greek debt crisis, fears about possible contagion in Italian and Spanish markets, and proposals to change the ratings for various UK banks, Arlingclose issued advice at the end of June that local authorities should restrict lending to less than 12 months for UK banks. Although the in house team has restricted duration, Aberdeen used CDs that have duration of close to one year. As it has been anticipated that the Aberdeen mandate would be terminated in 2011 to fund capital expenditure requirements, it was felt that early termination would be appropriate to avoid any turbulence in the market.

4 ANNUAL INVESTMENT STRATEGY

4.1 Regulations issued under the 2003 Local Government Act require that councils agree an Annual Investment Strategy (AIS) before the beginning of each year, setting out how investments will be prudently managed with close attention to security and liquidity. The AIS for 2010/11 was agreed by Full Council in March 2010. The AIS sets out the security of investments used by the authority analysed between Specified (offering high security and liquidity, with a maturity of no more than one year) and Non-Specified (entailing more risk or complexity, such as gilts, certificates of deposit or commercial paper) investments. The AIS also sets out the maximum duration of deposits.

4.2 To discourage the use of investments that may be considered speculative, the acquisition of share or loan capital in any body corporate (such as a company) is defined as capital expenditure. On this basis, the Council does not invest treasury balances in shares, corporate bonds or floating rate notes issued by companies, though there is authority to invest through pooled schemes which are not considered capital expenditure.

4.3 Treasury activity has complied with the AIS in 2010/11. The approach has been to lend for short periods to high quality counterparties, reducing risk. As loans have matured, receipts have been used to minimise borrowing.

5. PRUDENTIAL INDICATORS – 2010/11 OUTTURN

5.1 The introduction of the new prudential system of borrowing in the 2003 Local Government Act (LGA) gave new opportunities for councils to assess their requirements for capital spending, and not have them restricted by nationally set approvals to borrow money (credit approvals), as previously. The new system also brought new responsibilities on councils to ensure that:

a) capital expenditure plans are affordable;

b) all external borrowing and other long term liabilities are within prudent and sustainable levels;

c) treasury management decisions are taken in accordance with good professional practice.

5.2 Under regulations issued under the 2003 LGA councils are required to follow the Prudential Code issued by CIPFA which sets out how councils ensure responsible use of new freedoms. The Code details indicators that councils are required to set before the beginning of each year, to monitor during the year, and to report on at the end of each year.

5.3 The outturn for prudential indicators measuring affordability is set out in Table 6. General Fund and HRA capital financing charges as a proportion of total budget were lower than the original estimates as a result of the reduced requirement to fund expenditure from unsupported borrowing in 2010/11.

Table 6 – Prudential indicators measuring affordability

	2010/11 (estimates)	**2010/11 (actual)**
Capital financing charges as a proportion of net revenue stream:		
- General Fund	9.27%	7.68%
- HRA	36.4%	35.67%
Impact of unsupported borrowing on:		
- Council tax at Band D	£4.68	£2.42
- Weekly rent	-	-

5.4 The outturn for prudential indicators for capital spending is set out in Table 7. Movements within the capital programme, including slippage between years and resources becoming available during the year, are to be reported in the Performance and Finance Quarter 4 Outturn report to the Executive in August 2011. Capital spending is funded from a variety of resources, including government grants, capital receipts, revenue contributions, Section 106 contributions and borrowing. This means that movements in capital spending are not directly reflected in movements in the CFR, which principally reflects borrowing requirements. Total borrowing in 2010/11 was lower than anticipated which meant a reduction in the overall CFR.

Table 7 – Prudential indicators measuring capital spending and CFR

	2010/11 Estimates £m	2010/11 Actual £m
Planned capital spending:		
- General Fund	133.383	99.752
- HRA	20.127	14.493
- Total	153.510	114.245
Estimated capital financing requirement for[1]:		
- General Fund	371.526	350.543
- HRA	337.724	331.264
- Total	709.250	681.807

5.5 The Council also sets prudential indicators for external debt as shown in Table 8. This is to ensure that the council's overall borrowing is kept within prudent limits. The authorised limit for external borrowing is set flexibly above the CFR to allow for opportunities to restructure debt or borrow early when interest rates are favourable. The Operational Boundary sets out the expected maximum borrowing during the year, allowing for cash flow, interest rate opportunities and restructuring. In 2010/11 the council undertook a debt restructuring of £50m, but did not exceed the Operational Boundary.

Table 8 – Prudential indicators for external debt

Indicator	Limit	Status
Authorised limit for external debt	£929m	Met
Operational boundary for external debt	£829m	Met
Net borrowing	Below CFR	Met

5.6 The prudential indicators for treasury management, which are included in Table 9 below, were all met. These are set to ensure that interest rate exposures are managed to avoid financial difficulties if interest rates rise sharply. Although borrowing at variable rates can be advantageous if rates are falling, a sharp rise can cause budget difficulties, and force the Council to fix rates at an inopportune time. Again, managing loan durations ensures a variety of maturity dates to avoid all re-financing when rates may be high. Finally, the upper limit on investments of more than one year allows flexibility to lend for longer periods if interest rates make this advantageous, particularly

[1] The Capital Financing Requirement estimates in this table are at 31st March of each year.

by external managers investing in gilts, but also ensures that a minimum level of balances is available for cash flow purposes. Deposits have been short term, and long term loans have been run down during the year.

Table 9 – Prudential indicators for treasury management

Indicator	Limit	Outcome
Treasury Management Code		Adopted
Exposure to interest rate changes		
- fixed rate upper limit	100%	100%
- variable rate upper limit	40%	21%
Maturity of fixed interest loans		
Under 12 months		
- upper limit	40%	0%
- lower limit	0%	0%
12 months – 24 months		
- upper limit	20%	1%
- lower limit	0%	0%
24 months – 5 years		
- upper limit	20%	1%
- lower limit	0%	0%
5 years – 10 years		
- upper limit	60%	2%
- lower limit	0%	0%
Above 10 years		
- upper limit	100%	98%
- lower limit	30%	96%
Upper limit on investments of more than one year	**£60m**	**£20m**

6. MINIMUM REVENUE PROVISION

6.1 The Local Authorities (Capital Finance and Accounting) Regulations 2003 set out the requirement that councils set aside a minimum of 4% of their General Fund capital financing requirement to repay principal on debt, regardless of the length of life of the asset that was being financed.

6.2 Revised regulations which amend this requirement were issued in 2008.[2] Under the new regulations councils are required to set an amount of Minimum Revenue Provision which is 'prudent'. The definition of what counts as 'prudent' is set out in statutory guidance which has been issued by the Secretary of State for Communities and Local Government and which authorities are required to 'have regard' to.

6.3 Under the guidance councils are required to prepare an annual statement of their policy on making Minimum Revenue Provision to Full Council. The purpose of this is to give Members the opportunity to scrutinise use of the additional freedoms and flexibilities under the new arrangements. This Policy Statement was submitted and approved by the Full Council at its meeting in March 2010 within section 9 of the Budget Setting report.

[2] Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2008 – SI 2008/404

7. FINANCIAL IMPLICATIONS

7.1 Financial implications are set out within the report.

8. DIVERSITY IMPLICATIONS

8.1 The proposals in this report have been subject to screening and officers believe that there are no diversities implications arising from it.

9. LEGAL IMPLICATIONS

9.1 Guidance has been issued under s21 (IA) of the Local Government Act 2003 (the '2003 Act') on how to determine the level of prudent provision. Authorities are required by Section 21 (B) to have regard to this guidance.

9.2 Under regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) authorities have significant discretion in determining their Minimum Revenue Provision but, as a safeguard, the guidance issued under the 2003 Act recommends the formulation of a plan or strategy which should be considered by the whole Council. This mirrors the existing requirement to report to Council on the prudential borrowing limit and investment policy. The Local Authorities (Functions and Responsibilities) (England) (Amendment) Regulations 2000 have been amended to reflect that the formulation of such a plan or strategy should not be the sole responsibility of the Executive.

10. BACKGROUND INFORMATION

1. Loans Register.
2. Logotech Loans Management System.
3. Arlingclose reports on treasury management.
4. Aberdeen Asset Management quarterly reports.
5. 2010/11 Budget and Council Tax report – March 2010

11. CONTACT OFFICERS

1. Martin Spriggs, Head of Exchequer and Investments – 020 8937 1472
2. Paul May, Capital Accountant – 020 8937 1568

CLIVE HEAPHY
Director of Finance and Corporate Services

APPENDIX 1

Brent treasury lending list

1 The current loans outstanding **as at 31st March 2011** are:

Name	Amount £m	Yield %	Lending Date	Maturity Date
Global Treas. Fund (RBS)	9.3	Var.	Call	
Gartmore cash reserve	4.5	Var.	Call	
Northern Trust global fund	0.1	Var.	Call	
Heritable bank	5.0	5.85	15.08.08	14/11/08
Glitnir	5.0	5.85	15.09.08	12/12/08
Skipton BS	5.0	6.48	01.07.08	01/07/11
RBS	5.0	Var.	22.09.08	22/09/11
Total	**33.9**			

Brent has also invested £23.55m with an external manager, Aberdeen Asset Manager, which has placed the fund in a mixture of certificates of deposit (CDs) and cash. The list of investments held by Aberdeen is as follows:-

Name	Amount £m	Yield %	Maturity Date
Abbey National CD	3.15	1.44	18.10.11
Abbey National CD	1.2	0.00	24.11.11
Barclays Bank CD	2.7	1.45	01.08.11
Barclays Bank CD	1.5	1.42	14.10.11
Clydesdale Bank CD	3.5	0.00	24.05.11
Lloyds TSB CD	1.5	0.00	03.08.11
Lloyds TSB CD	3.0	1.48	05.12.11
Nationwide BS CD	2.25	1.5	22.02.12
RBOS CD	2.3	0.00	03.08.11
RBOS CD	2.35	1.51	06.02.12
Accrued interest	0.1		
Total	**23.55**		

APPENDIX 2

Brent treasury lending list

2 The current loans outstanding **as at 30th June 2011** are:

Name	**Amount £m**	**Yield %**	**Lending Date**	**Maturity Date**
Global Treas. Fund (RBS)	6.25		Var. Call	
Gartmore cash reserve	12.0	Var.	Call	
Heritable bank	4.365	5.85	15.08.08	14/11/08
Glitnir	5.0	5.85	15.09.08	12/12/08
Northern Trust global fund	0.1	Var.	Call	
Skipton BS	5.0	6.48	01.07.08	01/07/11
RBS	5.0	Var.	22.09.08	22/09/11
Santander UK	10.0	0.81	03.06.10	01.07.10
Total	**47.715**			

Brent had also invested £23.6m with an external manager, Aberdeen Asset Manager, which had placed the fund in a mixture of certificates of deposit (CDs) and cash. However, details have not been included as the mandate was

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Progress Report

Brent London Borough

Audit 2010/11

Audit Committee 22 September

Contents

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Summary

Introduction

1 The purpose of this progress report is to brief the Audit Committee on work currently being planned or undertaken by the Audit Commission.

Audit Progress

2 We have finalised our interim report and agreed an action plan with officers. The completed action plan is attached as an appendix.

3 My 2010/11 audit of the Council's main financial statements is underway but has been affected by significant delays. We recongnise this has been a particularly difficult year for the Council, implementing new financial systems and International Financial Reporting Standards (IFRS) whilst also dealing with structural change, staff losses, and a highly challenging budget settlement. The details are reported in my interim Annual Governance Report which is included on the agenda. I will therefore not be in a position to issue my audit opinion by the due date of 30 September 2011.

4 I have discussed the position with the Director of Finance and agreed a revised timetable for the completion of the audit work. With the support of the Council's finance team to resolve the issues arising I aim to complete the bulk of the audit work by the end of September. I expect to be able to clear any final audit issues and review the Council's revised accounts in October. I am therefore aiming to issue my audit opinion by the end of October, subject to arranging an Audit Committee.

5 In order to comply with the Audit and Accounts Regulations 2011, the Council must publish its unaudited accounts by 30 September, including on its website, at the same date and clearly mark the statements as 'unaudited'.

6 My audit of the Council's pension fund is virtually complete however, I am unable to issue my audit opinion on the pension fund until my audit of the Council's main statements is complete.

7 The 2010/11 Annual Governance Reports are included on the Agenda for the Audit Committee's consideration. The reports were agreed with the Director of Finance and Corporate Resources and officers have agreed to complete the action plan. This summarises our progress on the audits of the financial statements.

8 I have finalised my performance review detailed in our Audit plan. We carried out a follow up review of the Council's One Council project. Our key findings are:

- good progress has been made on the project;
- with effective governance arrangements in place;
- risks exist in regards to:
  - capacity;

- accurate monitoring of financial benefits;
- transparency of revisions to financial projections; and
- introducing a systematic way to capture non-financial benefits at project level.

9 This report is attached as an appendix to the progress report.

10 In line with my statutory duties, I am considering the following matters which have come to my attention during the course of my audit:

- issues relating to the Council's arrangements over blue badge enforcement and anti fraud arrangements raised by an elector;
- issues regarding governance at a school raised by an elector; and
- implications arising from the review of school leases, and the legality of contracts.

My reviews are focussing on the Council's anti fraud arrangements covering blue badge usage, governance and audit arrangements relating to the school and the size and nature of the expenditure in relation to school leases and consideration of any actions taken by the Council.

Audit Fees

11 I have highlighted in my Annual Governance Report that the audit of the Council's main financial statements is taking longer than expected. I therefore expect to charge an additional audit fee for the additional work done.

12 As set out in the Audit Commission's Statement of responsibilities of auditors and audited bodies, fees arising from the consideration of matters under auditors' specific powers, including the appointment of legal or other advisors to auditors, are borne by the Council.

13 Additional fees will be discussed and agreed with the Director of Finance and Corporate Resources. Any additional fee will be reported to the Audit Committee once agreed.

Audit externalisation

14 DCLG confirmed that its preferred choice for externalising our in-house audit work is through an outsourcing arrangement. The Commission's Board formally considered the request at its meeting in August 2011, and agreed to undertake a procurement exercise to outsource local audits with effect from the 2012/13 audit year.

15 The Audit Commission has made available the key milestones for the procurement, as set out in the table below. This is intended as a guide and while the Commission does not intend to depart from the timetable it reserves the right to do so at any stage.

Key milestone	Principal bodies'	Small bodies'

Summary

	procurement	procurement
Issue Contract Notices in the Official Journal of the European Union	5 September 2011	5 September 2011
Issue pre-qualification questionnaires (PQQ) on request	From 5 September 2011	From 5 September 2011
Deadline for return of PQQs	7 October 2011	7 October 2011
Issue invitations to tender and anonymised TUPE information to selected suppliers	w/c 24 October 2011	w/c 7 November 2011
Deadline for submission of tenders	16 December 2011	6 January 2012
Approval of contract awards	w/c 20 February 2012	w/c 19 March 2012
Consultation with audited bodies on appointments	23 April - 13 July 2012	7 May - 6 July 2012
Approval of auditor appointments	w/c 23 July 2012	w/c 9 July 2012
Appointments for 2012/13 commence	1 September 2012	1 September 2012
Staff transfer to firms awarded contracts	31 October 2012	31 October 2012

Recent Audit Commission announcements and publications

16 The Audit Commission produces a regular Councillors' Update. This e-mailed newsletter aims to keep councillors up to date with the Commission's current work, such as national reports and studies. News stories containing details of specific tools and case studies will direct councillors to information that they can use in their work. If you have not automatically received your copy of Councillors' Update, please subscribe via the following link: Councillor Update newsletter - Audit Commission

Quality review programme

17 The Commission reviews the quality of work of all our audit suppliers. In doing so, we place reliance on the work of the independent Audit Inspection Unit. We also review and use the results of audit suppliers' internal quality monitoring programmes, and we monitor their compliance with our regulatory requirements.

18 The results of these reviews of 2009/10 audits are summarised in the Quality Review Programme: Annual Report 2011.

19 The objectives of this report are to:

- provide assurance the Commission's audit suppliers have put in place systems and processes to deliver audit work of an appropriate quality; and
- provide information to help us make audit appointments.

20 The report concludes all audit suppliers are meeting the:

- Commission's regulatory requirements and standards of performance; and
- professional auditing standards requirements

Improving value for money in adult social care

21 Improving value for money in adult social care' is the first in a series of briefings that will look at value for money in health and social care.

22 This briefing finds that, as demographic change and financial pressures combine to create tough times for adult social care, councils have looked at many aspects of the service in order to provide better, more efficient services.

23 Better procurement, improved back office arrangements, and a preference for community-based rather than residential care where possible, are just some of the changes that local authorities have implemented to help them meet the challenges they face.

24 But the briefing also finds that the pace and scale of change need to increase if councils want to release material savings, as well as improve care for people.

