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Brent

Audit Committee

Wednesday 16 September 2015 at 7.00 pm
Board Room 7&8 - Brent Civic Centre, Engineers Way, Wembley HA9 0FJ

Membership:

Members	**Substitute Members**
Mr Ewart (Chair)	Councillors:
Councillors:	Hylton, Mahmood, McLeish and Thomas
A Choudry Khan Naheerathan Nerva Davidson	

For further information contact: Joe Kwateng, Democratic Services Officer, (020) 8937 1354; joe.kwateng@brent.gov.uk

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

The press and public are welcome to attend part of this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work together with the findings from the value for money conclusion for the year.

At the time of writing this report KPMG are in the process of completing the audit of the 2014/15 accounts and their report to those charged with governance (ISA260 report), reflecting the current position, is attached as Appendix 1 to this report. Based on the current position KPMG intends to give unqualified opinions on the Council and Pension Fund accounts and a clear value for money conclusion.

Representatives from KPMG will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

Ward affected:	**Contact Officer**: Conrad Hall, Chief Finance Officer
All Wards	Tel: 020 8937 6528 conrad.hall@brent.gov.uk

Internal Audit Progress Report for the period 1 April – 31 July 2015 175 - 202

This report provides an update on the progress against the internal audit plan for the period 1 April 2015 to 31 July 2015. The appendix to the report also summarises those assurance reports from the 2014/15 plan which have been finalised since the last meeting of the committee and also provides a summary of counter fraud work for the first quarter of 2015/16.

Ward affected:	**Contact Officer**: Conrad Hall, Chief Finance Officer
All Wards	Tel: 020 8937 6528 conrad.hall@brent.gov.uk

Strategic Audit Partner Procurement – Update Report 203 - 206

This report provides the committee with an update on the procurement activity being undertaken by the London Borough of Ealing to appoint a Strategic Audit Partner to support the services delivered by the Audit and Investigation Shared Service.

Ward affected:	**Contact Officer**: Conrad Hall, Chief Finance Officer
All Wards	Tel: 020 8937 6528 conrad.hall@brent.gov.uk

2015/16 Mid–Year Treasury Report 207 - 214

This report updates Members on recent treasury activity.

Ward affected:	**Contact Officer**: Conrad Hall, Chief Finance

Officer

All Wards | Tel: 020 8937 6528 conrad.hall@brent.gov.uk

2014/15 Treasury Management Outturn Report 215 - 228

This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2014/15.

Ward affected:	**Contact Officer**: Conrad Hall, Chief Finance Officer
All Wards	Tel: 020 8937 6528 conrad.hall@brent.gov.uk

Corporate Risk Register 229 - 244

This report presents the council's current Corporate Risk Register

Ward affected:	**Contact Officer**: Conrad Hall, Chief Finance Officer
All Wards	Tel: 020 8937 6528 conrad.hall@brent.gov.uk

Any other urgent business

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

Date of next meeting

The next scheduled meeting of the Audit Committee is scheduled to be held on

Exclusion of Press and Public

The following item is not for publication as it relate to the following category of exempt information as specified in the Local Government Act

1972 namely:

“Information relating to the financial or business affairs of any particular person (including the Authority holding that information).”

Brent Financial Services Centre 245 - 276

This report details the findings of KPMG’s review of the controls in place in the Financial Services Centre (‘FSC’) of the London Borough of Brent (‘the Council’) and also focussed on the design and operation of controls in place since the implementation of the new Oracle R12 release, which went live in August 2014.

Please remember to set your mobile phone to silent during the meeting. The meeting room is accessible by lift and seats will be provided for members of the public.

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Brent

LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE
Tuesday 23 June 2015 at 7.00 pm

PRESENT: Mr Ewart (Chair) and Councillors A Choudry, Naheerathan and Nerva and Thomas (for Khan).

Also present: Councillor Mahmood

Apologies for absence were received from: Councillor Khan.

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

Councillor Choudry declared an interest in the item related to the Final Internal Audit report as a member of the Islamia School Governing Body and would leave the meeting for that item and not take part in the discussion. The Chair declared an interest as a former Director at LB Ealing and user of their Audit Service in his role as Treasurer of the Mortlake Crematorium Board. Steve Lucas (KPMG) declared he was the KPMG Audit Manager at LB Ealing.

2. **Deputations**

None.

3. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 24 March 2015 be approved as an accurate record of the meeting.

4. **Matters arising**

Members considered training needs mindful of the new committee membership. Conrad Hall reminded the meeting of the perceived need for treasury management training, as well as the further training as outlined at the previous meeting and the discussion over the estimated costs of £9,000. Members suggested that means of obtaining better value for money be considered for example by extending the training to other members however Phil Johnstone (KPMG) stressed the aim was for members to be supported in learning to challenge officers, analyse, and effect change which was a specialist role. The rate offered was already discounted however annual changes to the committee's members posed an additional challenge. Phil Johnstone reminded that the aim was for the training to be tailored to members' individual needs as far as possible.

It was noted that the risk register would be presented to the next meeting.

RESOLVED:

that the Chief Finance Officer recirculate the proposals for member training considered at the 24 March 2015 meeting with a request that any views be returned to him within two weeks, and that subject to any significant objections, the arrangement for the training proceed.

5. **Order of business**

The committee agreed to take later in the meeting those items relating to KPMG.

6. **Draft Statement of Accounts 2014/15**

The committee received the draft Statement of Accounts for 2014/2015 as approved by the Chief Finance Officer prior to their submission for audit. The Chief Finance Officer, Conrad Hall, invited questions either at the meeting or subsequently via email. Members raised questions on the increase in schools' balances to £22m and the impact on the balance sheet of current central government plans to extend Right To Buy to housing association properties.

Conrad Hall responded that discussions would be taking place with schools over their plans to spend the money for educational purposes. Regarding the Right To Buy extension the committee heard that the value of council housing stock as disclosed in the accounts was not based on market value. The detail of the legislation was still unknown, but the cost of funding housing associations RTB discounts through sale of council properties as they became vacant was likely to be significant. The costs to housing associations would have to be met by local authorities. He confirmed that the HRA balance which currently stood at £4.5m was required for investment in housing stock which might provided some short term mitigation against the impact of the legislation.

Members raised questions on the position of the council's property assets and Conrad Hall drew attention to the balance sheet of assets held for sale and advised that most had been sold. The remaining substantial property unsold, Brent House, was due to be sold shortly. He undertook to write to members on the suggestion for Brent House to be used for temporary accommodation.

Members referred to the current level of staff changes and queried whether the redundancy provision had increased. The Chief Finance Officer drew attention to Note 10 in his report, the Movement in Reserves Statement, and the £3.725m balance as at 31 March 2015. Previously costs would have been met from the mainstream revenue budget. Phil Johnstone (KPMG) added that concern over excessive redundancy payments would be raised however there had been no cause for concern in the previous year. The question was raised as to in what circumstances the enhanced redundancy payment would be made and who would take the decision. Conrad Hall advised that the terms for compulsory and voluntary redundancy payments had been agreed by the General Purposes Committee in February 2015 and that in 2014/15 there had been no exemptions. The Chief Finance Officer also confirmed that the low interest rates were the most significant factor in the calculation of the pension liability and that a rise in interest rates would, other things being equal, tend to have the effect of decreasing the pension liability. The Actuary carried out an estimate of liability every three years which would take into account interest rates, forecast investment returns, the demographic profile of the workforce, enhanced retirement packages granted and estimates of future life span.

Members drew attention to the rent arrears and the increase in HRA debt, up by 30%, which Conrad Hall agreed was a concern. He suggested this be the subject of further discussion when the accounts were approved in September.

RESOLVED:

(i) that the report be noted;

(ii) that the Chief Finance Officer and his staff be thanked for their work on the Statement of Accounts.

7. **KPMG progress report**

Phil Johnstone (Director, KPMG) was present for this item and together with Steve Lucas (Senior Manager, KPMG) and outlined the role of KPMG as the council's External Auditors. The report before members from KPMG was a progress report as work was about to start on the Audit of the Financial Statement. Members heard that KPMG also had the responsibility of dealing with enquires from the public which, while on the increase, the role of the External Auditor was constrained. The committee's attention was drawn to the Audit Fee Letter for 2015/16 and the decrease in the fee for the main audit by 25% following the closure of the Audit Commission. Phil Johnstone gave notice that this may potentially change in 2016-17 as the infrastructure needed to be evaluated. He also advised that the External Auditor's contribution to the report had increased as the extent to which the Internal Audit work could be taken into account had reduced. Conrad Hall reaffirmed KPMG's role as external auditors was to confirm that the accounts were true and fair and that to seek to draw on their expertise for ways of increasing efficiency was a consultancy role and a potential conflict of interest. In the light of the experience in Tower Hamlets, Phil Johnstone acknowledged the need to highlight good practice and would do so in discussions with the Chief Executive and Chief Finance Officer.

RESOLVED:

that the report be noted.

8. **Accounts and Audit Regulations 2015**

The report from the Chief Finance Officer provided an update on the Accounts and Audit Regulations 2015 which were laid before Parliament on 17 February 2015 and which came into force on 1 April 2015. The Chief Finance Officer drew attention to one of the effects of the legislation which was to change the timeline to require the publication of the audited statement of accounts by 31 July each year from 2017/18.

RESOLVED:

that the publication and requirements of the Accounts and Audit Regulations be noted.

9. **Final Internal Audit progress report**

The report from the Chief Finance Officer summarised the work of the Internal Audit and the Investigation Team and provided an update on progress since the previous report to committee on 24 March 2015. Present at the meeting were Margaret Read (Director, Brent Customer Services) and Andrew Monkley (Subsidy and Policy Manager) as requested at the previous meeting, to give a further update on the action plan prepared in response to the findings of the audit into Discretionary Housing Payments. The committee noted that Discretionary Housing Payments had been given a Limited Assurance and Simon Lane (Head of Internal Audit and Investigations) explained the reasons for this which included concerns over failure to sign off high value awards, the same person assessing and authorising payments and the absence of sample checking.