Appendix 1 – Key Deliverables 2010/11

Table 1 Progress on Key Deliverables for 2010/11

Product	Timing	Current position
Planning		
Audit Plan	January 2010-March 2010	Plan presented to Audit Committee in June 2010
Opinion		
Work on financial systems	December 2010 – June 2011	Work completed. Findings reported to Audit Committee in June 2011, including financial systems work, early substantive testing and IFRS
Financial statements; • opinion; • Annual Governance Report; and • opinion memorandum	July - September 2011	Draft and final annual governance reports for the Council and Pension Fund presented to September audit committee
Value for Money		
Project management review		Follow up review of One Council completed
Value for money conclusion	**June 2011 to September 2011**	Draft conclusion presented to Audit Committee, subject to finalising our opinion audit
Reporting		
Annual Audit and Inspection Letter	December 2011	

Appendix 1 Action Plan

Recommendations

Recommendation 1

Establish procedures and reviews to ensure that journals are:

- properly filed;
- supported by appropriate documentary evidence; and
- approved by an appropriate officer.

Responsibility	Deputy Director of Finance
Priority	High
Date	September 2011
Comments	A revised journal template has been developed to meet these requirements. Each month a sample of journals will be selected for review to ensure compliance.

Recommendation 2

Ensure payment runs and BACS payments are:

- appropriately authorised in line with the Council's procedures;
- approval is evidenced.

Responsibility	Team Leader (Accounts Payable)
Priority	Medium
Date	N/a
Comments	The payments are authorised in line with Council procedures and evidence of approval is being retained.

Recommendation 3

Ensure that procedures relating to the accounts payable and accounts receivable system operate throughout the year, in particular:

- regular and timely reconciliation of control accounts; and
- full use of the purchase order function.

Responsibility	Head of Financial Management
Priority	High
Date	September 2011
Comments	Control account reconciliations will be undertaken monthly. Purchase orders have to be in place to enable payment of invoices

	- retrospective use of purchase orders will be highlighted to senior management across the Council.
Recommendation 4	
Ensure a three-way reconciliation between the bank account, cash receipting and the main financial systems are formally completed and reviewed as part of the Council's monthly accounting close down arrangements.	
Responsibility	Head of Financial Management
Priority	High
Date	September 2011
Comments	Full system reconciliations will be undertaken and incorporated into the month end procedures along with control accounts as per R3.
Recommendation 5	
The Council should: • formalise current IT problem and incident management processes into a documented policy;	
Responsibility	Problem Manager; and Incident Manager
Priority	Medium
Date	September 2011
Comments	The restructure of the Information Technology Unit has created an Incident Manager post and a Problem Manager post. We have successfully recruited to both these posts. The Problem Manager will have an initial draft of the Problem Management process and procedures by September 2nd 2011. The Incident Manager will have an initial draft of the Incident Management process and procedures by September 2nd 2011. There are already documented processes for Security Incident Management.
• establish a formal IT disaster recovery and business continuity plan; and	
Responsibility	Head of IT Service Delivery
Priority	Medium
Date	October 2011
Comments	Whilst the development of a full council DR/Business Continuity Plan is desirable, this is unlikely to be a feasible deliverable from an ITU project. In essence, this would require a very detailed (and time/resource consuming) programme of consultation with all stakeholders in the business to accurately determine their business requirements for DR/BCP. This approach would be unlikely to yield any meaningful results within the foreseeable future, and certainly would be unlikely to enable the production of a detailed plan before

	the move to the Civic Centre. What was agreed instead was to focus on areas within the control of ITU, and to concentrate on reviewing all the technologies supported by ITU (and used by the council). The intention is to provide an accurate statement of the position of each technology/application with regard to its current state of resilience and DR protection. Also to ensure that all relevant details are documented, and to provide a mechanism for monitoring testing of individual service resilience, and planning for future tests. All the above information is to be stored in an easily accessible manner with additional copies to be available off-site to prevent the availability of the DR plan from being adversely affected in the event of a disaster. An internal Project Manager will be assigned to this project by the ITU Programme Manager. Key Events • Creation of basic Sharepoint Portal and Outline structure in place by 5th August 2011 • Definition of services which can be failed over by 2nd September 2011 • Definition of services which cannot be failed over by 2nd September 2011 • Detailed definition of how individual services will fail over by 30th September 2011 • Overall review of detailed DR plan: October 2011 • Individual technology failover testing: November 2011 – March 2012 • Full site failover testing: July/August 2012 • Move of Town Hall Datacentre to new Civic Centre: December 2012

- establish a regular programme of testing the restoring of IT back-ups for Oracle Financials and Interact.

Responsibility	Business Partnership Manager; and Head of Applications
Priority	Medium
Date	July 2011
Comments	There have been problems with the Oracle backup, however these have now been resolved and it is planned to carry out a test restore of Oracle Financials by the 29th of July 2011. Test restores will be scheduled in thereafter every 4 months.

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As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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One Council Follow-Up Review

London Borough of Brent

Audit 2010/11

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Contents

Introduction

1 Brent Council is carrying out an ambitious and forward-looking transformation programme which aims to deliver service improvements, cost savings and to create a more efficient streamlined Council.

2 The risks attached to a large change programme of this nature were highlighted in the Council Audit and Inspection Plan for 2009/10.
A high-level review of the project management arrangements in place to March 2010 was undertaken. The second stage of this work aims to review the progress of the programme over the last 12 months highlighting any relevant risks.

Background

3 The One Council Programme covers the four year period 2010/2014. The main objective is to achieve budget savings of up to £94 million by 2014/15 while:

- raising performance;
- maximising efficiency;
- creating a council that looks and feels like one cohesive organisation;
- creating new flexible ways of working;
- stopping lower priority activities;
- generating increased income;
- improving procurement and property management; and
- creating a council fit to deliver the members' corporate strategy.

4 The One Council Programme is coming to the end of the first year (2010/11). Some projects have reached completion, for example the finance modernisation and staffing and structure review wave 1. Other projects are progressing and new projects are being agreed by the Programme Board.

5 Any large complex project of this nature will have inherent risks and its implementation will have a long-term impact on the Council's ability to deliver its core business.

Audit approach

6 A review of progress with the One Council Programme over the last 12 months has been completed to address the requirements under the Value for Money Conclusion.

7 Our conclusions are based on a review of project documentation and interviews with key staff. The Staffing and Structure Review (Wave 1) is complete and was used as a tracer for our work.

8 The aim of the work is to provide assurance that inherent risks from a programme of this size are being managed effectively and that projects are delivering the benefits as planned at this stage. We focused on three key areas:

- capacity;
- financial monitoring of costs and financial benefits; and
- achievement and monitoring of non-financial benefits.

Main conclusions

Summary

9 Overall the Council has made positive progress implementing the One Council Programme over the last 12 months. It is a fast-moving Programme with changes and improvements made continually to project monitoring and reporting. Governance arrangements are working effectively with good, regular project monitoring allowing risks to be identified as the Programme moves forward. Projects are now being implemented with gross savings of £11.8 million being achieved in 2010/11 with programme costs in this year of £4.3 million. This report highlights some of the risk areas around capacity, achievement of financial benefits and monitoring financial and non-financial benefits.

10 Capacity remains a risk to the success of individual projects and therefore to the overall programme. The Council recognise this risk and are addressing it through internal appointments to help with programme and project delivery. The Council are working to reduce their dependency on external consultants and are aiming to be smarter where they do use them.

11 Costs and financial benefits associated with the One Council Programme are regularly monitored at a corporate and individual project level. There has been some delay in delivering the projects originally planned in 2010/11. The Council's Improvement and Efficiency Plan issued in October 2009, included planned cumulative savings of £14.1 million in 2010/11, £27.2 million in 2011/12, £40.2 million in 2012/13 and £53.7 million in 2013/14. Gross savings fell short of the target in 2010/11 - £11.8 million against a target of £14.1 million but are forecast to exceed target in 2011/12 to 2013/14. Many projects to be delivered in 2011/12 are now in the implementation phase. Accurately monitoring the financial benefits achieved from these projects will be important if budget savings are to be achieved as planned.

12 In year changes to projected costs and financial benefits are not reported in a transparent way at programme or project level. This is being addressed by the Council for example through changes to the format of the project status reports which are completed for each project. The new format is planned to be in place from May 2011. Also redundancy and early retirement costs are not reported at a corporate level. For example redundancy and early retirement costs associated with the Staffing Structure Review Wave 1 are included in the project close-down report but not in the financial summary to the One Council Programme Board on 13 April 2011. The Council needs to be clear how these will be shown in financial summaries.

13 One of the key objectives for the One Council programme is to raise performance, however non-financial benefits are not captured in a systematic way at project level. Non-financial benefits are not always clearly defined at the start of a project, therefore cannot be measured and monitored. Some tools are used for example benefit profiles but these can be difficult to follow. The changes to the format of the project status reports includes a section on non-financial benefits. It is not clear at this stage what information this will include for individual projects, as this is still being developed.

Detail findings

Capacity

14 Capacity remains a risk to the success of individual projects and therefore to the overall programme. The Council recognise this risk and are addressing it through internal appointments to help with programme and project delivery. The Programme Board continues to meet regularly and includes senior officer representatives. A standard item is the Programme Board Reporting Pack. This pack covers overall progress highlighting individual projects and assigning a red, amber, green rating. Issues around capacity are picked up as part of this meeting. For example the January Programme Board meeting identified the following issues:

- Procurement project - 'the procurement capability and capacity are inadequate to support the Council's aims.'
- Review of employee benefits - 'there are not enough resources in HR / People Centre to deliver the project alongside as the Staffing and Structure Wave 2 project.'
- Adult Social Care Customer Journey - 'overall the project time-frame is tight and minor delays are occurring because of staff absence.'

Regular monitoring at Programme Board level provides a way for staff working on projects to highlight capacity issues and ensures the Board are aware of these and can address problems as they arise. To address issues at programme level a Head of One Council Programme has been recruited from outside the Council. Generic project managers and officers have also been recruited within the Council to provide support to individual projects. However it is too early to assess the impact of this approach.

15 The Council are working to lessen their dependency on external consultants and are aiming to be smarter where they do use them. Within the Programme Management Office (PMO), the Head of One Council Programme is supported by a PMO Manager and two programme delivery officers appointed from existing Council staff. In addition, 14 staff has been appointed to an internal project management pool from which they can be seconded to individual projects. The Council use external consultants on projects where specialist skills are needed that the Council cannot provide internally. Governance arrangements require project teams to justify the external help they require and provide challenge to this. For example, on the customer services project the balance between the use of external and internal capacity was changed with the requirement for external help being reduced by 60 per cent compared with business case assumptions. Where consultants are appointed, the tender specification and evaluation criteria require consultants to show how they would support and achieve a skills transfer to Council staff. The aim is to limit the time consultants are appointed to enable the Council to take full responsibility for the project as early as possible.

Recommendation

R1 Continue to monitor capacity at project level given the need to deliver a significant number of projects in 2011/12 to achieve the savings targets.

Achievement and monitoring of financial benefits

16 Costs and financial benefits associated with the One Council Programme are regularly monitored at a corporate and individual project level. For example the Programme Board meet regularly and include senior officer representatives as permanent members for example the Director of Finance and Corporate Resources. One of the standing items on the agenda of this Board covers overall programme progress highlighting risks with individual projects. It also includes a financial summary which sets out the savings and associated costs of each of the projects included in the transformation programme. Through the governance arrangements clear mechanisms are in place to highlight and address financial issues at an early stage.

17 There has been some delay in delivering projects originally planned for the financial year 2010/11. Table 1 shows the profile of savings over the period 2010/11 to 2013/14. It compares the original profile of savings included in the Improvement and Efficiency Action Plan 2010/2014 with the most recent financial projection.

Table 1: **One Council Programme - Comparison of Proposed Gross Savings 2010/11 to 2013/14**

		2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Original Improvement and Efficiency Action Plan	**Annual**	14.1	13.1	13.0	13.5
	Cumulative	14.1	27.2	40.2	53.7
Gross savings reported to 13 April 2011 Programme Board	**Annual**	11.8	29.3	10.7	7.0
	Cumulative	11.8	41.1	51.8	58.8

Source: Various reports
Brent's Improvement and Efficiency Action Plan 2010/2014
Brent One Council Programme - Programme Board Reporting Pack Wednesday 13 April 2011

Savings delivered in 2010/11 are estimated at around half of those originally projected with most of savings now forecast to be delivered in 2011/12. Currently 2011/12 savings are estimated at £29.3 million more than double those originally planned and equivalent to almost half of the total One Council savings. A number of projects are now in the implementation phase therefore monitoring and management of financial benefits will be crucial if budget savings are to be achieved as planned. Also it is possible there will be a knock on impact on capacity in 2011/12 given the high number of projects to be delivered.

18 In-year changes to projected costs and financial benefits are not transparent in the way they are currently reported. For example the financial summary reported to the Programme Board does not include a summary of the changes to projections from the previous report. Between November 2010 and March 2011 the projected cumulative net savings position by the end of 2011/12 increased by £5 million from £27.8 million to £32.8 million. It is not clear why this change has happened. This could be because:

- more projects have been included;
- projected financial benefits from existing projects have increased; and/or
- projected costs for existing projects have reduced.

Similarly at project level project status reports record costs and financial benefits. However the current format only includes costs and benefits in the financial year not over the life of the project and does not highlight any changes to projections. The format of the project status reports is being changed to reflect costs and benefits over the life of the project. This will then tie back to the overall programme financial summary which is reported to the Programme Board. The new format for project status reports is planned to be in place from May 2011.

Without this transparency it is difficult to track changes and managers and members may not have complete information to help with decision making.

19 It is not clear that all costs associated with projects are captured at a corporate level. For example costs associated with the Staffing Structure Review Wave 1 costs are included in the project closure report but not in the financial summary to the 2 March 2011.

Table 2: **Staffing and Structure Review Wave 1 - Costs associated with the Project**

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
Early Retirement Costs	2.037					2.037
Pension Costs		0.303	0.303	0.303		0.909
Project Support Costs	0.094					0.094
Total Cost	2.131	0.303	0.303	0.303	-	**3.040**

Source: Brent Council Project Closure Report Structure and Staffing Review: Wave 1 - 10 February 2011

The April 2011 financial summary to the Board overstates the net savings position by £3 million by excluding redundancy and early retirement costs associated with the project. Most of these costs (£2 million) are one-off redundancy costs. The Council needs to be clear how these will be shown in financial summaries.

20 The Council are implementing lessons learned from earlier projects to improve budget management within services. For example the Staffing and Structure Review identified the need to take savings out of budgets when they are identified rather than waiting until the end of the project. The aim of allocating savings at the start of projects is to provide budget certainty at a corporate level, incentivise speedy implementation of change and help budget management in services. Forecast savings for 2011/12 have been allocated to budgets across service areas. As a result any non-achievement of savings through for example delays in delivering projects will contribute to overspending against the budgets. The Council recognise budgets and achievement of savings will need to be closely managed.

Recommendation

R2 Review how project costs and financial benefits are reported at a corporate and project level. For example:-

- summarise the changes to costs and financial benefits in the Programme Financial Summary;
- ensure that all costs are included in the Programme Financial Summary including being clear on how redundancy costs will be shown; and
- implement the new format for the project status reports and monitor how this works in practice.

This will help to ensure that forecasts for costs and financial benefits are transparent and remain accurate over the life of the project.

Achievement and monitoring of non-financial benefits

21 Non-financial benefits are not captured in a systematic way. The Finance Modernisation project was delivered on time and to budget. The project formed the basis for an improved service in the future by, for example:-

- reducing duplication by centralising finance staff;
- a standard consistent approach to paying invoices;
- increased visibility on spending; and
- better strategic support for directorates.

However, following implementation of the project, performance issues have arisen and need to be addressed for example the scanning process and payment systems are taking longer than anticipated. This has delayed the production of a closure report for this project while performance issues are addressed.

22 Some tools to identify both financial and non-financial benefits are used but these are detailed and can be difficult to follow. For example benefit profiles exist for some projects. These aim to:

- identify the benefit owner;
- the value and delivery date of each benefit; and
- provide information on risks to the delivery of benefits and work done to mitigate these risks.

It is not clear that tools to identify non-financial benefits are used consistently for each project or how they are updated and used throughout the life of the project. So far, project status reports have included information on project costs and financial benefits but do not include information or monitor non-financial benefits in a systematic or consistent way. The proposed revised format for project status reports includes a section on non-financial benefits but it is not clear at this stage what information this will include.

23 Non-financial benefits are not always clearly defined and able to be measured and monitored. At a programme level one of the key objectives with achieving budget savings is raising performance. Also at individual project level stated objectives are to improve performance for example:

- review of street cleaning contract - aim is to achieve both significant costs reductions and improvements in performance through rigorous application of KPIs;
- the Move to the Civic Centre project - the business case sets out performance benefits including productivity gains and a more motivated workforce; and
- the Libraries Transformation - the business case includes objectives to improve service outcomes for customers for example through faster access to a wider range of books and longer opening hours and improvements in performance through higher usage and customer satisfaction.

However there are no targets or measurements for improvement included in the project initiation documents or business cases, therefore it is not clear how non-financial benefits will be measured and monitored. Without SMART[i] measures in place it is not clear what success will look like.

Recommendations

R3 Specify and set out non-financial benefits set out at the start of projects.