Margaret Read sought to assure the committee that concerns were being taken seriously and appropriate action was being taken. The procedures in place were designed to avoid claims being passed back and forth between staff and staff had been reminded of the process and procedures. Much work had been carried out, including sampling, processes re-written and reinforced including at staff meetings.

The committee heard that checks were carried out on discretionary payments, the sums having increased over recent years due to the Benefits Cap and that while not visible, checking did take place. Margaret Read assured of monitoring of the types of award made and any awards above an indicative amount would have been investigated. Simon Lane added that while the calculation was likely to be correct, what was required was evidence of how it had been made. Conrad Hall contributed that records needed to be kept, that were proportionate to the decision being made.

Andrew Monkley advised that in most cases the calculation was the difference between housing benefit and rent however he took on board the fact that while this was clear to the assessor, evidence of the calculation would now be recorded.

Margaret Read pointed out that funding had been reduced from £4.2m to £2.6m and the committee agreed on the need for tighter controls. The Chair indicated that the Audit Team would be asked to conduct a further review in six months' time and to report back if not satisfactory.

Andrew Monkley referred to the action plan in place to address previously identified concerns over the standard of file notes and assessments for the self employed. An automated system was in place for file notes and linked document folders which was being checked regularly and a self employee expense form was now being completed in every case. He assured that monitoring continued and any errors found had been corrected.

(At this stage Councillor Choudry, having declared an interest as a governor as Islamia Primary School, left the meeting and returned after the conclusion of the discussion).

The committee considered the five outstanding projects from the 2014/15 Internal Audit. While welcoming the overall improvement, it was felt that the number limited assurance reports at 28% was still too high, with two schools with nil assurance. The Chief Finance Officer attributed the improvements made to work by officers but stressed that the assurance levels remained a matter of very significant concern. The Chair on behalf of the committee expressed concern at the number of limited assurances and proposed that the Strategic Director, Regeneration and Growth write to Brent Housing Partnership to express the committee's concern. It was also agreed that the Strategic Director, Children and Young People write to the Governors for the two schools with nil assurances, Islamia and St Mary's RC, and invite them to the next meeting.

Simon Lane drew members' attention to the number of planned audit days which would be reduced, resulting in a reduction in the fee of £15,800. The Chair thanked the Audit Team for their work in particular, illegal sub-lets which had resulted in properties returning to the council control. The committee expressed concern over the number of BHP limited assurance reports given the council's responsibility as landlord.

RESOLVED:

(i) that subject to the reports remaining "limited" the relevant directors responsible for the following be asked to attend the September meeting of the Committee:
  a) Accounts Payable
  b) Members' Declarations of Interests;

(ii) that the Strategic Director, Children and Young People be asked to invite representatives of the following schools be asked to attend the next meeting of the committee:
  a) St Mary's RC Primary School
  b) Islamia Primary School

(iii) that the Strategic Director, Regeneration and Growth be asked to write to Brent Housing Partnership to express the committee's concern with the number of "limited assurance" reports.

10. **Annual Audit Report**

The committee considered the annual report from the Head of Internal Audit which 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.

Simon Lane (Head of Internal Audit and Investigations), in introducing the report, welcomed the reduction in the number of limited and nil assurance reports however, drew attention to the high level of limited assurance reports. He highlighted the good practice advice regularly given to managers arising from internal audit and investigation work namely, to retain documentation necessary to support decisions and also to introduce controls that helped maintain segregation of duty. He again referred to the improvement in the balance between limited and substantial assurance reports. On internal fraud cases, 17 had been investigated however there was evidence of general compliance with internal standards.

The Chair emphasised that key messages emerging from internal audits should be reinforced and thanked Simon Lane and the Audit and Fraud teams for the quality of their work.

RESOLVED:

(i) that the report be noted;

(ii) that the Chief Finance Officer be asked to bring to the attention of all Directors the following comments from the Head of Audit and Investigations namely .
   (a) the high level of limited assurance reports;
   (b) the specific themes of:
      (1) the need to ensure that documentation is retained to support decisions/assessments; and
      (2) the reductions in staffing levels may increase the risk of fraud and hence compensatory controls need to be put in place;

(iii) that Simon Lane, the Audit and Investigation staff and the staff from Mazars be thanked for their work throughout the year and their achievements.

11. **Annual Governance Statement**

Simon Lane introduced the report from the Chief Finance Officer which set out the draft Annual Governance Statement (AGS) for 2014/15 as required by the Accounts and Audit Regulations 2015. He drew attention to key elements of governance set out in the report advising of the requirement to report significant issues. The draft Statement had been considered by the Council's Corporate Management Team without comment.