R4 Monitor non-financial benefits in a meaningful and accurate way as projects progress.

i Specific, measurable, achievable, realistic and timely

Appendix 1 Staffing and Structure Wave 1

The Structure and Staffing Wave 1 project was established within the One Council Improvement and Efficiency Programme at the end of 2009. The aim was to put in place a set of changes aimed at streamlining the Council in line with the recommendations of an earlier external review and at the same time delivering savings.

Objectives for the first stage of this project included:

- net savings of at least £2.25 million in 2010/11;
- a full year saving of £4.5 million from 2011/12 onwards;
- implementation of a set of mechanisms, processes and accountabilities for the long-term management of staff resources;
- a move towards a reconfigured organisation in line with the organisational vision, values and design principles; and
- minimising compulsory redundancies.

Table 3 highlights the costs and savings associated with this project over the period 2010/11 to 2014/15. The project was delivered on time and within budget. The budget for project costs totalled £3.3 million with costs of coming to just over £3 million.

Table 3: **Staffing and Structure Wave 1 - Costs and Savings**

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Savings	**4.283**	**7.043**	**7.043**	**7.043**	**7.043**
Costs:					
Redundancy Costs	2.037				
Early Retirement Costs		0.303	0.303	0.303	

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Project Support Costs	0.094				
Total Costs	**2.131**	**0.303**	**0.303**	**0.303**	
Net Savings Over Period	**2.152**	**6.740**	**6.740**	**6.740**	**7.043**

Source: Source: Brent Council Project Closure Report Structure and Staffing Review: Wave 1 - 10/02/2011

24 Net savings achieved in 2010/11 were £2.15 million just slightly below the target of £2.25 million but this is due to one-off redundancy costs of £2 million. From 2011/12 onwards the full year saving is over £6.7 million above the target of £4.5 million.

25 Targets for non-financial benefits were not set at the start of the project. However as part of the closure report achievement was measured with the following benefits achieved:

- 196 post reduction with 10 resulting in compulsory redundancies;
- 86 per cent of post reductions in Wave 1 were in enabling roles and management; and
- CMT agreed staffing protocols for the use of required authorisation of external recruitment, use of agency workers, overtime and job evaluations.

Appendix 2 Action plan

Recommendations	
Recommendation 1	
Continue to monitor capacity at project level given the need to deliver a significant number of projects in 2011/12 to achieve the savings targets.	
Responsibility	Peter Stachniewski, Head of One Council Programme
Priority	High
Date	April 2012
Comments	Agreed.
Recommendation 2	
Review how project costs and financial benefits are reported at a corporate and project level. For example: ■ summarise the changes to costs and financial benefits in the Programme Financial Summary; ■ ensure that all costs are included in the Programme Financial Summary including being clear on how redundancy costs will be shown; and ■ implement the new format for the project status reports and monitor how this works in practice.	
Responsibility	Peter Stachniewski, Head of One Council Programme
Priority	High
Date	September 2012
Comments	Agreed.
Recommendation 3	
Specify and set out non-financial benefits set out at the start of projects.	
Responsibility	Irene Bremang (PMO Manager)
Priority	High
Date	Ongoing
Comments	Agreed.
Recommendation 4	
Monitor non-financial benefits in a meaningful and accurate way as projects progress.	
Responsibility	Irene Bremang (PMO Manager)
Priority	High
Date	September 2012
Comments	Agreed.

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Audit Committee
22 September 2011

Report from the Director of Finance and Corporate Services

For Action

Wards affected: ALL

Annual Governance Statement

1 Summary

1.1 This report sets out the revised Annual Governance Statement for inclusion in the council's accounts for 2010/11 as required by the Accounts and Audit Regulations 2003 (as amended).

2 Recommendations

2.1 The Audit Committee approve the content of the Annual Governance Statement as set out in appendix 1.

3 Detail

3.1 The Audit Committee has already approved a draft version of the AGS at its meeting on 15th June 2011[1]. At that meeting, some amendments to the draft were discussed. In addition, the Audit Commission require that all parts of the council's group accounts to be covered by the AGS and, therefore, specific reference is now made to Brent Housing Partnership within the AGS.

3.2 The key change is the addition of a paragraph under "Significant Governance Issues" concerning the move to a single accounting system. This is contained on page 29 of appendix 1. There are no other significant changes.

4 Financial Implications

4.1 None

5 Legal Implications

5.1 Regulation 4(2) of the Accounts and Audit Regulations 2003[2] (as amended 2006[3]) requires the Council to review its system of internal control and Regulation 4(3) requires the preparation of a statement on that review in accordance with "proper practice".

5.2 On 18th August 2006 the Department for Communities and Local Government issued further guidance to clarify what they deemed as "proper practice"'. Section 7 of circular 03/2006[4] stated that "proper practice" in relation to internal control relates to guidance contained in the following documentation:

- Statement on Internal Control in Local Government: meeting the requirements of the Accounts and Audit Regulations 2003, published by CIPFA in 2004
- Corporate Governance in Local Government: A Keystone for Community Governance (Framework and Guidance Note), produced by CIPFA/SOLACE in 2001 (recently updated)

5.3 Circular 03/2006 cleared the way for the annual governance statement (originally intended as part of the 2001 framework) to be assigned proper practice status and, therefore, have statutory backing.

5.4 CIPFA also confirmed that such status was assigned to the annual governance statement from 1st April 2007. This means that it formally replaced its proper practice association with the Statement on Internal Control with effect from the 2007/8 reporting year.

6 Diversity Implications

6.1 None

7 Background Papers

1. Report from the Director of Finance and Corporate Resources to the Audit Committee 15th June 2011. *Annual Governance Statement*

8 Contact Officer Details

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CLIVE HEAPHY
Director of Finance and Corporate Services

BRENT COUNCIL
ANNUAL GOVERNANCE STATEMENT
2010/11

1 Scope of responsibility

1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs including those managed on its behalf by Brent Housing Partnership, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is contained in the council's Constitution and can be found on our website at www.brent.gov.uk/constitution.nsf.

1.4 This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 The purpose of the governance framework

2.1 The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level of assurance. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3 The governance framework

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

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

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

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

CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
1. Develop and promote thity's purpose and vision	During the year, the Council agreed its new Borough Plan , 'Brent – Our Future', for the four year period of 2010-2014. This document includes both the corporate objectives of the Council and our shared partnerships priorities. The Borough Plan sets out the Council's vision that *'Brent will be a thriving, vibrant place, where our diverse community lives in an environment that is safe, sustainable and well maintained. All our services will enable local people to fulfil their potential and improve their quality of life. Public resources will be used creatively and wisely to produce lasting benefits for our residents and the borough. Our commitment to reducing poverty, redressing inequality and preventing exclusion will be at the heart of all our actions'*. The Plan is focused around three core objectives as follows: • One Borough – Creating a sustainable built environment that drives economic regeneration and reduces poverty, inequality and exclusion; • One Community – providing excellent public services which enable people to achieve their full potential, promote community cohesion, and improve their quality of life; and • One Council – improving services for residents by working with partners to deliver local priorities more effectively and achieve greater value for money from public resources. The Plan references other key relevant documents, including the following: • Local Development Framework; • Climate Change Strategy; • Housing Strategy; • Sports and Physical Activity Strategy (as linked to the 2012 Olympic and Paralympic Games); • Cultural Strategy; • Health and Wellbeing Strategy; • Engagement Strategy; and • One Council Programme. The priorities of the Borough Plan are regularly promoted via The Brent Magazine, the website, press releases and targeted campaigns. At service area level, service priorities are extensively consulted on with users and other relevant stakeholders. Service Plans are presented annually to Lead Members prior to finalisation.	

CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
2. Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	Implementation of the Borough Plan is monitored by the Executive. Implementation of Service Plans is monitored throughout the year by Corporate Management Team (CMT) and Departmental Management Teams (DMTs) using a range of embedded systems and processes. Progress against the administration's priorities is also reported to the Executive and Overview and Scrutiny Committees.	
3. Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.	The Council's Partnerships team is responsible for supporting local partnership arrangement, known as Partners for Brent. The team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private and voluntary sector organisations. Local partners collaborate within Brent through our Local Strategic Partnership (LSP) to deliver the vision set out in the Borough Plan 'Brent – Our Future 2010-2014'. The LSP includes partners from all sectors and consists of an LSP Strategic Forum, LSP Executive and Thematic Partnerships. The LSP's focus is to understand how to ensure the best outcomes for residents by aligning the work undertaken by different organisations in the borough and engaging people effectively in change. At service area level, objectives of partnerships are documented in the Service Plans and within contract documentation.	
4. Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	The Council reports its performance and budgets every three months against a range of indicators. The Performance and Finance review report includes details on spending and activity as well as performance. A joint review of performance and summary of accounts is produced annually and summarised in the Brent Magazine.	
5. Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	The Council has a Performance Management Framework, as overseen by the Corporate Performance Team. The purpose of the Team is to strategically align all the Council's performance monitoring and reporting activity. They offer technical support and training on the Council's performance monitoring system Performance Plus, and also quality-check performance data and use this as a basis to compile key performance reports. Significant improvements have been made with regards to the quality of data used for performance monitoring, with the launch of a new Data Quality Strategy in February 2010. Below the Borough Plan the service planning framework serves as the cornerstone of the Council's approach to performance management. Each DMT is responsible for monitoring performance against	

CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
	their Service Plan and for reporting this upwards as appropriate. Key groups within the overall framework include: • Executive – agree proposals and challenge and question lead members and directors; • Performance and Finance Select Committee – examine specific performance issues in detail and make recommendations to the Executive for improvement; • Overview and Scrutiny Committee – examine specific performance issues in detail and make recommendations to the Executive for improvement; • CMT – challenge the performance of the Council as a whole and has overall responsibility for achieving corporate objectives; • LSP – challenges delivery around key partnerships; • High Level Monitoring Group – chaired by the Chief Executive and examines specific performance issues, providing ongoing challenge, support and direction and tracking of improvements; • Strategic Finance Group – examines budget and activity information to assess value for money; and • One Council Programme Board – oversees the progress and achievements against the Once Council Programme. The bi-annual Residents Attitude Survey is a further source of information regarding service users' satisfaction with the services being provided. The last survey was carried out in 2009/10.	
6. Put in place effective arrangements to identify and deal with failure in service delivery.	As per section 5 above, potential service failure is identified through the various levels of performance monitoring, and then dealt with at the appropriate levels in terms of identifying and monitoring the implementation of corrective actions. Performance issues in relation to specific partner organisations / contractors are dealt with at service area level in accordance with agreed contract management procedures. Issues are escalated as appropriate.	
7. Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies,	The One Council Programme Board measures progress against the Improvement and Efficiency Action Plan which underpins the Improvement and Efficiency Strategy. The One Council Programme Management Office has established a robust project and programme methodology to ensure the t delivery of change projects and realisation of benefits. This framework includes the preparation of sound business cases for all transformation projects within the programme and identification of future efficiencies. The regularly fortnightly monitoring of project plans enables effective management of delivery, identification of risk and tracking of both financial and non-financial benefits. A monthly pup-	

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CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
plans and decisions.	date on progress in reported to the Corporate Management Team. In addition the council now brings together finance, activity and performance monitoring in a single performance and finance review report which enables officers and members to have a more holistic view of progress across the council on Value for Money. In addition, development of a value for money tool-kit for managers is one of a range of measures to support managers delivering better value for money. Unit costs are also used to measure progress in key areas e.g. on the children's transformation agenda. The work undertaken by PwC in benchmarking the council's staffing structure informed the Staffing and Structure Review to ensure that our resources are aligned to service priorities.	

CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
1. Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.	Article 2 of the Constitution describes the role of Members of the Council, the Executive, Mayor, Full Council and overview and Scrutiny.	
	Up to date job descriptions are in place for Senior Officers. Monitoring Officer Advice Notes give advice to Members on decision making and standards of conduct. Further details with regards to London Councils' positive assessment of these are set out against Core Principle 5. Local Democracy and Standards WebPages are updated regularly.	
	All Executive decisions and key decisions by officers are recorded	
2. Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.	Roles and responsibilities are covered in the Constitution In addition Members' Role Descriptions, which were agreed by the member Development Steering Group, have been sent to members and have been put on the member development intranet page.	
	Up to date job descriptions are in place for Senior Officers.	
3. Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required.	Clearly set out in the Constitution.	
	The Borough Solicitor maintains a register of officer authorisations. The Constitution is renewed and reported to full Council every May.	
4. Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.	Covered in the Constitution and job descriptions.	

CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
5. Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	Regular meetings are held between the Chief Executive and Leader, with a shared understanding of respective roles.	
6. Make a senior officer (usually the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	Covered in the Constitution and job description.	
	Covered by statute and Financial Regulations.	
	All Executive reports have to be cleared by the Director of Finance & Corporate Services. Director attends all Leader's briefings and meetings of the Executive and full Council.	
	Independent assurance on the adequacy and effectiveness of the overall systems of internal control, including internal financial control, is provided by the Council's external auditors, internal auditors and a number of other external bodies / inspectorate. Both the internal and external auditors report to the Audit Committee on a quarterly basis.	
7. Make a senior officer (other than the Responsible Financial Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with.	Covered in the Constitution and job descriptions.	
	Covered by statute and Financial Regulations.	
	All reports have to be cleared by the Borough Solicitor who attends all Leader's briefings and meetings of the Executive and full Council. A lawyer also attends all other committee meetings and is responsible for issuing the legislation tracker, monitoring officer advice notes and legal bulletins.	
8. Develop protocols to ensure effective communication between members and officers in their respective roles.	These are Covered in Part 7 of the Constitution and in the Access to Information protocol.	
9. Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if	The scheme of Member allowances has been reviewed by the Constitutional Working Group (CWG) and a report recommending changes to the allowances scheme went to Full Council in September 2010 whereby the changes were approved. The scheme is published annually in accordance with the relevant 2003 regulations.	

CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
applicable).		
10. Ensure that effective mechanisms exist to monitor service delivery.	The PerformancePlus system is now fully operational across the Council and a standard service planning template and guidance was refreshed in 2010 with a focus upon delivering the Improvement and Efficiency objectives. Performance and service monitoring have been covered in detail under Core Principle 1.	
	An integrated quarterly Performance and Finance monitoring report is now produced. This is reviewed by the Executive, CMT and the Performance & Finance Select Committee.	
11. Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	The new Borough Plan 2010-2014 sets out the aim to *'empower people by providing more opportunities for them to engage with local elected members on decisions affecting their area at ward forums'*. A new Brent wide Engagement Strategy has been formulated and agreed, setting out the *'ambition of the council and partners to inform, consult, engage and involve our communities in all aspects of service provision from design through to delivery'*. There are a range of ways in which the local community and other key stakeholders are consulted. Key ones include: • The Brent Magazine is regularly distributed to households, promoting Council policy and initiatives, and providing information on available services and consultation events. • The triennial Residents' Attitude Survey (RAS) is the principal measure of resident satisfaction with the area and with council services. The last survey was conducted in 2009 – a further survey would be scheduled for 2012. Findings from the RAS are fed into service planning and policy development programmes. The RAS is also used as an opportunity to recruit and refresh the Brent Citizens' Panel. • The Ward Working initiative focuses on members working in their communities to address local priorities and improve the way services are delivered on a neighbourhood level. • The Council's website is another key point of engagement, both with regards to publicising and communicating key information, as well as providing residents with the opportunity to access services via web technology. • There are five Area Consultative Forums (ACFs), each chaired by a councillor, with meetings open to all members of the public. At each meeting, there is also a 'Soapbox slot' for residents to express their views and concerns about issues that affects them directly or indirectly. • Outcomes of formal consultation are fed back through the Consultation Portal website. • A new website, 'Bmyvoice', was launched in March 2010, specifically for engaging and	Decision needs to be taken on whether ot not the Council will have a Resident's Attitude Survey in 2012. Recruitment to the Citizens' Panel is continuous through the Council's website and at area forums. A RAS in 2012 would provide an opportunity to completely refresh the citizens' panel. (Head of Consultation) Social media protocols to be introduced and consideration to be given to the possible use of social media in

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CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
	communicating with Brent's younger residents. • The Brent Local Involvement Network (LINk) is an independent network, of residents, local charities, community groups and people who work in the borough who have an interest in improving health and social care services in and around Brent. A transitional contact for 2011/12 has been entered into. This will prolong the life of the LINk for a further year until the establishment of Local HealthWatch. • Staff are consulted via the annual Staff Survey, as well as on an ongoing basis as appropriate. Developments and initiatives are also communicated via the staff magazine, 'Insight', and the intranet. Additional workshops / meetings are also run as appropriate, for example, roadshows were held to communicate the new Corporate Strategy. The Borough Plan 2010-2014 stresses that *'our engagement and consultation activities will take into account the need to reflect the diverse needs of our population and seek out the views of all sections of the community'*. We are working towards achieving 'Excellence' level of the national equalities framework by 2012.	consultation channels. (Head of Communications and Marketing) The replacement of local LINks with local HealthWatch will be the subject of Dept of Health guidance to be issued in 2011. (Head of Consultation)
12. When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.	The term 'partnership' is defined in the Constitution and a partnership map has been established.. Protocols and guidelines for the operation of joint working have been agreed by the LSP and covers roles and responsibilities, protocols for financial administration and staff management. Further details regarding the performance management of partnerships is set out against Core Principle 1.	
13. When working in partnership: ensure that there is clarity about the legal status of the partnership ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	Guidance on the legal status of partnerships is provided by the Borough Solicitor as appropriate.	

CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
1. Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	Executive members have undertaken a range of training including media and presentation skills, and key members have had support from an external mentor. Further details regarding member training are set out against Core Principle 5, including details of the positive assessment made by London Councils in this area. The Member Code of Conduct includes the 10 general principles of conduct, including respect for others, leadership and stewardship. The Constitution contains the Planning Code of Practice, Licensing Code of Practice, Code of Practice on Publicity and the protocol for Member Officer Relations. Members and Chief Officers work collaboratively on the Policy Co-ordination Group, Leader's Briefing, Service Planning and Budget Awaydays. The Leader meets weekly with the Chief Executive and also addresses the Corporate Roadshows and the Senior Managers Conference.	
2. Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	A new Code of Conduct for Officers was agreed in 2005 and re-issued in 2010. Other codes, including the IT Usage Policy and Harassment Policy are all held on the intranet and are subject to regular review. Staff are made aware of their responsibilities through general communications, such as the Chief Executive Newsletter, Insight Magazine and via attachments to payslips, as well as at team briefings.	
	The Brent Member Code of Conduct reflects the model code published by the government.	
3. Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	The Constitution contains various other codes including: Licensing, Planning, Member Officer relations. Advice notes are issued by the Borough Solicitor regarding conduct.	
	The registers of Members' interests and Members' gifts and hospitality are now placed on the web site enabling easy public access.	
	A new Conflict of Interest Policy for staff was issued in December 2009. This provides clear guidance regarding contractual and other potential conflicts. A new Gifts and Hospitality Policy for staff was also issued in January 2010. Both policies have been rolled out across the Council. In both cases they make reference to the Prevention of Corruption Acts 1889-1916, as well as the Local Government Act 1972. The new Bribery Act 2010 comes into force on 1 July 2011 and hence both policies now need to be further reviewed and updated in light of this, taking account of the finalised guidance on 'Adequate Procedures' as issued by the Ministry of Justice in March 2011.	Both policies to be further reviewed and updated in light of the Bribery Act 2010. (Borough Solicitor) Ensure new Conflict of Interest Policy and

CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
		Gifts and Hospitality Policy are embedded (Service Area Directors)
4. Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.	The Member Code of Conduct includes reference to Leadership and Stewardship and other values. The Code of Conduct and competency framework which has been developed for managers and staff together with a management charter sets out the expected behaviours for officers, including Leadership and working with others.	
5. Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	Standards of conduct for Members are set out in the Constitution. Protocol for Member/officer relations is set out in Constitution. Standards Committee has remit to monitor compliance.	
6. Develop and maintain an effective standards committee.	The terms of reference for the Standards Committee are set out in the Constitution. The Committee has an independent chair and vice chair., and two alternate independent members available The Committee has an annual work programme and is supported by the Borough Solicitor.	
7. Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	The organisation's shared values are reflected in various policies and procedures, such as the Planning Code of Practice and its Access to Information Rules, both which encourage transparent, informed and well reasoned decision making. These are reinforced by the guidance notes issued to members from time to time in the form of Monitoring Officer Advice Notes and in legal bulletins. The Corporate Strategy also includes clear corporate values for the Council. The One Council programme requires an explicit framework that recognises the importance of high standards in relation to personal behaviour, professional conduct and organisational governance.	
8. In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners'	The members of the Partners for Brent Executive have agreed terms of reference and roles as part of their governance arrangements. These establish the expected values and behaviours for effective partnership working. These include a commitment to addressing inequality, focusing on preventative actions and achieving value for money through greater collaboration. The corporate policy team is working closely with representatives of the voluntary sector to develop a	

CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
behaviour both individually and collectively.	new compact setting out principles for collaboration with the voluntary and community sectors.	

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
1. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is responsible.	The Executive are responsible for the implementation of policy and ensuring the effectiveness of service delivery.	
	Scrutiny is responsible for monitoring the performance of the Executive. The Overview and Scrutiny Committee receive regular up-dates on the delivery of the One Council programme and performance monitoring. The programme of member led task groups enable non executive members to consider matter of concern to local communities and make recommendations for action to the Executive.	
	The Corporate Management Team (CMT) monitors delivery of the One Council programme through a Programme Board and a Programme Management Office.	
	The Chair of Overview and Scrutiny is given an opportunity to report back to every full Council meeting. Call in arrangements in the Constitution allows Overview and Scrutiny to review decisions made by the Executive. Mechanisms are in place to able to scrutiny of Executive decisions before they are made.	
	Further details regarding scrutiny in the context of performance management have been set out against Core Principle 1.	
2. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for Full Council, most are made by the Executive or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual Members. In accordance with the Local government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process including call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.	
	Decision making meetings of the Executive are open to the public.	
	Copies of reports and decisions are available on the intranet and through the One Stop Shop and Libraries.	
	All meetings are clerked by well trained and experienced committee support officers and lawyers are present to provide advice on law and procedure.	
3. Put in place arrangements to safeguard members and employees	The registers of Members' interests and gifts and hospitality are now placed on the web site enabling easy public access.	

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	The Monitoring Officer prepares an annual report to the Standards Committee.	
4. Develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee.	The Audit Committee has met quarterly during the year. The terms of reference are set out in the Constitution.	
	The provision of the internal audit function within the Council is through the Audit & Investigations Team, working in partnership with Deloitte & Touche Public Sector Internal Audit Ltd. The Audit Committee approve the annual Internal Audit Plan and receive progress reports at each quarterly meeting.	
	External audit is provided by the Audit Commission. Their plans, interim reports and annual audit letter are all presented to the Audit Committee.	
5. Put in place effective transparent and accessible arrangements for dealing with complaints.	The Council has a well regarded corporate complaints procedure that has been praised and endorsed by the Local Government Ombudsman (LGO) in previous years. The Corporate Complaints Policy was revised and reissued in January 2011, together with a new Corporate Complaints Manual. The complaints service is headed by our Corporate Complaints Manager, working with complaints managers and teams across the departments. This reporting line into the Corporate Complaints Manager was introduced in October 2010, and represents a positive move towards further promoting consistent, joined up complaints management across the Council. The 2009/10 Annual Report on complaints performance was presented to the Overview and Scrutiny Committee in December 2010. As such, this noted that the number of complaints had increased by 5% in comparison to the previous year. However, this is linked to the scale of changes taking place across the Council, and, on the basis of the further developments made to the way in which complaints are now being handled, the projection for 2010/11 was for a decrease in complaint numbers of 70%. In total, 77 complaints were investigated by the LGO during 2009/10. For the third year running, no formal reports were issued against the Council as a result of this. Only seven complaints resulted in local settlement, which represents one of the lowest settlement rates in London.	
6. Ensure that those making decisions whether for the authority or partnership are provided with	Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Executive receives a briefing (Leaders Briefing) two weeks prior to the Executive meeting when	

CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	members can ask detailed technical questions of officers.	
7. Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	All reports must be cleared by Finance and Legal and contain financial and legal implications. Legal and Finance officers are available as needed to give clear robust advice	

<table>
<tr><th colspan="3">CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</th></tr>
<tr><th>The local code should reflect the requirements for local authorities to:</th><th>Position at March 2011</th><th>Actions Needed to Address Weaknesses and responsible officer</th></tr>
<tr><td>8. Ensure that risk management is embedded into the culture of the organisation; with members and managers at all levels recognising that risk management is part of their job.</td><td>The Risk Management Strategy was previously revised and was presented to Audit Committee in December 2008. A revised Corporate Risk Guidance document was also subsequently produced and circulated across the Council. Risk management training for Members took place in March 2009.
As part of the above:
• The Executive / Council consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects;
• The Policy Co-ordination Group, combining the Executive and Corporate Management Team, review corporate risks through regular Corporate Hotspots monitoring reports. Corporate Hotspots include the highest category – likelihood and impact – of cross-council level and service area level risks, e.g. significant risks to the achievement of key strategic objectives, to the finances of the authority, to the health and well-being of residents and/or staff, or to the reputation of the authority.
• The Strategic Finance Group review high level finance risks through regular Financial Hotspots monitoring reports. Financial Hotspots are identified and reviewed across each of the service areas on a monthly basis by the Strategic Finance Group. In each case the risk is assessed in terms of the minimum and maximum impact from a monetary perspective. In addition, an indication is provided as to whether the risk has been included in the year-end forecast for each Service Area, thereby providing a link between risk management and budget monitoring;
• Risks within the One Council programme are fully documented within the reporting framework of the programme. These are reported fortnightly to the Programme Board and a risk log is maintained. These are project risks and are not separately identified within the Risk Register. Operational risk arising from the One Council change programme feed into departmental registers; and
• Risks are identified within Service Plans and considered on an ongoing basis by DMTs during the course of the year.
Further work is now being undertaken to further develop and embed the framework across the Council during 2011/12. This will be focused on ensuring that risks are assessed in a consistent manner across all service areas, and that a consistent language is used in the identification of risk.
In addition, work will be undertaken to identify the sources of assurance in respect of the key controls in place to manage risks, including internal management assurances, and the arrangements for collecting and reporting on these will be formalised.</td><td>Further work to be undertaken as outlined opposite.
(Head of Audit & Investigations)</td></tr>
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CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
9. Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access.	There is a Whistleblowing Policy in place. This has been publicised to staff and is on the intranet under 'Raising Concerns'. Whistleblowing allegations are dealt with, in the first instance, by the Audit & Investigations Team.	
10. Actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	See above section 6. In addition, regular Monitoring Officer Advice Notes are issued. Regular training is provided to ensure Members understand areas of risk. Further details with regards to London Councils' assessment of the quality of member training and the Monitoring Officer Advice Notes are set out against Core Principle 5 below.	
11. Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	See above section 6. In addition regular Monitoring Officer Advice Notes are issued. Advice is tailored and specific regarding the Authority's capability and capacity to take relevant action including liability of the organisation	
12. Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.	Legal comment and consultation on reports. Monitoring Officer Advice Notes issued and Legislation Trackers in place.	

CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
1. Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	The Council runs a Member development programme which is reported to the Standards Committee annually. The Borough Solicitor provides training to new and existing Members on decision making and standards of conduct. A comprehensive induction programme was delivered for members following the local elections in May 2010. This included both general induction and service specific sessions. Further member development events were subsequently held during the course of the year, and 34 councillors formulated and agreed individual Personal Development Plans (PDPs). As reported to the Standards Committee in the annual Review of the Member Development Programme May 2010-April 2011, the Council has been awarded the London Councils' charter for member development excellence. This lasts for three years, after which there will be a need for reassessment. The report from London Councils noted that *'Brent Council has worked very hard to introduce ways of providing support to its members and helping them to develop their skills and knowledge. This not only benefits the councillors themselves, but also ensures that their residents receive the best possible leadership and services from their local council.'* In relation to standards, the assessors found that *'Brent's good practice on standards is widely recognised and there is now an annual working event with councils in the West London Alliance and more recently also included Barnet, Islington and Kensington & Chelsea'*. The assessors were also very impressed with the Monitoring Officer Advice Notes for members. Going forwards, the member development programme will continue to be focused on specific needs identified through the PDPs. In addition, the Council is in the process of purchasing an e-learning package which will link into the Political Skills Framework tool purchased in conjunction with Harrow Council.	

CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
	For officers, it remains a key policy of the Council to provide all new staff with an informative induction that explains the structure and work of the Council and the relationships between different parts of the organisation. It is also an important way of ensuring new staff understand the values of the organisation and the part they will play in supporting the achievements of its goals. Last year we had a target to improve the induction process and take-up on the corporate course and to address this; we have introduced a policy framework to include individual, local and corporate induction. All new entrants are also expected to attend a course within their first three months of being in the Council. The induction process marks the beginning of the relationship between the Council and all new starters are set up with e-learning accounts to complete the mandatory e-learning modules and also to complete a personal and/or any local induction programmes. The programmes are fundamental in setting standards and influencing patterns of behaviour conducive to working well with partners, colleagues and delivering excellent customer services. The key objectives of the corporate induction programme are for delegates to: • Understand the organisations aims, values and the standards of behaviour and performance expected; • Have an opportunity to identify and resolve at an early stage any concerns, issues or queries they may have relating to their employment; and • Feel engaged and enthusiastic about working at Brent.	A concerted plan to ensure all new starters attend mandatory induction is required. CMT to monitor and ensure compliance within departments. (Head of Learning & Development and Strategic HR Managers)

CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
2. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.	During the induction process officers are introduced to key personnel and statutory roles. On an individual level, each officer has a job description and person specification, which clarifies their role and identifies the knowledge, skills and competence required to undertake that role successfully. Each year officers have an annual appraisal containing developmental objectives and plans linked to providing them with any required support to enable continuous professional development, to bridge any skills or knowledge gaps and also to support the achievement of statutory goals and to meet Service Plans. The Council's Corporate Learning and Development policy, plans and service offering are based on corporate, strategic and service needs and also individual needs identified in team plans and individual appraisals. Statutory officer are encourage to maintain their CPD's, participate in and attend external forums to maximise their learning and to development good practice networking and sharing learning to improve service delivery. Adult Social Care and Children Social Care Professional training teams have come together under one manager and have join the corporate team, this year, to form a more diverse team with a higher level of creativity and capacity to meet professional and corporate needs. A new People strategy 2010-14 was created during this financial year and it also includes workforce development gaps and plans for building capacity and capability in the Councils' Workforce. The workforce development plan highlight actions and success criteria around six people priorities and will address the needs of statutory officers as appropriate. The six priority areas are as follows: • Develop strong leadership via the new Brent management model; • Streamline and re-configure the organisation on One Council principles; • Support effective change management that delivers timely results; • Build an agile and efficient workforce that adapts easily to change; • Close skills and resources gaps by developing and reskilling staff; and • Attract, retain and develop highly motivated, diverse and talented people.	The People Strategy and Workforce Development plan will be monitored and evaluated to identify achievements against the success criteria and taking the Council's agenda forward. To ensure the learning and development programme is aligned to meeting the specific needs of statutory officers. (Head of Learning & Development and Strategic HR Managers)
3. Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	As per Core Principle 5, section 1, with regards to assessing and developing members' skills.	
	The Council has a new People Strategy which is accompanied by a comprehensive Workforce Development Plan. This has identified the key skills and key learning and development that will ensure that the skills of the managers and workforce are enhanced to improve performance and deliver the Councils agenda. The introduction of Performance and Talent Management system will enable managers to better assess key competencies; development plans and to check on progress against the objectives which have been set for staff. This technological solution enables management information to be more easily	Further embedding of the generic core management competencies and tasks will be achieved through

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CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
	extracted and monitoring of appraisals will be more dynamic and achievements monitored in real time. Staffing and Structure project began the process of the introduction of generic management job descriptions which will embed corporate expectations and a common understanding of the management role.	one of the work streams of the Review of Employee Benefits project. A corporate programme to support the Role of the Manager will begin in July 2011.
4. Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	The annual review of the Member development programme was reported to the Standards Committee in March 2011, as detailed above at section 1.	
	The Learning & Development Plan and service offering reflect the skills and knowledge required to deliver the Corporate Strategy and is reviewed on an annual basis to ensure continuing improvement and alignment to the goals of the Council. Individuals are encouraged to develop through their annual appraisal, six monthly reviews and regular one-to-ones which focus on improving performance and achievement of corporate/departmental objectives. A new appraisal system has been developed based on the competency framework which includes providing a customer focussed service, and leadership and influencing skills. The corporate training offering also offers courses on customer care and working with partners. As indicated above, the Council has an annual corporate Learning & Development programme based on strategic objectives including the Council's performance improvement priorities. A national performance management training programme has recently been piloted for staff in conjunction with the corporate Policy and Performance team. The annual review of the Member development programme was reported to the Standards Committee in March 2011, as detailed above at section 1.	Achieving higher levels of staff appraisal is a priority for the organisation to focus on improving performance. A review of the appraisal scheme to improve implementation and quality is required. (Head of Learning & Development)
5. Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for	Standards for performance are set out in the Corporate Strategy and individual Service Plans. Quarterly reports on service and financial performance are produced and considered by the CMT, Executive and Performance & Finance Select Committee. This includes performance on key partnership targets. A summary of the Council's performance is published each year in the Brent Magazine and delivered to	

CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
example aim to address any training or development needs.	all households. All performance data is available on the Council's website. As above under section 4, individual officer performance is assessed through the formal appraisal system.	
6. Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	As per Core Principle 2, section 11. In addition: • There are Service User Consultative Forums (SUCFs) which include: Pensioners forum; Black and Minority Ethnic forum; Voluntary Sector forum; Private Sector Housing forum; and Brent Disabled User forum; and • The Youth Parliament has been operating since March 2007 and provides an opportunity for children and young people to present their views to the Council. The Youth Parliament worked on the development of the 'Bmyvoice' website that was launched in March 2010.	
7. Ensure that career structures are in place for members and officers to encourage participation and development.	The Council has a new People Strategy which is accompanied by a comprehensive Workforce Development Plan. This has identified the key skills and key learning and development that will ensure that the skills of the managers and workforce are enhanced to improve performance and deliver the Councils agenda. The introduction of Performance and Talent Management system will enable managers to better assess key competencies; development plans and to check on progress against the objectives which have been set for staff. This technological solution enables management information to be more easily extracted and monitoring of appraisals will be more dynamic and achievements monitored in real time. Staffing and Structure project began the process of the introduction of generic management job descriptions which will embed corporate expectations and a common understanding of the management role.	Complete work in relation to career pathways, generic job roles and talent management. (Assistant Director, HR)

CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
1. Make clear to themselves, all staff and the community, to whom they are accountable and for what.	Council policy and services are promoted to residents via The Brent Magazine produced monthly, the Council website and wider media. Neighbourhood Bulletins are produced for each of the 21 wards twice a year to directly communicate response to issues raised by local residents. Use the staff magazine - Insight, the intranet, and internal briefing programme to communicate with staff.	Continue using and further developing / improving all forms of communication. (Head of Communications and Marketing))
2. Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.	As per Core Principle 2, section 11. The new Engagement Strategy2010–2014 was developed in line with the new duty to inform, consult and involve, and the requirements of the Comprehensive Area Assessment (CAA) process. Although the CAA has now been abolished, the importance of consultation and the principles behind it remain. The Consultation Portal will be further developed to establish more effective ways of evaluating consultation activity.	Consultation Board to recommend a review of the current arrangements for a consultation portal. (Head of Consultation)
3. Produce an annual report on scrutiny function activity.	An annual report is presented to the Overview & Scrutiny Committee in July each year.	
4. Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively.	The Brent Consultation Board, established 2009, scrutinises all major consultation projects. The Consultation Board oversaw the development of the new Brent Engagement Strategy. The new strategy promotes evaluation of consultation and engagement activity.	Core training on consultation strategy and techniques being developed. (Head of Consultation)
5. Hold meetings in public unless there are good reasons for confidentiality.	All meetings are held in public. Some parts of meetings are held in private when exempt or confidential information might be disclosed. This is subject to the agreement of the members present.	

CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
6. Ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	As per Core Principle 2, section 11, and Core Principle 5, section 6. In addition to the SUCFs which cover Pensioners, Black and Minority Ethnic, Voluntary Sector, Private Sector Housing and Disabled Users, other consultation, voluntary sector and user groups are currently being mapped by the Consultation Team.	Mapping of other consultation and voluntary sector groups is ongoing. (Head of Consultation)
7. Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result.	A Communication Plan for 2010-2011 was agreed by CMT with an action plan to be provided. All major consultations need to be referred to the Consultation Board at the planning stage. New Brent Engagement Strategy sets out standard for ensuring proper feedback to consultees.	A revised Communication Plan and action plan to be developed for 2011-2012. (Head of Communications and Marketing) Review of consultation portal in progress. (Head of Consultation)
8. On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	As per Core Principle 1, section 4. The Annual Review was published in October 2010 as part of The Brent Magazine.	Annual Review for 2011 to be produced in The Brent Magazine. (Head of Communications and Marketing)

CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability		
The local code should reflect the requirements for local authorities to:	**Position at March 2011**	**Actions Needed to Address Weaknesses and responsible officer**
9. Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	All Committee Reports, Agendas and Minutes are made available through the Council's web site.	
10. Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	The Council's managing change policy includes guidance on staff and trade union consultation. A draft engagement policy has also been developed. The role of the line manager in people management has been documented and is shortly to be published which includes guidance on engagement. The content of this is being incorporated into the Council's new people management courses.	

4 Review of Effectiveness

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

4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:

The Council

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

The Executive

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

The Audit Committee

- Has met four times during 2010/11 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter;
- Maintains an overview of the Council's Constitution in respect of contract standing orders and financial regulations;
- Monitors the effective development and operation of risk management and corporate governance in the Council;

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

The Standards Committee

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

The Forward Plan Select Committee

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

Overview & Scrutiny

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

The Performance & Finance Select Committee

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

Budget Panel

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

Audit & Investigations

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

External Audit

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

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

5. Significant Governance Issues

5.1 Set out below are a number of significant governance issues which have been identified, together with a summary of the actions taken to date, or which are being proposed for 2011/12 to deal with these.

We have included an indication as to the progress made against those issues raised in the 2009/10 Annual Governance Statement.

- The One Council programme has continued to progress during 2010/11 and robust governance arrangements are in place to manage this. Delivery against this programme is fundamental to the financial health of the Council and to the delivery of efficient and effective services to the public. This remains the key area of focus for the Council going into 2011/12.
- One of the key drivers of the One Council programme is the need to achieve significant savings over the period 2010-2014. Following the cuts made by central Government during the year, coupled with additional demands on services, the Council needs to make savings of £41.7million in 2011/12. £21million is expected to come from the One Council programme, leaving the remainder to be found through other means. Over the two year period ending September 2011, it is expected that up to 700 posts will have been cut from the Council's establishment including more than 100 management posts. Whilst a proportion of the overall reduction relates to the deletion of vacant posts, this represents a challenge in respect of maintaining service delivery and appropriate spans of control. Separate to staffing, the Council is also looking at all its services to identify possible further areas for savings. Consultation with residents and all other key stakeholders has been and will continue to be of significant importance during this period as well as ensuring that equalities issues are fully considered and addressed.
- In September 2010, the Council introduced a single accounting system (Oracle) to replace a multitude of departmentally based systems. The introduction of Oracle necessitated major changes in financial controls and processes and significant changes in roles and responsibilities for finance team across the council. This change, which took place midway through

the financial year, also coincided with the introduction in local government of International Financial Reporting Standards (IFRS) which heralded major changes in accounting standards and the presentation of financial statements. The combination of these changes in one single year has generally been smooth but has not been without its challenges and the year end audit process will present risks in terms of the quality and timing of work.

- The Council has been progressing with the construction of the new civic centre, which is expected to be in use by March 2013. As well as significant financial benefits, there are also significant risks associated with the project, given its scale both in capital terms and in respect of the changes it will bring to ways of working and the rationalisation of the Council's property portfolio. However, as with the One Council programme, there are robust governance arrangements in place to manage this. The new building is expected to be the 'greenest' public building in the UK, with a BRE Environmental Assessment Method (BREEAM) 'Outstanding' rating. It is forecast to deliver net savings of between £2.6m - £4.3m per year through reduced rental, running and maintenance costs.
- The Government's decision to abolish the Building Schools for the Future (BSF) programme during 2010/11 had a significant impact on the Council. Four schools had been allocated a total of £80million under the programme. Moving forwards into 2011/12, Children & Families have identified a potential of approximately 188 unplaced Reception pupils for September 2011. Actions are being determined to avoid the Council failing to meet its statutory duty to ensure sufficiency of school places, but this represents a key area of challenge.
- The collapse of the Icelandic banks left the Council with two outstanding deposits: one for £10m with Heritable Bank and one for £5m with Glitnir Bank. The Council has been working with other local authorities, the Local Government Association (LGA) and other organisations such as the Chartered Institute of Public Finance and Accountancy (CIPFA), to recover the two loans or to mitigate the effects of non-recovery. Members have been updated on the position throughout, and the Treasury Management Strategy and Annual Investment Strategy for 2010/11 reflected this. With regards to recovery, the position has improved since the time of the 2009/10 Annual Governance Statement. £5.5 million has now been recovered from Heritable Bank, plus 45% of the accepted interest. It is now expected that at least 80% of the original investment will be recovered, and hence £2million has been written off in the 2010/11 accounts, although the position may improve. The position in respect of Glitnir is still being determined and may take much of 2011/12 to fully resolve.

- Environment & Neighbourhoods continue to recognise monitoring and forecasting of income as a key risk, together with the actual level of income received in key areas including parking, planning, land charges and building control. Waste management costs have also been difficult to forecast. This has been identified in previous years and work has been progressing on developing more sophisticated models of the financial performance in these areas. Further work is needed though in 2011/12, both in respect of waste management and the parking account.
- As in previous years, the service for children with disabilities and children's Social Care Placements within Children & Families reported a significant budget overspend. Measures for resolving this continue to be worked upon as part of the transformation review being undertaken within the One Council programme. Expenditure relating to Special Education Needs (SEN) Statements has also continued to increase, with afurther overspend of approximately £2.7million in 2010/11 in additional to the cumulative overspend of £3.0m already being tackled. Measures to address this will be actioned through consultation with the Schools Forum during 2011/12.
- Some concerns were raised in 2009/10 regarding the governance arrangements across the schools. In addition to actions being taken by Children & Families, a significant proportion of the 2010/11 Internal Audit Plan was allocated to auditing the schools, including all foundation schools. As part of this, a key issue was identified in respect of leasing arrangements that had been entered into without the review and approval of the Council's Director of Finance. In eight schools, this has resulted in significant issues from a value for money perspective. Joint action is now being taken between Children & Families, Finance & Corporate Services, and Legal & Procurement, partly to assist these eight schools, but also to help ensure that such issues do not arise in future. .
- Also connected to the schools, significant control failures were identified in relation to the education capital portfolio, following the transfer of responsibility from Children & Families to the newly formed Regeneration & Major Works department. These have been largely rectified in-year and there are now clear governance arrangements in place involving legal, finance and procurement staff as appropriate. A protocol is being developed which head teachers and chairs of governors will be required to follow prior to any future capital works being submitted to the Council's Executive for approval. Connected to this, but on a Council wide level as opposed to just the schools, a new Project Management Framework has also been developed and will be rolled out in 2011/12, so as to help ensure that construction works and other major projects are managed in an effective and consistent manner across the Council going forwards.

- Adult Social Care has had significant difficulties in managing its overall budget in recent years, and this continued to be an issue in 2010/11. As part of the One Council programme, significant transformation work has been progressing in this area, with a view to both improving service delivery, but also seeking to achieve savings and hence improve the overspend position. Connected to this, various measures are taken to control overspending during the year, but this can conflict with the rising number of clients who meet the Council's eligibility criteria in respect of being entitled to a care service. Measures to control discretionary spending have been of limited effectiveness in the past. Budget monitoring in this area is currently being reviewed and the transformation programme will continue into 2011/12.

5.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ………………………………………	…………………………………………..
Councillor Ann John Leader of the Council	Gareth Daniel Chief Executive

	Audit Committee 22 September 2011 **Report from the Director of Finance and Corporate Services**
For Information	Wards Affected: ALL

1st Internal Audit Progress Report 2011/12

1. Summary

1.1. This report sets out a summary of the work of Internal Audit for the period 1st April 2011 to 31st August 2011. The attached report provides further detail together with the assurance ratings and priority 1 recommendations for limited assurance reports and management responses for those audits for which final reports have been issued since April 2011 (including reports for the 2010/11 financial year).

2. Recommendations

2.1. That the Audit Committee note the progress made in achieving the 2011/12 Internal Audit Plan.

3. Detail

3.1. The Internal Audit Plan for 2011/12 comprises 1,200 days, of which 905 are allocated to Deloitte Touche Public Sector Internal Audit Limited, and 295 to the in-house team.

3.2. At the end of August 2011, a total of 370 days had been delivered against the overall Plan, made up of 280 Deloitte PSIA days and 90 in-house days. This represents 31% of the Plan.

3.3. In so far as it was possible to allocate audits to a specific quarter prior to the start of the year, the majority of these have progressed as planned. As explained in previous years, the days are not planned to be delivered in an even twelve month split. There is a requirement for financial systems to be audited towards the end of the year, in order for sample testing to cover a significant proportion of the accounting period and satisfy the Audit Commission's assurance needs. In addition, given that the Plan has been aligned to many of the developments taking place as part of the One Council programme, a further key factor in the timing of work is the status of implementation of each of these developments.

3.4. The Plan is kept under continuous review in order to determine whether changes will be required in certain areas, on the basis that internal audit work will not be considered relevant in respect of certain projects due to the implementation status. Where this is the case, alternative areas are identified, so as to ensure that the total planned days are delivered by year-end.

3.5. A number of systems audits have been completed and are in progress across the Council. In addition, work has been undertaken in relation to the new Project Management Framework being developed and implemented by Regeneration and Major Projects. This work involved an initial assessment of the adequacy of the controls making up the new Framework, and was completed by one of Deloitte's specialist contract auditors, taking account of their construction industry knowledge and experience of good practice across the public sector. The purpose of the work was to assist management to determine any revisions potentially needed at this stage, as opposed to waiting until the Framework has been fully embedded.

3.6. Computer audit work is also progressing, and has included Programme and Project Management Effectiveness; Resilience of Exchange/Outlook and E-mail archiving; Framework-i application; Software Licensing; and risk and control input to the project meetings for the Council wide VDI Project.

3.7. The final key area of work is in relation to schools, which forms a significant part of our annual coverage. 16 primary schools have been included in the 2011/12 plan. The majority of these have been visited before the summer holiday and audit are waiting for further information and documents to finalise the audits. In addition, a number of reports for Secondary schools audited in 2010/11 were still in draft at the time of the last meeting, these have now been finalised. However, it should be noted by the committee that the majority of secondary schools failed to provide management responses to draft reports.

3.8. As was the case in 2010/11, key areas of weakness identified across several of the schools audited so far in 2011/12 relate to compliance with the Financial Regulations for Schools around high value procurement and leasing arrangements. In addition, issues have been identified in respect of the salary levels of Headteachers', other members of the Leadership Teams in the context of non-compliance with the national School Teachers Pay and Conditions Document 2010 (STPCD).

4. Financial Implications

4.1. None

5. Legal Implications

5.1. None

6. Diversity Implications

6.1. None

7. Background Papers

1. REPORT FROM THE DIRECTOR OF FINANCE – INTERNAL AUDIT PLAN FOR 2011/12, *Audit Committee 25th June 2011.*

8. Contact Officer Details

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Clive Heaphy
Director of Finance and Corporate Services

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Appendix 1

Internal Audit
Progress Report 2011/12
London Borough of Brent
September 2011

Contents

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Executive Summary

Introduction	This report sets out a summary of the work completed against the 2011/12 Internal Audit Plan for the financial year to date, together with an update on any 2010/11 reports outstanding at the time of the last meeting. The report provides a summary of the main findings from each audit together with the assurance ratings for each one. Please note that this summary and assurance rating is only reported on once the individual audit reports have been finalised. The report also identifies reports at draft stage and where audit fieldwork is currently in progress.

Summary of progress against the Plan	The overall Internal Audit Plan for 2011/12 comprises 1,200 days, of which 905 were allocated to Deloitte & Touche Public Sector Internal Audit Limited (Deloitte PSIA), and 295 to the in-house team. As at the end of August, a total of 370 days have been delivered against the overall Plan, made up of 280 Deloitte PSIA days and 90 in-house days. This represents 31% of the Plan. The majority of audits profiled to start in the first quarter have progressed as planned. Audit days are not planned to be delivered in an even twelve month split. There is a requirement for major financial systems to be audited towards the end of the year, in order for sample testing to cover a significant proportion of the accounting period and, hence, to satisfy the Audit Commission's assurance needs. In addition, given that the Plan has been aligned to many of the developments taking place as part of the One Council programme, a further factor in the timing of work is the status of implementation of each of these developments. The Plan is kept under continuous review in order to determine whether changes will be required in certain areas, on the basis that internal audit work will not be considered relevant in respect of certain projects due to the implementation status. Where this is the case, alternative areas are identified in which to undertake work, so as to ensure that the total planned days are delivered by year-end.

Summary of Work Undertaken	A number of systems audits have been completed and are in progress across the Council. In addition, as part of the focus on key developments, work has been undertaken in relation to the new Project Management Framework being developed and implemented by Regeneration and Major Projects. This work involved an initial assessment of the adequacy of the controls making up the new Framework, and was completed by one of Deloitte's specialist contract auditors, taking account of their construction industry knowledge and experience of good practice across the public sector. The purpose of the work was to assist management to determine any revisions potentially needed at this stage, as opposed to

	waiting until the Framework has been fully embedded. Computer audit work is also progressing and has included Programme and Project Management Effectiveness; Resilience of Exchange/Outlook and E-mail archiving; Framework-i application; Software Licensing; and risk and control input to the project meetings for the Council wide VDI Project. The final key area of work is in relation to schools, which forms a significant part of annual coverage. 16 primary schools have been included in the 2011/12 plan. The majority of these have been visited before the summer holiday and audit is currently waiting for further information and documents to conclude the work. In addition, where reports for Secondary schools audited in 2010/11 were still in draft at the time of the last meeting, these have now been finalised. However, it should be noted that a number of schools failed to respond to draft reports and, therefore, management responses cannot be included. As was the case in 2010/11, key areas of weakness identified across several of the schools audited in 2011/12 relate to compliance with the Financial Regulations for Schools concerning high value procurement and leasing arrangements. In addition, issues have been identified in respect of the salary levels of Headteachers' and other members of the Leadership Teams in relation to non-compliance with the national School Teachers Pay and Conditions Document 2010 (STPCD). As previously reported, the Secretary of State withdrew the Financial Management Standard in Schools (FMSiS) in November 2010. The Schools Financial Value Standard (SFVS) has now been published by the Department for Education and will be available to schools to operate from the Autumn term 2011. Maintained schools will be required to conduct an assessment against SFVS once a year. In addition to the assurance work summarised above, work has also been completed in respect of the Council's arrangements regarding the CRC Energy Efficiency Scheme. The details of this work are set out under Non Assurance Work within this report.

Summary of Assurance Opinions and Direction of Travel	

Assurance Opinions

	Full	Substantial	Limited	None
2008/09	-	78% (21)	22% (6)	-
2009/10	-	61% (25)	39% (16)	-
2010/11	-	67% (37)	31% (17)	2%(1)
2011/12	-	100% (3)	XX	-

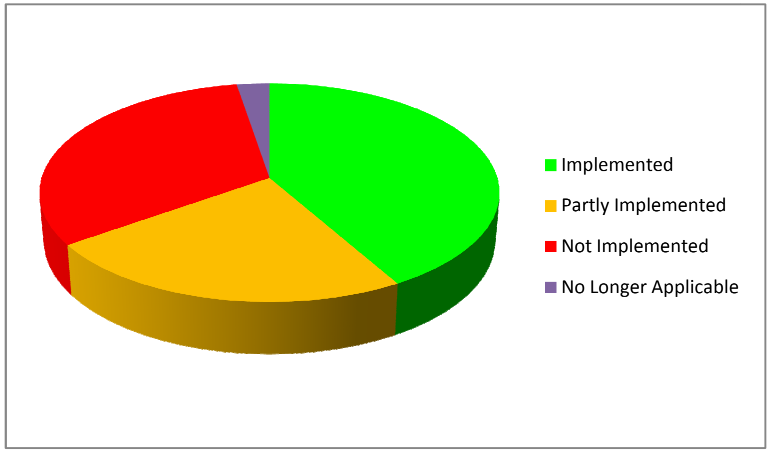
Direction of Travel

	Improved ⇨	Unchanged ⇔	Deteriorated ⇦
2008/09	8	1	-
2009/10	6	9	-
2010/11	5	5	-
2011/12	-	-	-

N.B. The figures for 2010/11 have been updated since the previous meeting to take account of the additional reports that have since been finalised.

Overall, for the work finalised for 2011/12 to date, there has been a positive movement in the spread of assurance opinions. However, this is based on a limited number of reports and hence will need to be monitored as the year progresses.

It should be noted that the above figures do not include Brent Housing Partnership (BHP) reports, which are reported on separately to the BHP Audit & Finance Sub-Committee.

Follow-Up of Previously Raised Recommendations	As part of the rolling programme, all recommendations are being followed-up with management, as and when the deadlines for implementation pass. This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any priority 1 recommendations.  With regards to the followed-up recommendations reported on since the last meeting of the Committee, the chart above illustrates the status of implementation. The detail behind this is presented on page 37. In total, 65% of the recommendations were found to have either been implemented or partly implemented, with 32% having not been progressed, i.e. no actions had yet been taken to implement the previously agreed recommendations. Of the priority 1 recommendations, 47% had either been implemented or partly implemented, with no actions taken for the remaining 53%. As such, this represents a decline in comparison to previous periods. Management in a number of areas are suggesting that resource issues are inhibiting their ability to implement recommendations, Although, this may be a limiting factor in certain areas, it is important that both management and the Committee have an awareness of any such recommendations, and, specifically, the risks surrounding the weaknesses to which they relate. In certain instances, if the risk exposure is high, a decision may need to be made as to how this can be addressed given the resources available. The Committee's attention is drawn to the final reports for Children's Centres Financial Management, as summarised on page 13; Parking on page 18; and Establishments (Thematic Work) on page 31. In each of these areas, management suggested that resourcing issues had impacted on the implementation of recommendations. It should be noted that these claims have not been validated by

	audit. As seen on page 36, the decline in the rate of implementation is also impacted by the key financial systems. These are discussed in further detail on pages 21-28. With regard to these audits, it should be noted that management had made good progress against the recommendations raised as part of the preliminary work at the end of 2009/10 and also that they were continuing to address any new weaknesses that were emerging as part of embedding the system and new ways of working. Given the scale of the changes being made in these areas, whilst the importance of addressing the weaknesses should not be understated, it is understandable that some actions were outstanding. In all cases, if recommendations are found not to have been implemented, further actions are raised as being necessary. Management are required to assign a new deadline and responsible officer to each of these. These will continue to be followed up until they are assessed as having been fully implemented.

Customer Satisfaction

Satisfaction Ratings 1=Poor, 5= Excellent

Year	Average Overall Rating
2008/09	4.4
2009/10	4.1
2010/11	4.7
2011/12	4.1

One completed satisfaction questionnaire has been received so far during the year in relation to the work undertaken by Deloitte PSIA. This, together with the in-house monitoring of progress and the review of work completed, is a key way in which the performance of Deloitte PSIA is monitored.

Detailed summary of work undertaken

This section sets out a summary of the internal audits completed during the 2011/12 financial year to date.

Assurance Opinions

Four categories are used to classify internal audit assurance over the processes examined. These are defined as follows:

	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
	None	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

⇨	Improved since the last audit visit. Position of the arrow indicates previous status.
⇦	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
⇔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Recommendation Priorities

In order to assist management in using internal audit reports, audit categorise recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

SUBSTANTIAL ASSURANCE REPORTS

Only the assurance opinion and direction of travel is being reported on for those audits for which Substantial Assurance was given. The Committee's focus is directed to those audits which received a Limited Assurance opinion.

At the time of the previous meeting, a number of 2010/11 reports had yet to be finalised. Where this has now occurred these are included below. However, as set out on page 34, there are still a small number of 2010/11 reports at Draft stage, where management responses have not been provided.

2010/11 Audits (finalised since the June 2011 meeting)

Audit	Status as at 31 August 2011	Assurance Opinion and Direction of Travel
Early Years Single Funding Formula (2010/11)	Final Report	S
CRC Enegy Efficiency Scheme (2010/11)	Final Report	S
Temporary Accommodation (2010/11)	Final Report	S
Direct Payments (2010/11)	Final Report	S
Pension Administration (2010/11)	Final Report	S
Housing & Council Tax Benefits (2011/11)	Final Report	S

Audit	Status as at 31 August 2011	Assurance Opinion and Direction of Travel
Licensing (2010/11)	Final Report	S
AntiVirus, Spyware & Malware (IT) (2010/11)	Final Report	S
BHP		
Rent Arrears Management (2010/11)	Final Report Reported separately to the BHP Audit & Finance Sub-Committee.	S
Internal Financial Controls (2010/11)	Final Report Reported separately to the BHP Audit & Finance Sub-Committee.	S

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2011/12 Audits

Audit	Status as at 31 August 2011	Assurance Opinion and Direction of Travel
Members' Allowances and Expenses (2011/12)	Final Report	S
SCHOOLS		
St Mary's Catholic Primary School (2011/12)	Final Report	S
Uxendon Manor Primary School (2011/12)	Final Report	S

LIMITED/NIL ASSURANCE REPORTS – General Audits

For all Limited/Nil Assurance reports, a brief rationale for the assurance level is included, together with details of any priority 1 recommendations raised, including the agreed actions to be taken and deadlines for implementation. These are the key audits and recommendations which the Committee should be focusing on from a risk perspective. The only exception is for any BHP reports, for which the details have been reported separately to the BHP Audit & Finance Sub-Committee.

As for the Substantial Assurance reports, at the time of the previous meeting, a number of 2010/11 reports had yet to be finalised. These are now included below. There are no 2011/12 audits to report in this section at the current time.

2010/11 Audits (finalised since the June 2011 meeting)

Use of Special Educational Needs (SEN) Funding in Children's Centres (2010/11)	The key weaknesses related to: the allocation method for funding; communicating and understanding the terms and conditions attached to SEN funding; accounting for the use of the funding; and monitoring the use of the funding and achievement of objectives. Given the level and nature of the weaknesses identified, rather than raising specific recommendations in respect of each weakness, two high-level, priority 1, overarching recommendations were raised regarding the need for management to review the overall framework in which the Early Years SEN funding is administered.	N

Priority 1 Recommendations	Management Response / Deadline for Implementation
The review of the allocation method for Early Years SEN Funding should be completed and that the revised allocation method is applied as soon as practically possible. As part of the review, management should consider linking the funding with objectives and expected outcomes.	Agreed. This funding is provided from the Direct Schools grant for the purpose of funding places for children 0-5 assessed by the Children with Disabilities panel as needing a nursery place. The process has now been reviewed and clarified. Staff are aware of the purpose of funding. Because the funding is DSG, the process is awaiting agreement from the Early Years Funding Sub-Group and the Schools Forum. **December 2011**
Management should review the current arrangements in respect	Agreed.

Priority 1 Recommendations	Management Response / Deadline for Implementation
of managing Early Years SEN funding. As part of the review management should ensure the following: • Children's Centres are made aware of terms and conditions of the funding, including the intended purpose of the funding and guidance on how the funding should be used; • Both Children's Centres and the Early Years Team should agree to the conditions attached to the funding, including any reporting requirement and a protocol relating to potential withdrawal of funding in the event of major non compliance; and • Processes are put in place to monitor the use of the funding. This may include achievement against agreed criteria.	Children's Centre staff have been made aware of terms and conditions of the funding and guidance on how the funding shall be used has clearly been laid out. Processes have been put in place to monitor the use of the funding which will also prevent non-compliance. These are currently being embedded. **October 2011**

Children's Centres Financial Management (2010/11)	Six priority 1 recommendations were raised as a result of this audit and the follow-up of the 2009/10 recommendations. The key areas for which priority 1 recommendations were raised relate to: cash handling procedures and administration of income; debt recovery; purchasing procedures; apportioning shared resources and determining the costs of running nursery operations; financial discussion and consideration by LMB/Committees; and supplementary payments. The Direction of Travel provides a comparison with any prior audit visit. In this case the arrow indicates that the assurance level has remained the same since the last audit and no movement is considered to have occurred within this. It should be noted that eight recommendations were raised during the 2009/10 audit. Of the eight recommendations, one was judged to have been implemented and one partly implemented, but no progress had been made against the remaining six. Audit were informed that this was due to other priorities in respect of the One Council Project and resource constraints arising from the recent restructure. Included below are the current priority 1 recommendations, relating to both audits.	L ⇔

Priority 1 Recommendations	Management Response / Deadline for Implementation
Management review the cash handling procedures and income administration across Children's Centres. As part of the review, management should determine the key procedures that the Centres are expected to follow. As a minimum, but not necessarily be limited to, Children's Centres should be expected to: • Record all income at source; • Count money against recorded income (this should be performed by an independent officer); • Bank the money on a regular basis; and • Have a robust debt recovery process operated by a staff member who is independent from collecting money. ***This relates to a previously non-implemented recommendation.***	Agreed. Started banking income on a weekly basis for Treetops. Financial system needs improvement at Treetops. Was kept on hold due to restructuring. New system being implemented July/August. Also, FT Financial Officer to be appointed and work across the 3 Children's Centre nurseries. **September 2011**
A debt management policy and procedures should be developed and	Agreed.

<table>
<tr><th>Priority 1 Recommendations</th><th>Management Response / Deadline for Implementation</th></tr>
<tr><td>communicated to all Children’s Centres.
In addition, Centre Managers should review the structure of records maintained by the Centre so as to ensure that the information relating to the age of debts can be collated to support any decisions being made.</td><td>There’s a meeting scheduled for 29/6/11 with Neena- Business Analyst and Carli Weston- Exchequer services Officer (Debt Collection) to discuss nursery income process after which it is anticipated that invoices will be raised by the Children Centres and the Debt managed by the Exchequer services – Debt Collection.
September 2011</td></tr>
<tr><td>Management should clarify purchasing procedures with Centre Managers. In particular, they should be reminded of the need to:
• Raise purchase orders in advance of purchases wherever possible;
• Follow the relevant purchasing procedures in respect of obtaining quotes, tender or a waiver; and
• Retain delivery notes and evidence goods receipting.
• In addition, it is also recommended that an analysis should be undertaken to identify any opportunities for consolidating and negotiating orders across a number of Centres.
This relates to a previously non-implemented recommendation.</td><td>Agreed.
All relevant staff and managers have now received basic training on Oracle and the PO process is being followed. Additionally, schedule of training needs are being compiled for the Oracle Team so targeted training can be delivered. All PSLMs have been informed that all orders must be raised in advance in Oracle.
Oracle service limits have been reviewed in line with the restructure using CL Codes and to minimise risks, different levels of authority/scheme of delegation have been put in place.
September 2011</td></tr>
<tr><td>Guidance notes should be provided to all Children’s Centres in respect of apportionment of shared resources.
It is also recommended that a separate cost centre should be set up to separate the costs relating to nursery activities from the Children’s Centres core activities.
In addition, performance of nursery operations should be monitored against the business model and the model should be reviewed periodically in line with actual performance and the current economic climate.
This relates to a previously non-implemented recommendation.</td><td>Agreed.
New codes have now been set up for all Centres and the Nurseries have been allocated separate codes. Charges are to be apportioned accordingly. It should however be noted that Children’s Centre nurseries do not get allocation of funding. They have to be self-sufficient and only spend their generated income. However, the maintained nursery/Children’s Centre (Fawood, Curzon, Granville) receive a Children’s Centre budget allocation of funding and are required to submit quarterly returns to show how their allocation has been spent. This is part of their report back to schools finance via an additional</td></tr>
</table>

Priority 1 Recommendations	Management Response / Deadline for Implementation
	column (4) dedicated to Children's Centre spend. **September 2011**
Management should review the financial discussion and reporting process within Children's Centres LMB (or Governing Bodies if the Centre is in a school setting). As part of this, management should also review the current governance arrangements in Children's Centres to determine whether the LMB have appropriately delegated the responsibility for financial matters or whether the Board has the capacity and required skills/knowledge to assume such responsibility without delegation. In addition, it should be ensured that budget reports should be issued to all Centre Managers to facilitate an effective budget monitoring process. ***This relates to a previously non-implemented recommendation.***	Agreed. From April 1st 2011, a new governance system for Children's Centre has been implemented. The Maintained Nursery/Children's Centres remain governed by the school governing body. All other Children's Centres fall under the guidance of a Locality Advisory Board. They advise and support on budget monitoring/allocation but the responsibility and budget holding remains clearly with Local Authority Officers – e.g Network Managers and Preventative Services Locality Managers. Everyone has received training and is aware of their roles and responsibilities. Effective monthly monitoring is in place and by October 2011 all staff will have embedded the principles of good financial management. **October 2011**
Management should review the arrangements concerning the supplementary payments made to school staff members, determining whether the support given is in addition to their normal working hours at the school, or whether the time input to the Centres is at the detriment of the time required to be input to the schools. In addition, management should consider introducing a requirement for schools in receipt of such monies to have to report back to the Council on the details of any supplementary payments made, including the benefits realised from these by the Centres and confirmation that there have not been any associated costs incurred by the schools through lost time input by recipient members of staff. ***This relates to a previously non-implemented recommendation.***	Agreed. No more uplifts given to schools. Budget now allocated only for utilities, cleaning and caretaking where this is appropriate. SLA's will be in place by Oct 2011. **Implemented April 2011**

Priority 1 Recommendations		Management Response / Deadline for Implementation
Reablement (2010/11)	Work was previously undertaken in 2009/10, informally assessing the adequacy of the controls being planned / implemented at that time as part of the Council's preparations for the Reablement team. This report highlighted some weaknesses in the adequacy of planned controls and raised recommendations in the form of an action plan to help management address these. This was followed-up on the implementation of those recommendations, as well as more fully assessing both the adequacy and effectiveness of the controls that are now in place. Six priority 1 recommendations were raised as a result of this audit. The key areas relate to: procedures being formally defined; liaising with OSS and Access & Assessment Teams; for issues relating to capability to be escalated; for a Pan London or alternative solution in respect of the secure transfer of data to contractors. The Direction of Travel provides a comparison with any prior audit visit. Given that an assurance opinion was not provided in the 2009/10 work, no Direction of Travel has been indicated. However, please note that there has been positive movement since the previous audit in that of the 15 recommendations previously raised, three had been fully implemented and six partly implemented.	L ⟺

Priority 1 Recommendations	Management Response / Deadline for Implementation
Procedures should be formally defined and implemented in relation to the review of the Contact Assessment Forms where the OSS officers have assessed individuals as having 'Moderate' or 'Low' needs. Management should determine whether the review should take place in all cases, or whether this is to be undertaken on a sample basis. If it is the later, management should formally agree the sample size and sampling method so as to ensure that this provides them with an adequate level of assurance over the process. Any issues arising from the review should be monitored and fed back into the training provided to OSS officers on an on-going basis. ***This relates to a previous partly implemented recommendation.***	Since March 2011, a Senior Practitioner has been located in the OSS, supporting the OSS officers with ongoing development and individual case consultations. They are responsible for the quality of the assessments and ensuring that FACS criteria are applied equitably and transparently. They report to the Reablement Team Manager. The processes were revised and clearly defined as part of the Customer Journey, which was implemented in April 2011. **Implemented**
Management should liaise with both the OSS officers and the Access &	A focused training programme relating to the