Members considered the corporate risk threshold and extent to which potential risks should be publicised. The Chief Finance Officer advised that practice across London varied with Brent operating in the middle. Phil Johnstone (KPMG) concurred that the reputational and financial damage were not usually disclosed and in any event, frequently were already in the public domain.

12. **Any other urgent business**

Membership

The committee nominated Councillor A Choudry to the position of as Vice-Chair. The committee noted the fifth member of the committee was due to be agreed at the next Full Council meeting.

Shared Service

The Chief Finance Officer confirmed that agreement had been given for the shared Audit Service with LB Ealing to proceed with effect from 1 October 2015. TUPE regulations would apply.

13. **Simon Lane**

The Committee noted that this was the last meeting to be attended by Simon Lane (Head of Audit and Investigations) as he was leaving the council's employment to take a new role elsewhere. Members wished to place on record their thanks to him for his dedicated service to Brent and to this committee and wished him well for the future.

The meeting closed at 9.10 pm

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Chair

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Brent	**Audit Committee** 16 September 2015 **Report from the Chief Finance Officer**
To Note	Wards affected: ALL

Statement of Accounts 2014/15 and External Auditor's Report

1.0 Summary

1.1 The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The basis for this consideration is the "report to those charged with governance" also referred to as the ISA260 report. The Council's external auditors, KPMG, produce the report 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. It also provides the findings from the value for money conclusion for the year.

1.2 At the time of writing this report KPMG are in the process of completing the audit of the 2014/15 accounts and their report to those charged with governance (ISA260 report), reflecting the current position, is attached as Appendix 1 to this report. Based on the current position KPMG intends to give unqualified opinions on the Council and Pension Fund accounts and a clear value for money conclusion.

1.3 Representatives from KPMG 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 Review the report to those charged with Governance from KPMG and:

- consider the key issues and recommendations
- consider the corrected audit differences
- approve the statement of accounts
- approve the letter of representation to KPMG

3.0 Detail

Statement of Accounts

3.1 The draft statement of accounts for 2014/15 was presented to the Committee at its meeting on 23 June 2015. The audit of the accounts commenced in July.

3.2 The attached ISA260 report sets out the anticipated results of the audit with the key points being:

- Unqualified audit opinion
- Positive feedback on the accounts production and audit process
- the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources

As a result of the audit a number of adjustments to the accounts have been agreed by council officers and KPMG. These are shown in Appendix 3 of the auditors report. Although significant in value they do not have any impact on the council's general fund or HRA position. As a result of these adjustments school balances have reduced and the Council's unusable reserves have increased.

Publication of Statement of Accounts

3.3 The Council is required to publish the 2014/15 accounts by 30 September 2015. The statement of accounts attached as Appendix 2 to this report incorporates the changes agreed with KPMG to date. Once approved, the statement of accounts will be published on the Council's website.

3.4 Once the audit has been completed a Letter of Representation needs to be signed prior to KPMG issuing an audit opinion. A draft letter, setting out confirmation from the Council regarding the financial statements and information provided as part of the audit process, is attached as Appendix 3

4.0 Financial Implications

4.1 There have been some adjustments to the Statement of Accounts during the course of the audit. None of these have impacted on the financial position of the Council.

5.0 Legal Implications

5.1 No specific implications.

6.0 Diversity Implications

6.1 No specific implications

7.0 Staffing Implications

7.1 No specific implications.

8.0 Background Information

Accounts and Audit Regulations 2011
Draft Accounts to Audit Committee – 23 June 2015

9.0 Contact Officer

Conrad Hall, Chief Finance Officer conrad.hall@brent.gov.uk

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cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

London Borough of Brent

8 September 2015

Contents

The contacts at KPMG in connection with this report are:

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

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Phil Johnstone, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Section one
Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for both the Authority and its pension fund; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at London Borough of Brent ('the Authority') in relation to the Authority's 2014/15 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during June and July 2015. However reference is also made where relevant to other stages of our audit.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority and the fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007. We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2015.
Audit adjustments and recommendations	Our audit has identified four significant audit adjustments. The impact of these adjustments is to increase the net worth of the Authority as at 31 March 2015 by £4.1 million and related to: ▪ Adjustment made to estimates for the year end school bank position of £4.6 million; ▪ Reallocation of reversals of valuation losses of £74.3 million on Council dwellings between HRA expenditure and income; ▪ Decrease in valuation of other Land and Buildings within Property, Plant and Equipment by £1.2 million due to an incorrect revaluation calculation; and ▪ Adjustment to deferred income of £5.6 million as a result of the PFI contract variation. We have included more details on the above audit adjustments at Appendix 3. All of these have been adjusted by the Authority. We have raised three recommendations in relation to our work which are summarised in Appendix 1. There is one potential audit difference of £1.3 million relating the Pension Fund that the Authority is investigating – see Appendix 3.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. In addition to the two standard audits risk relating to management over ride of controls and fraudulent revenue recognition, we identified three additional key financial statements audit risks in our 2014/15 External audit plan issued in March 2015. ▪ Accounting for Local Authority Maintained Schools; ▪ The implementation of the One Oracle R12 system; and ▪ Local Government Pension Scheme reform which related to the Pension Fund audit. We have worked with officers throughout the year to discuss these key risks and our detail findings are reported in Section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and supporting working papers. The accounts were prepared in line with the timetable. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. A future challenge will be to bring the timetable forwards to meet the deadline of 31 May for the 2017/18 financial statements.

Headlines

Completion	At the date of this report our audit of the financial statements is substantially complete, subject to completion of the following areas: ■ Obtaining outstanding bank and investment confirmations; ■ Finalising final queries on PFI, creditors and expenditure; ■ Pension Fund investments; ■ Completion of our work on the Whole of Government Accounting; and ■ Final overall review and closing processes. Before we can issue our opinion we require a signed management representation letter which covers the financial statements of both the Authority and the Pension Fund. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We did not identify any significant VFM risks specific to the Authority in our 2014/15 External audit plan. We have substantially completed our VFM work programme and there are no matters of any significance arising as result of our audit work. We anticipate that we will conclude that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.
Audit Certificate	We are in the process of completing the work on the Whole of Government Accounts which we anticipate completing prior to the Audit Committee. We have received three queries from local government electors which we have responded to but in order to allow them time to consider our response, we don't anticipate issuing our audit certificate until October 2015. This is subject to the electors either not formally objecting or raising additional questions supported by appropriate evidence.

Financial Statements

Our audit identified four audit adjustments. The impact of these adjustments is to decrease the net worth of the Authority as at 31 March 2015 by £4.1 million

Proposed audit opinion

Subject to all outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 16 September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 5 for more information on materiality) level for this year's audit was set at £20 million. Audit differences below £1 million are not considered significant.

Our audit identified four significant audit differences, which we set out in Appendix 3. These have been adjusted in the final version of the financial statements.

In addition, we identified a small number of minor differences and presentational adjustments. The Authority has adjusted for these.

The table on the right illustrates the total impact of audit differences on the Authority's balance sheet as at 31 March 2015. There was no impact on the General Fund, Housing Revenue Account or Collection Fund balances.

There is one potential audit difference of £1.3 million on the Pension Fund investments which the Authority is investigating. This has not been adjusted for.

Balance Sheet as at 31 March 2015 (£'000)

£m	**Pre-audit**	**Post-audit**	***Ref (App.3)****
Property, plant and equipment	1,472,565	1,471,397	*4*
Other long term assets	63,579	63,579	
Current assets	246,198	243,731	*1*
Current liabilities	(112,341)	(110,223)	*1*
Long term liabilities	(1,215,572)	(1,209,972)	*3*
Net worth	**454,429**	**458,512**	
Usable reserves	319,242	318,893	*1*
Unusable reserves	135,187	139,619	*3, 4*
Total reserves	**454,429**	**458,512**	**-**

* The impact of the fourth audit difference was only within HRA cost of services within the Comprehensive Income and Expenditure Account.

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Financial Statements

We have identified no issues in the course of the audit of the Pension Fund that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

Pension fund audit

Our audit of the Fund did not identify any significant audit differences.

For the audit of the Fund we used a lower materiality level of £10 million. Audit differences below £500,000 are not considered significant.

Subject to all outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts by the Audit Committee on 16 September 2015.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Pension Fund Annual Report

We have reviewed the *Pension Fund Annual Report and Accounts* and confirmed that:

We anticipate issuing an unqualified opinion on the *Pension Fund Annual Report and Accounts* at the same time as our opinion on the Statement of Accounts.

Financial Statements

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

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In our External Audit Plan 2014/15, we identified the significant risks affecting the Authority and the Fund's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work. The table below sets out our findings for each of these risks.

Significant audit risk	Issue	Findings
Local Authority Maintained Schools *Risk impacts Authority only*	LAAP Bulletin 101 *Accounting for School Assets used by Local Authority Maintained Schools* issued in December 2014 has been published to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools. Authorities will need to review the agreements under which assets are used by VA/VC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that Authorities could omit school assets from, or include school assets in, their balance sheet.	We have confirmed that the Authority has undertaken an exercise to review all schools in the borough and checked that they have been accounted in line with the latest guidance. The Authority identified four foundation schools and confirmed that either the legal title of the land is held by the Authority or the school but where the Authority retains substantive rights over the land. In line with the guidance the Authority made a prior period adjustment and brought £17.9 million of assets onto the balance sheet. We reviewed the process the Authority had followed and tested the four schools which were brought onto the balance sheet and a sample of those that remained off balance sheet. We are satisfied with the accounting treatment and have no matters which we wish to report to you in this regard.
LGPS reform *Risk impacts Pension Fund*	From 1 April 2014, all members of the LGPS have automatically joined the new career average defined benefit scheme. The new scheme provides more flexibility on when members can take their pension and also how much they pay in. There is a risk that pension administration systems have not been set up to correctly reflect the changes resulting from LGPS 2014 and will therefore not accurately calculate the pension benefits due to members. While any errors in the system are unlikely to result in material misstatements in 14/15, the errors would cumulative over future years.	We have tested a sample of 15 new payments in the year to confirm that the changes in the benefits payable have been correctly applied. Our testing in this area found that the correct rates had been applied to new pensioners and we have not identified any matters to bring to your attention.