Priority 1 Recommendations	Management Response / Deadline for Implementation
Assessment Team to determine further training needs of the staff involved in the reablement process. In light of the Customer Journey Project, management should consider undertaking a lessons learnt exercise relating to the training and performance of staff. The purpose should be to assess the extent to which training has helped provide the necessary skills for staff involved in the reablement process. The results of any such analysis should be documented, highlighting any areas of improvement or development, as well as acknowledging areas that worked well. The results should then be shared with the relevant staff involved in development of any training programmes. In addition, management should also identify the training needs of social workers who will become responsible for the development of Care Plans following the completion of the Customer Journey Project. Training plans should be defined and they should also be evaluated once the training has been delivered.	Customer Journey was delivered as part of the implementation of the customer Journey. Specifically, all OSS staff have been trained and individual needs assessments have been carried out through their regular supervision. This has been feedback to Senior Management through the Senior Practitioner who sits on the Reablement Implementation Group (RIG). One of the issues that was raised through this feedback loop (as part of the preparation for the 6 month review and at the end of the current Senior Practitioner's secondment) was the need for a clear statement about the current strengths and needs of all OSS ASC staff. This is being done through a self assessment, which will be matched to the Senior Practitioner's opinions and aggregated for the RIG to confirm how future training and development needs will be addressed. **October 2011**
The issues affecting the reporting capability should be escalated so that they can be resolved and monitoring reports made available to generate the required performance information. Management should also confirm and communicate the following to all relevant staff: • The target timeframe that should be used for the referrals and the production of Care Plans, whether that be the National target of 28 days or the previously suggested local target of 48 hours; and • The targets for the performance indicators defined for the four main elements of the reablement services including: assessments; packages; service outcomes; and costs & benefits. In addition, the monitoring spreadsheets should be completed regularly to	A new performance management framework has been implemented as part of the Customer Journey. Targets for all parts of the Reablement service have been set (e.g. 80% of all community contacts should go to Reablement, 60% of all Reablement cases should be fully independent after a period of Reablement, and all staff in the Reablement team should receive 6 new allocations a week). **October 2011**

Priority 1 Recommendations	Management Response / Deadline for Implementation
facilitate effective performance monitoring. ***This relates to a previous partly implemented recommendation.***	
Management should ensure that the Pan London solution, or a suitable alternative, is implemented in respect of a more secure method of transmitting data to contractors. ***This relates to a previously non-implemented recommendation.***	This is being addressed as part of a wider workstream looking at data transmission with Health. Juan Murray is leading on this from an IT perspective and Phil Porter is leading on it from a service perspective. **January 2012**
Management should ensure that the contractual agreements for the outstanding five care providers are put into place. The agreements should contain reference to reablement as well as the incentives/penalties as defined in the service specification and should also set out the required frequency of meeting to help manage the performance of the contractors. ***This relates to a previous partly implemented recommendation.***	All providers now deliver Reablement through the West London Alliance framework. **July 2011**
The financial performance of reablement should be monitored on a regular basis. This should include but not necessarily be limited to: • Actual spend to date; • Forecasting to the year end; • Forecast of year end variance against the budget; and • Savings made/projected.	Reablement financial performance is monitored on a monthly basis. A comprehensive action plan has been put in place to ensure that all elements of the service are delivering value for money (e.g. existing cases suitable for Reablement are passed to the Reablement Team, monthly monitoring of providers ensures we focus provision on the most cost effective providers etc). The financial update is provided as part of a monthly report on the budget and efficiencies plan at ASC departmental management team. **Ongoing (monthly)**

Parking (2010/11)	It should be noted that the weaknesses identified are significant given the high level of income generated from Parking operation and the fees paid to the contractor. Six priority 1 recommendations were raised as a result of this audit. The key weaknesses identified relate to assurances over the completeness and accuracy of information provided by the Contractor, suspensions, KPIs, receipt of income and certification and payment of invoices. Other issues have also been identified for which four priority 2 and one priority 3 recommendation has been raised. The scope of the 2010/11 work differs to that covered in previous years, and consequently a direction of travel has not been provided. However, it should be noted that the findings indicate that the parking control environment has deteriorated since the last visit.	L ⟺

Priority 1 Recommendations	Management Response / Deadline for Implementation
Management should determine the level of assurance required in relation to the accuracy and completeness of information supplied by the Contractor.	Agreed. • Till return - reconciliation to be commenced by Brent client Parking Monitoring Officers, subject to vacant posts being filled. • Bay suspension - reconciliation to be commenced by Brent client Parking Monitoring Officers, subject to vacant posts being filled. • IT infrastructure – being re-specified for upgrade as part of contract retendering in June 2012. No business justification for doing so beforehand. **July 2012**
Management should define and agree arrangements in respect of suspensions with the Contractor. Furthermore, suspension records should be reconciled to Contractor invoices prior to certification for payment.	Agreed. The processes will be implemented in the Autumn and fees will be reviewed as part of the routine corporate fees and charges cycle. **31 March 2012**
Management should determine the KPIs and associated targets required in relation to the Contractor's performance. Once determined,	New KPIs are currently being renegotiated with the contractor. PCN cancellations will be included as a KPI.

Priority 1 Recommendations	Management Response / Deadline for Implementation
the Contractor should be requested to provide KPI information on a periodic basis. KPIs should be spot checked for accuracy and where poor performance is identified, action plans should be produced and monitored to assist in improving performance.	More robust performance monitoring and resultant targeted performance improvement actions are planned. Whilst work on this is already underway, a step change in the management and improvement of performance will follow appointment of the vacant post of Senior Contracts Manager. **31 December 2011**
Management should reinstate the following controls in relation to income received: • Income banked by the Contractor should be reconciled to reported income received by the Contractor. • Expected income from pay and display machine audit tickets should be reconciled to income received from the Contractor. • Expected income from details of PCNs and permits logged on the ICPS system, and from records of suspension, scratch cards issued, etc., should be reconciled to income received from the Contractor. In addition, bounced cheques, chargeback's, and cancelled payments should be identified from the Parking Services bank statement. This information should be recorded and reported to the Contractor to amend any payments recorded on the ICPS system and to initiate the debt recovery process.	Agreed. Despite being the Council's second largest source of non-government income, the parking service only has two contract monitoring staff and no finance staff. Furthermore, the time available for monitoring and reconciliations is reduced because about a third of the time of the monitoring officers is spent on the operational issue of maintaining pay and display machines. The new Head of Service shares the auditor's concerns about the need to improve contract monitoring to maximise income, assess contractor probity and raise parking compliance rates. This may well need additional resources. However, before a business case to do so is investigated, it is intended that we first seek to: • extend the focus and extent of monitoring with existing resources be developing a risk-based monitoring programme; • contract out level 2 pay and display maintenance tasks in the new parking contract which will be issued from June 2012; • consider the option of parking receipts being received directly by the Council under the new contract, thereby minimising the need for reconciliation; and • consider the option of implementing a real-time management information system of the Council's

Priority 1 Recommendations	Management Response / Deadline for Implementation
	choosing at the time of the new contract, to automate more of the currently manual reconciliation processes. Depending on the outcome of work to improve the extent of monitoring from existing resources, consideration will later be given to developing a business case for additional monitoring staff. **July 2012**
Monthly Contractor invoices should certified for accuracy and completeness prior to their certification for payment. Furthermore, rates charged by the Contractor should be verified using the Contractual Pricing Document.	Agreed. See management response relating to reconciliation and monitoring staff deployment in 4. Above. **July 2012**

Key Financial Systems

Following earlier adequacy based work around the new systems of control being planned and implemented in respect of the Finance Modernisation Project, full systems audits were undertaken at the end of 2010/11. In addition to the individual reports, which are summarised over the following pages, an overarching summary report was also issued for management (see below).

Key Financial Systems – Overarching Recommendations (2010/11)	Although each key financial audit was given a Limited assurance opinion, it was positive to note that management had made good progress against the recommendations raised as part of the preliminary work at the end of 2009/10, and also that they were continuing to address any new weaknesses that emerge as part of embedding the system and new ways of working. However, there appeared to be an underlying issue with regards to awareness and understanding amongst staff across the Council. It was appreciated that, given the scale of the changes taking place, ensuring that all staff are clear on every aspect of what is required and how to do things is a significant challenge. However, it is critical in terms of ensuring the effective operation of controls and the full compliance with required procedures. In addition, it is important from the perspective of ensuring that the Council fully utilises the Oracle system's functionality and that efficiency gains are maximised through the new ways of working. Whilst recognising the steps being taken and the challenges faced, recommendations were therefore raised regarding the overarching issues in addition to the recommendations raised within individual reports. The recommendations were as follows: • The respective roles and responsibilities in respect of financial operations should be clearly defined, communicated and agreed. If any gaps in ownership of responsibilities are identified, management should take remedial action to address the gap promptly. In addition, benefits, purposes and reasons for the changes taking place should also be clearly communicated to staff across all Service Areas; • All financial procedure notes and the PDD should be reviewed and amended as required. The finalised versions should then be published and communicated to all relevant staff. With regards to the PDD, it should be ensured that the recommendations raised as part of the 2009/10 work are fully reflected; and • Further training and briefing should be provided to Oracle users. The coverage should be based on the training needs identified through a number of channels. In addition, the following should also be included as part of the training/briefing: o Where and how the Oracle users can view the status of purchase order requisitions and what each

	status shown on the system indicate; and ○ What the Service Area should do when they receive a credit note from the supplier and under what circumstances the service areas are required to contact the FSC Payments Team to request a credit memo or request a refund.

Accounts Payable (2010/11)	It was understood that a number of issues had been experienced following the introduction of the Single Accounting System (SAS) in September 2010, including delays in processing invoices and duplicate payments. As such, management had already taken action to address the causes of these issues and hence recommendations were not raised regarding these issues. Whilst noting the above, the assurance opinion did partly reflect these issues, given that steps were still being taken to fully embed the changes. In addition, one priority 1 recommendation was raised in respect of validating bank account details for new suppliers. The assurance opinion also reflected the issues relating to the awareness and understanding of staff as per the Key Financial Systems Overarching Recommendations. A Direction of Travel assessment was not provided and will be done following the next audit in 2011/12. As such, on the basis of the positive actions being taken, and on the assumption that the issues regarding awareness and understanding will be further addressed in the coming months, the assurance opinion is expected to rise in 2011/12. However, it should be noted that this cannot be guaranteed, given that any further changes to the systems of control and/or ways of working may impact upon the current adequacy of the control environment, as well as the extent to which controls are effectively operated.	L

Priority 1 Recommendation	Management Response / Deadline for Implementation
Bank account details should be validated when new suppliers are created.	Agreed. The iprocurement project being led by procurement will incorporate a review of supplier set up arrangements, with the intention of restricting the addition of new suppliers where existing contracts in place. A review of bank account validations will also be undertaken in the light of this – the expected reduction in volumes will enable

Priority 1 Recommendation	Management Response / Deadline for Implementation
	a more comprehensive validation process within the level of resources appropriate to the levels of risk faced. **September 2011**

Accounts Receivable (2010/11)	The assurance opinion partly related to the two priority 1 recommendations raised, given that these concerned key control weaknesses in respect of an accounts receivable function, i.e. that officers with access rights to raise invoices also have the ability to amend invoices and raise credit notes, without the need for any form of online review and approval. Three priority 2 recommendations were also raised. In addition, as stated under Accounts Payable, the assurance opinion also reflected the issues in respect of awareness and understanding amongst staff across the Council. As with Accounts Payable, a Direction of Travel assessment was not provided, but will be following the next audit in 2011/12.	L

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Priority 1 Recommendations	Management Response / Deadline for Implementation
The current access rights for the raising of invoices and credit notes, and the amendment of invoices, should be reviewed and amended as a matter of priority. In addition, consideration should be given to introducing online approval for credit notes and amendments to invoices. If this is not deemed practical, a retrospective review should be introduced whereby a report of all credit notes raised and amendments processed should be run from the system, and items should be checked back to supporting documentation (requests). Management should determine whether any such checks are done for 100% of items, or on a sample basis. Such a decision should take account of the risk exposure and management's risk appetite.	Agreed. A review of Credit Notes and Amending of invoices access is currently been investigated by the OSD to ensure that this responsibility solely lies within the FSC income team. Priority will be given to regular spot checks to ensure that the procedures and guidelines set up by the OSD are adhere to, current access and rights for raising of invoices within the FSC income team are will be monitored on a regular basis. **August 2011**
All e-form requests for the raising of credit notes or for amendments to invoices, should be subject to review and	Agreed.

Priority 1 Recommendations	Management Response / Deadline for Implementation
approval from either the relevant budget holder or Business Partner, prior to being passed to the FSC. In addition, this should also apply in any instance where a Service Area is requesting an invoice to be raised by the FSC, using the e-form. Where invoices are being raised directly within the Service Areas (as is the requirement in the majority of cases), the same review and approval should be introduced in all cases. Officers responsible for processing requests, either within the FSC or within Service Areas, should only do so where the budget holder / Business Partner approval has been evidenced.	We will request that an additional field is created on the e-form to enable the budget holder to authorise such transaction before the request is sent to the FSC. **June 2011**

General Ledger and Reporting (2010/11)	The assurance opinion partly related to the six priority 1 recommendations raised, given that these concerned key control weaknesses in respect of the operation of the general ledger. Two priority 2 recommendations were also raised. In addition, as stated under Accounts Payable, the assurance opinion also reflected the issues in respect of awareness and understanding amongst staff across the Council. As with Accounts Payable, a Direction of Travel assessment was not provided, but will be following the next audit in 2011/12.	L

Priority 1 Recommendations	Management Response / Deadline for Implementation
A standard approach to the processing of journals should be adopted across the Council, regardless of whether it is done by the FSC or Service Areas. This should include, but is not necessarily limited to: • Template to be used (please see recommendation no.7 for a specific recommendation regarding the journal template); • Referencing method; • Level of required detail in the description;	Agreed. A revised ADI journal template has been created. This electronic document is in use with the A2R team, and will be made available for the Business Partners/Service Areas. Changes have been made making it clearer of the mandatory fields required. The Business Partners will be notified of the changes at the next scheduled Oracle User Group meeting in June 2011.

Priority 1 Recommendations	Management Response / Deadline for Implementation
• Journals requiring to be signed by preparer, authoriser and poster; • Required supporting documentation; and • Maintenance of a journal log and the completion of sample checks. It is also recommended that staff should be reminded of the requirements of processing journals, including the need for complete records to be maintained and the required level of segregation of duties. In addition, cross Service Area journals should only be actioned by the FSC when received by Business Partners and Senior Finance Analysts, until such a point that Business Partners are confident that journal requests will be submitted error free by budget holders. To help determine this, Service Areas should monitor error rates on submitted journal requests to help prevent inaccurate journals being processed and to identify any further training needs. In addition, it is recommended that the A2R Team Leader should complete regular spot checks to determine the level of compliance with procedures.	The A2R Team were notified of the changes at the start of the new Financial Year 2011/12 in a scheduled team meeting as well as a reminder of supporting documents required for each journal. The financial control timetable introduced in 2011/12 indicates the review of the posted journals. A sample of journals will be selected for review in the FSC on a monthly basis. **June 2011**
User access levels should be reviewed in line with officers' new roles following the restructure. Access requirements for each role should be defined, and any further access requirements should be approved in line with the current protocol. In addition, management should clarify the required authorisation for user access forms.	Agreed. A review of roles in the system will be undertaken to ensure that roles are appropriate for latest structure. The authorisation requirement for user access forms will also be clarified. **September 2011**
The bank reconciliations should be documented in full and should be subject to review on at least a monthly basis.	Agreed. The A2R Team Leader is currently working on the full Bank

Priority 1 Recommendations	Management Response / Deadline for Implementation
In addition Service Areas should be provided with a list of unreconciled items, and should be requested to provide any feedback regarding these, where possible.	reconciliation for year end 2010/11. The year-end reconciliation is currently work in progress with a target completion date of early June 2011. The financial control timetable introduced for 2011/12 indicates the review of the Bank reconciliation on a monthly basis with sign-off from Deputy Director of Finance on a quarterly basis. From June 2011 the Business Partners will be sent unreconciled items on a monthly basis to assist with the identification of the outstanding items **June 2011**
The issues regarding the migration of balances should be resolved as a matter of priority, and, going forwards, the AR reconciliation should be completed on a monthly basis. In addition, as per recommendation no.3, a process should be put in place regarding increased liaison with the Business Partners so as to potentially help with resolving any issues or queries that may arise from the completion of this reconciliation.	Agreed. Full reconciliations for 2010/11 being completed as part of 2010/11 closing. Monthly reconciliations will be signed off thereafter **June 2011**
A course of action should be devised to address the current issues regarding the reporting of commitments. In addition, management should determine whether there are any issues regarding reports for all cost centres, given concerns expressed by Service Areas. Reasons for potential differences in Oracle and Business Objects reports should be communicated and staff should be provided with guidance on what reports most accurately reflect the financial position.	Agreed. A new budget monitoring report has been developed which incorporates commitments. This also provides the standard report to be used across the Council. **Implemented**
A consistent approach to budget monitoring should be implemented across Service Areas. Items to consider include,	Agreed. Standard report now produced (as per response above) and

Priority 1 Recommendations	Management Response / Deadline for Implementation
but are not necessarily limited to: • The format of reports used (as per recommendation no.6); • The officers responsible for completion of forecasts and variance analysis. It is suggested that, ideally, this should be the budget holder; • Timeframes for completion; • Support offered to budget holders, such as meeting each budget holder on a regular basis, to both aid the budget holders' understanding of the process and requirements and to increase Business Partners understanding of services provided and requirements; and • Attaching risk profiles to budgets / cost centres based on whether the service is business critical and the budget holders ability, so that can support can be targeted.	the process for budget monitoring in 2011/12 will set out standard approach across the Council. Budget manager training during 2011/12 will also address role of budget holders in monitoring. **March 2012**

Cash and Bank (2010/11)	A Limited Assurance was given due to a number of weaknesses identified and because of the limitations placed on the scope of the work. In summary the main weaknesses identified were: audit were unable to verify the status of the reconciliation of the bank accounts which have yet to be closed; the main bank account reconciliation is not fully documented and there is no evidence of review; the cash manual has not been reviewed or updated; credit, debit and mixed cheque transactions are transferred to the main bank account on an ad hoc basis; responsibility for processing of all income receipts and transactions is not clearly defined and there are no written procedures for the reconciliation of the main bank account. An additional 7 Priority 2 recommendations were raised all of which were agreed for implementation by management.	L

Priority 1 Recommendations	Management Response / Deadline for Implementation
All of the former unit bank accounts which are yet to be closed should be reconciled monthly and that the reconciliations fully documented. Monthly reconciliations should be signed and dated by the preparer and the reviewer as evidence of review. The reconciliation of the main bank account should be formally recorded and that evidence of review should be formally recorded.	Agreed. The A2R Team Leader is currently working on the full bank reconciliation for 2010/11 year end on the main account. A semi-manual process is being used until a full system process, incorporating the migrated bank accounts, is in place. Work has commenced to implement a full system reconciliation for 2011/12. Once in place the reconciliations will be signed off on a monthly basis. **September 2011.**

LIMITED ASSURANCE REPORTS – School Audits

Given that a common set of key weaknesses have been identified across schools (as outlined in the Executive Summary), priority 1 recommendations have not been listed individually. **For the Secondary Schools highlighted in bold, no management responses were received to the draft report and given that the draft reports were issued, in most cases, over nine months ago they have been finalised on the basis that management will be implementing all of the recommendations**.