Financial Statements

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

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Significant audit risk	Issue	Findings
New finance system	The Authority, alongside five other London boroughs, upgraded its finance system in August 2014 to One Oracle (R12). The new system incorporates the general ledger, accounts payable, accounts receivable and some elements of treasury management. There is a risk that data migrated to the new system is inaccurate either through data omissions, duplications or unintentional modification. An increase risk will also be present in the period immediately following implementation of the new system whilst changes to process imbed and the systems users become familiar with it.	We have reviewed the processes in place to ensure the completeness and accuracy of the data transferred to the new system. Our assessment of the controls in place within the Authority and at the implementation partner organisations has found them to be robust. The Authority ran several dry runs of the data transfer to ensure it was accurately transferred. We substantively tested the transfer of data to ensure that the information held within the new system is consistent with its predecessor. To ensure staff were adequately trained, Oracle champions were set up throughout the organisation and workshops held within departments. User guides and examples of how to complete tasks were added to the intranet to assist staff. We completed a review of the Finance Service Centre at the request of the Authority. In our report we made a number of recommendations relating to the controls around One Oracle (R12) to strengthen the overall operation of the system. Management have responded positively to this review and already a number of recommendations have been implemented with good progress on the others.

Financial Statements

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition. The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Area of risk	Issue
Management override of control	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention.
Fraudulent revenue recognition	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Financial Statements

The Authority has a well established and sound accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was good.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a strong financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate
Completeness of draft accounts	The Authority prepared a complete set of draft accounts which were submitted to the Audit Committee on 23 June 2015 in line with the timetable.
Quality of supporting working papers	We issued our *Accounts Audit Protocol* including our required working papers for the audit on 8 June 2015. The main working papers were available for the start of the on site visit on 29 June 2015. The quality of the working papers were of a good standard.
Response to audit queries	Officers resolved audit queries in a timely manner.
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by PWC on the financial statements of Brent Housing Partnership Limited There are no specific matters to report pertaining to the group audit.

Element	Commentary
Pension Fund Audit	The audit of the Pension Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Conclusion

The Authority brought forward the timetable for preparing its financial statements in anticipation of reduced regulatory deadlines in future years during a major reorganisation in the finance department and managed to reduce the time taken to produce the draft accounts by a week. The Council will need to reduce this further to meet future deadlines. The draft accounts were prepared to a good standard

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority reviewed both recommendations and decided, in light of the values involved for this year, that it would be reasonable to continue with the approaches adopted last year but that this would be kept under review in future years. This approach taken and the amounts included in the financial statements in relation to the recommendations appears reasonable to us for this year.

Financial Statements

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter from you.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of the London Borough of Brent and London Borough of Brent Pension Fund for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and London Borough of Brent and London Borough of Brent Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity with the minor exception that is reported in Appendix relating to tax work which commenced prior to our appointment as external auditors .

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

We have requested specific management representations on there being no other contract variations to the Private Finance Initiative (PFI) schemes in addition to one provided.

Other matters

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

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

We wish to draw your attention to our separate report on the Finance Service Centre we issued in September 2015 which is also being presented to the Audit Committee meeting on 16 September 2015. We made a number of recommendations in this report to address control deficiencies. Management have accepted these recommendations and responded positively to address them.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

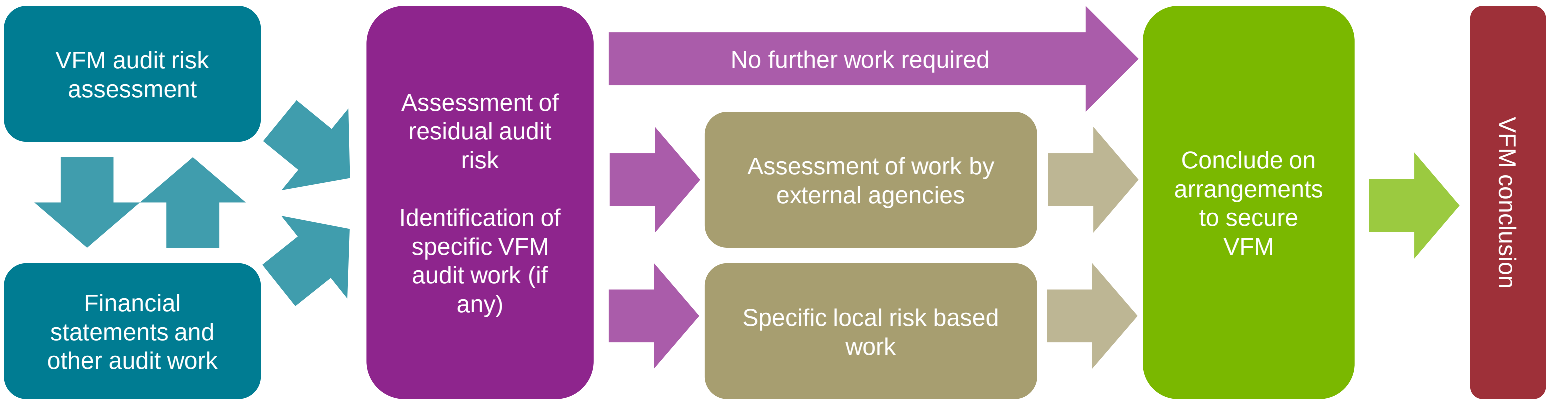
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Appendix 1: Key issues and recommendations

We have given all recommendations a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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

No	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❶	**Finance Service Centre** The Authority requested that we complete a detailed review of the Finance Service Centre in addition to our statutory audit. We completed this work in June 2015 and issued a report to the Audit Committee in September 2015 with a number of recommendations which management accepted. The recommendations made in our Finance Service Centre review should be fully implemented as agreed in the action plan.	The Authority will implement the recommendations made in the Finance Service Centre Review, in line with the agreed action plan Operational Director – Finance Due date – as per the due date agreed for each recommendation in the action plan (August 15 to March 2016).
2	❸	**School year end estimates** To assist the year end closedown process, estimates were used for school expenditure for the last two months of the year. The Authority completed a review of the year end position and identified that the bank position was approximately £4.6 million different to the estimated position. This was adjusted during the audit. The Authority should revisit the basis of estimates being made to help ensure the year end out turn is accurate.	The Authority will review the basis of estimation used for closing schools accounts for 2014/15 with a view to improve the process for 2015/16. Operational Director – Finance March 2016

Appendix 1: Key issues and recommendations

No	Risk	Issue and recommendation	Management response / responsible officer / due date
3	❸	**Fixed Asset values** The local government SORP requires authorities to revalue assets on a "not more than every five years basis". The Authority correctly applies this through completing a valuation of 20% of non-housing assets per year but is also required to confirm that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In addition to the five yearly cycle, the Authority revalued all assets where capital spend of greater than £250,000 had been incurred in line with the Authority's approach to ensure that the values of these assets were still materially correct. The Authority's valuer also confirmed that he was satisfied that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. As the use of part of the Civic Centre is changing with more space being commercially let, it may be more appropriate for properties such as this to be revalued more frequently than every five years, with interim desktop valuations undertaken on the higher value assets. These valuations could be completed prior to December each year to help streamline this element of the accounts production process in future period.	The Civic Centre valuation will be reviewed next year, the appropriate term for revaluations will be considered as part of this. Aside from the commercial units of the Civic Centre, the Authority has very little commercial property as shown by the value of Investment Property. Variations in this value are not expected to make a material difference to the reader of the accounts. Surplus assets will be revalued next year as part of the introduction of IFRS 13. Operational Director – Finance March 2016

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Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14.*

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This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2013/14* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	2
Implemented in year or superseded	2
Remain outstanding	-

No	Risk	Issue and recommendation	Officer responsible and due date	Status as at 7 September 2015
1	3	**Revaluation of Council dwellings additions** The Authority has assumed the amount spent on capital works on Council dwellings increases the market value by a similar amount (after taking account of the Social Housing Discount). Our experience is that the market value of a dwelling increases less than the amount spent on capital works. **Recommendation** We recommend the Authority's surveyor reviews the amount spent and calculates the increase in market value of Council dwellings as a result of this as part of the closedown process for 2014-15	Operational Director – Finance March 2015	The Authority decided that given there was only £2.1 million of additions to Council dwellings in 2014/15, that any adjustment would be inmaterial to the value of Council dwellings and that it would not be cost effective to carry out the exercise this year. The approach though will be considered in future years based on the value of expenditure but the full five year valuation is due in April 2016 that will revalue all dwellings. This approach seems reasonable to us.
2	3	**Fixed Asset Register** The Authority used a professional valuer to value the new Civic Centre. Valuations were allocated to the various components of the buildings, all of which had different estimated useful lives. However, the Civic Centre was included in the fixed asset register as one item and is being depreciated over 42 years. **Recommendation** The components of the Civic Centre should be separately included in the fixed asset register and depreciated over their respective estimated useful lives.	Operational Director – Finance March 2015	The Authority reviewed the differences in the two approaches and decided that as there was less than £150,000 difference between the approaches, they would continue to use the current approach. This approach will be reviewed as part of the Civic Centre revaluation in 2015/16. This approach seems reasonable to us.

Appendix 3: Audit differences

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £1 million.