Oakington Manor Primary School (2010/11)	Six priority 1, four priority 2, and one priority 3 recommendations were raised as a result of this audit. All priority one recommendations were agreed by the school.	L
Convent of Jesus & Mary Language College (2010/11)	12 priority 1, 20 priority 2 recommendations and one priority 3 recommendations were raised as a result of this audit.	L

The Secondary Schools below failed to respond to the draft audit or provide management comments, although Claremont High School is now an Academy over which the council has no control.

Alperton Community School (2010/11)	**Three priority 1 and five priority 2 recommendations were raised as a result of this audit.**	L
Claremont HighSchool (2010/11)	**Three priority 1 and five priority 2 recommendations were raised as a result of this audit.**	L
JFS (2010/11)	**Two priority 1, seven priority 2 and two priority 3 recommendations were raised as a result of this audit.**	L
Kingbury High School (2010/11)	**Four priority 1 and seven priority 2 recommendations were raised as a result of this audit**	L
Wembley High Technology College (2010/11)	**Five priority 1 and 11 priority 2 recommendations were raised as a result of this audit.**	L

NON-ASSURANCE WORK

This section summarises other work undertaken for which an assurance opinion was not applicable. Both 2011/12 work completed to date and any 2010/11 work that has been finalised since the June 2011 meeting has been included.

Civic Centre (2010/11)	This work was a second interim audit of what is a 'watching brief' process, designed to report on the progress of the Civic Centre project from its inception to its commissioning and handover. If any weaknesses in control or issues regarding the management of the project are identified through the work, these are highlighted within each of the reports. For this second interim audit, audit considered the controls being implemented and operated across the following areas: • Governance Arrangements; • Appointment of the Construction Contractor; • Risk Management; and • Master Programme. It should be noted that audit are not providing an assurance opinion as part of each stage of the work. Instead, audit are reporting on findings in respect of each of the agreed areas of scope, the focus of which is changing as the project progresses. However, any areas of concern or potential improvement are highlighted, together with suggested steps for management's consideration. Overall, on the basis of the documentation provided to us, and the discussions held, at the time of the audit there appeared to be effective governance arrangements in place, which is key to the success of the project. Examples of good practice in respect of the management of the project included the following: • The number and level of reporting arrangements were seen as informative, with a high level review and update process; • There is senior management input within project groups and workstream meetings, in line with agreed requirements, and as supported by consultants; • The appointment of the contractor was in accordance with EU and Council Regulations; and • At the time of the fieldwork, the construction programme and costs were said to be on target; Whilst highlighting the above, it should be noted that the work must not be taken as any form of guarantee as to the progress of the project, or whether it will be delivered on time, within budget and

	to the required standard. There are a range of internal and external factors which may affect this, and management are responsible for ensuring that these are identified promptly and in full, and that actions are taken to manage them, as appropriate. At the time of the audit, a number of areas were highlighted in which further actions were needed. These included final decisions regarding the branding of the Authority and the building; access to the site during the period of the London 2012 Olympic Games; consideration to the development of contingency plans in the event that there is significant slippage against the planned completion date; and the further development of plans in respect of facilities management for the building. It is acknowledged that management were already taking steps to address each of these, but they were reported on for completeness.
Establishments – Thematic Work (Stage 2) **(**2010/11)	As part of the 2010/11 Internal Audit Plan, work in respect of the Establishments operated by Adult Social Care was undertaken. Work in previous years highlighted a number of common areas of control weakness across the Establishments visited, including both day centres and residential care homes. A summary report of these common weaknesses was issued in 2009/10, which was intended to help to ensure consistency in the operation of controls across the Establishments. The 2010/11 work was split into two stages. Initially audit facilitated a workshop with management, including officers from the establishments, to discuss the weaknesses and the recommended actions. Audit subsequently visited a number of Establishments to determine progress against these actions. The Establishments visited were: • Albert Road Day Centre; • Knowles House Residential Home; • The Millennium Day Centre; • Projects Day Centre; • Stonebridge Day Centre; and • Strathcona Day Centre. Management responses were provided by Central Management in relation to the recommendations raised within the 2009/10 summary report. Actions included: establishing new procedures; formulating guidelines and pro-forma to be used across Establishments; formation of a working group to aid this process; and completion of audits across all Establishments. All actions were due to be implemented by the end of March 2011 further actions were required at the time of the fieldwork. Overall, on the basis of the work undertaken, limited progress was found to have been made with regard to the implementation of the recommendations previously raised. The actions to be taken

	centrally had not been completed and there appeared to have been a lack of clear guidance provided to Establishment Managers regarding the required changes. Connected to this, it is acknowledged that there was a change in Central Management and audit were informed that the report and responsibilities for implementation of recommendations raised were not passed on to the successor. Resource pressures were also highlighted by management. At the Establishment level, given that some mergers were due to take place across the Establishments, some Establishment Managers were unsure whether it was worthwhile making fundamental changes which may then be superseded. Whilst this is acknowledged, it is audit's view that these changes should not impact on the need to address the weaknesses across the Establishments, and, in some cases it is important that the risks associated with them are controlled as part of the mergers, for example in respect of assets. In addition, the mergers also provide a good opportunity to implement new processes and procedures from the outset. Set against this, it was positive to note that there had been improvements in some areas, specifically purchasing and the transfer of client monies. The improvement with regards to purchasing was largely due to the implementation of Oracle and Advanced Electronic Procurement, which is now accessible at the Establishments, and the training that staff had received for this. It was also acknowledged that some procedures were in the process of being updated and implemented by the Adults Social Care Finance Team, such as the use of prepaid cards, and the introduction of catering and cleaning contractors was also being considered. In total, 11 recommendations were raised with regards to the further actions still needed. These have been agreed by management, with deadlines for implementation set as November 2011.
CRC Readiness (2011/12)	The CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment; 'CRC' or 'the Scheme') is a mandatory energy efficiency scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. As a qualifying organisation, the Council was required to register with the Environment Agency (EA), the administrator for the Scheme, by 30 September 2010 and will need to comply legally with the requirements of it. The Council will need to monitor its emissions and purchase allowances for each tonne of CO_2 emitted in April 2012. The Council's energy use must be reported in an annual report to the EA by the last working day of July following each CRC year end. In the first year, a footprint report is also required. Using a risk-based assessment, the EA will select approximately 20% of organisations for audit each year. The EA will publish a league table each October which will be made public, showing the emissions of the organisations that have participated in the scheme.

	The Scheme is likely to have a number of significant impacts on the Council. These include the cost involved in purchasing allowances; the administration required to monitor energy use and to draw together the data reported to the EA (including an evidence pack); and civil and criminal penalties, as well as reputational impacts from publicity in the event of non-compliance. Finally, it requires ongoing application of energy efficiency measures and/or fuel switching to reduce carbon footprinting and therefore minimise CRC cost and potential reputational impacts of the league table. Over the past 18 months, using Deloitte's sustainability specialists, audit have supported the Council in preparing for CRC with a series of workshops and reports, including an assessment of the Council's readiness for the Scheme. As above, all organisations in scope of CRC reporting were required to submit a CRC Annual Report and Footprint Report to the EA by 29 July 2011. This latest piece of work was requested to be undertaken prior to submission of the reports to assist senior management with understanding the Council's readiness for CRC reporting and for any subsequent audit by the EA. It should be noted that the aim of the work was not to validate or confirm the completeness and accuracy of the data to be submitted by the Council. On the basis of the scope, audit only highlighted any weaknesses identified in the process applied to compile the data, or any issues noted in the data itself, if picked up through sample testing. Management were responsible for addressing these as appropriate prior to submission. The work undertaken by Internal Audit did not identify any errors in the data compiled for reporting, for the sample tested, nor did it identify any significant weaknesses identified in the process for preparation of the CRC reports. However, there were some issues that need to be resolved prior to CRC submission in this and subsequent years.

AUDITS AT DRAFT REPORT STAGE or IN PROGRESS

Each of the following audits have been completed and Draft Reports issued. At the time of writing, these have not been finalised as responses have not been received from management with regards to the recommendations raised.

2010/11 Audits

Audit	Status as at 31 August 2011
Network Infrastructure (IT)	Draft Report – management responses being discussed
Corporate Property Service Model	Draft Report
Michael Sobell Sinai School	Draft Report
Our Lady of Lourdes	Draft Report

2011/12 Audits

Audit	Status as at 31 August 2011
Ward Working Grants	Draft Report
Resilience of Outlook/Exchange and Email Archiving (IT)	Draft Report
Gladstone Park Primary School	Draft Report
Lyon Park Infant School	Draft Report
Princess Frederica C of E Primary School	Draft Report
Mitchell Brook Primary School	Draft Report
Conflict of Interest (Members)	Draft Report
Curzon Crescent Children Centre (Contract Audit)	Draft Report
Curzon Crescent Children Centre	Draft Report
NWLJ	Draft Report

Audit	Status as at 31 August 2011
Leasehold management & Service Charges (BHP)	Draft Report
John Keble C of E Primary School	Work in Progress
Kensal Rise Primary School	Work in Progress (Further information/documents to be provided)
The Kilburn Park School Foundation	Work in Progress (Further information/documents to be provided)
Park Lane Primary School	Work in Progress (Further information/documents to be provided)
Business Continuity Planning	Work in Progress
Financial Planning	Work in Progress
Pre-Paid Card (Staff)	Work in Progress
Pre-Paid Card (Beneficiaries)	Work in Progress
Framework i (IT)	Work in Progress
Conflict of Interests (Employees)	Work in Progress
Safeguarding	Work In Progress
Equality Impact Assessment	Work In Progress

Follow-Up of Previously Raised Recommendations

The table below and overleaf provides a summary of the findings from the follow-up work completed since the previous meeting of the Committee, excluding any BHP recommendations.

The audit approach is explained within the Executive Summary. Recommendations are classified as either Implemented (I); Partly Implemented (PI); Not Implemented (NI); or in some cases no longer applicable (N/A), for example if there has been a change in the systems used.

For any recommendations found to have only been partly implemented or not implemented at all, further actions have been raised with management. As such, audit have included Draft Follow-Up Reports, as well as those that have been finalised. Where the reports have been finalised, the further actions have been agreed with management, including revised deadlines and responsible officers. For those at Draft stage, audit are awaiting responses from management. All agreed further actions will be added to the rolling follow-up programme as explained in the Executive Summary to this report.

The table includes a column to highlight any priority 1 recommendations which were found not to have been fully implemented. Please note that audit have not replicated the full recommendation, only the general issue to which they relate.

Audit Title	Priority 1			Priority 2			Priority 3			Total				Priority 1 Recommendations not implemented
	I	PI	NI	I	PI	NI	I	PI	NI	I	PI	NI	N/A	
Section 106	2	-	-	1	1	1	-	-	-	3	1	1	-	-
Grants to Voluntary Organisation	-	1	1	2	-	1	2	1	-	4	2	2	1	Draft: Pending mgt response
Debt Management	2	2	-	1	2	-	-	-	-	3	4	-		-
Children's Centre Financial Management	-	1	6	-	1	-	-	-	-	-	2	6	-	-
Accounts Receivable*	-	-	-	-	-	-	-	-	-	5	3	4	-	-
Accounts Payable*	-	-	-	-	-	-	-	-	-	19	3	6	-	-
General Ledger and Reporting*	-	-	-	-	-	-	-	-	-	11	1	9	-	-
Reablement*	-	-	-	-	-	-	-	-	-	3	6	3	-	-

Audit Title	Priority 1			Priority 2			Priority 3			Total				Priority 1 Recommendations not implemented
	I	PI	NI	I	PI	NI	I	PI	NI	I	PI	NI	N/A	
Establishments*										-	5	6	**2**	**-**
Total	**4**	**4**	**9**	**8**	**6**	**6**	**2**	**1**	**-**	**48**	**27**	**37**	**3**	

** The recommendations raised in 2009/10 in relation to the Finance Modernisation Project were not assigned priorities, hence why the results are only shown in the 'Total' columns. The same applies to the recommendations raised in 2010/11 in relation to Reablement and regarding the thematic work with the Establishments.*

Appendix A – Briefing on the new Schools Financial Value Standard

The following has been included for the Committee's information, as published by the Department for Education.

INTRODUCTION OF SCHOOLS FINANCIAL VALUE STANDARD – NOTE FOR LOCAL AUTHORITIES

The Department intends that completion of SFVS will be a requirement for maintained schools. The current Education Bill contains a clause restoring the Secretary of State's power to make directed revisions to local authority schemes for financing schools. We would expect to consult as soon as practicable on a directed revision which will add SFVS as a requirement into the scheme.

Maintained schools will be required to conduct an assessment against SFVS once a year. In the consultation, schools suggested that their pattern of governors' meetings would make a financial year end date easier to operate, so we are proposing to require that all schools should have completed their first self-assessment by 31 March 2013. This will also be consistent with the period to which the DSG outturn statement relates. However, those schools which never attained FMSiS will be expected to report against SFVS by 31 March 2012. Self-assessments signed by the chair of governors must be sent to the local authority.

SFVS is not externally assessed like FMSiS. It is designed in the first place to engage governing bodies through a much simpler set of questions and supporting material. Then it is expected to feed into the regular internal audit processes of local authorities.

Local authorities' Chief Finance Officers (section 151 officers) will not be asked to give any assurance in relation to the attainment by schools of FMSiS during the financial year 2010-11. With effect from the financial year 2011-12 we will be including SFVS in the outturn statement in regard to DSG which is signed by Chief Finance Officers (CFOs).

CFOs will be expected to say each year how many SFVS reports from schools they had received for self-assessments carried out before 31 March, and give an assurance that they are taking the contents of these reports into account in planning their future programme of audit. They will also be expected to give a general assurance that they have a system of audit in place which gives them adequate assurance over schools' standards of financial management and the regularity and propriety of their spending. For 2011-12 only, they will be expected to make a supplementary statement about the SFVS returns from those schools that had never attained FMSiS.

Since SFVS will be brought within the scope of schemes for financing schools, it will be in scope of local authorities' powers to issue a notice of concern or in extremis to withdraw financial delegation. Local authorities could issue a notice of concern where schools fail to complete SFVS as required. They could also consider publishing a list of schools that have not completed SFVS on time.

The Department will take a particular interest in those schools that had failed to attain FMSiS by the due date of 31 March 2010 and will therefore be required to complete SFVS by 31 March 2012. We will expect to follow up with local authorities any cases where the CFO statement shows that such schools have not completed SFVS.

DfE Funding Policy Unit

July 2011

Appendix B – Audit Team and Contact Details

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Miyako Fujii	–	Senior Audit Manager		
Shahab Hussein	–	Computer Audit Sector Manager		