These differences have been adjusted for by the Authority.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of London Borough of Brent's financial statements for the year ended 31 March 2015. These have been adjusted by the Authority and we are completing our final review of the revised financial statements to confirm this.

	Impact					
No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	Basis of audit difference
1	Dr Expenditure £0.3 million	Cr MIRs £0.3 million	Dr Debtor £2.3 million Cr Bank £4.7 million	Dr Creditors £2.1 million	Dr School Balances £0.3 million	Year end school balances were based upon estimates – adjustment to correct difference between estimate and actual
2	Dr HRA Expenditure £74.4 million Cr HRA income £74.4 million					Gains on reversals of valuation losses now being shown as income to be consistent with prior year.
3	Cr Income £5.6 million	Dr MIRS £5.6 million		Dr Deferred income £5.6 million	Cr Capital Adjusting Account £5.6 million	Reduction in deferred income to reflect change in PFI contract and provision of £5.6 million made.

Appendix 3: Audit differences (Continued)

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit adjustments over £1 million.

These differences have been adjusted for by the Authority.

There is one potential audit difference on the Pension Fund that the Authority is investigating.

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Corrected audit adjustments (continued)

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
4	Dr Surplus on revaluation of PPE £1.2 million	Cr MIRs £1.2 million	Cr PPE £1.2 million		Dr Revaluation Reserve £1.2 million	Incorrect revaluation calculation
	Cr £4.1 million	**Dr £4.1 million**	**Cr £3.6 million**	**Dr £7.7 million**	**Cr 4.1 million**	**Total impact of adjustments**

In addition, the group accounts were adjusted for the above differences as a well as for changes in the BHP audited accounts, the most notable being provisions decreasing by £1.6 million, creditors increasing by £1.4 million and reserves increasing by £0.2 million.

Pension fund – potential audit difference

We identified a potential audit difference within investments in the Pension Fund Accounts that the Authority is currently investigating. The value involved is that investments may be overstated by £1.3 million but given the uncertainty, no adjustment has been made.

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Appendix 4: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 4: Declaration of independence and objectivity

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealing with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealing and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Disclosure of action concerning tax engagement

KPMG member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics. In addition, the UK firm and our professionals are also required to comply with the requirements of the APB Ethical Standards. We also adhere to the Public Sector Audit Appointment's (PSAA) specific requirements regarding non-audit services.

These professional standards require that where the firm has determined that a breach of an audit independence standard has occurred, we discuss this and the actions we have taken or propose to take with you as soon as possible, communicate with you in writing all matters discussed and obtain your concurrence that action can be, or has been, taken to satisfactorily address the issue. This section of the report summarises such an instance requiring action.

In October 2010 the Authority engaged KPMG to provide services to assist you with the recovery of VAT in respect of sports services. The fee agreed for these services was a fixed fee of £500 and a contingent fee of 20% of any amounts recovered from HMRC if the claim was ultimately successful, plus a contribution payment towards the lead case capped at £5,000. £500 fixed fee was billed in July 2013. From August 2012, KPMG LLP was appointed as auditor of the 2013-14 year of account and subsequent financial years.

Prior to 2010, the APB Ethical Standards did not prohibit such contingent fee arrangements, however in 2010 the standards were changed and paragraph 95 of APB Ethical Standard Number 5 now provides that an audit firm cannot provide services on a wholly or partly contingent basis where the outcome of those services is dependent upon the proposed application of tax law which is uncertain or has not been established. As the tax law applying to the subject matter of this engagement was and remains uncertain, following KPMG LLP's appointment as auditor the fee basis should have been revised to remove the contingent element in order to comply with this requirement. Action was therefore required to ensure compliance with the ethical standards. In 2014 a new fee based on the time cost incurred was agreed to replace the contingent fee. A variation to the engagement with fees based on time cost was issued in September 2014 and the Authority billed £30,000 with a maximum further fee based on costs of £10,000. PSAA is fully aware of this position and in line with its usual rules on the acceptance of non-audit work. We will not be seeking its approval for this fee because it is below the de-minimis level for approval.

This position was identified as our firm undertook a special exercise to ensure that any grandfathered tax contingent fee arrangements that were entered into with audit clients prior to the change in rules in 2010 had been correctly dealt with before 31 December 2014 which was the end of the grandfathering period provided for in the standard.

Appendix 4: Declaration of independence and objectivity

We have considered this matter, and given the following factors we have determined this to be a less than significant breach of the APB Ethical Standards because KPMG has not received any contingent fee income in respect of this engagement.

Based on the above in our professional judgment we concluded that our objectivity has not been compromised and the firm and the engagement team are independent of the Council and the Pension Fund.

Auditor declaration

In relation to the audit of the financial statements of London Borough of Brent and London Borough of Brent Pension Fund for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and London Borough of Brent and London Borough of Brent Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. Except for the item referred to above, we also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 5: Materiality and reporting of audit differences

For 2014/15 our materiality is £20 million for the Authority's accounts. For the Pension Fund it is £10 million.

We have reported all audit differences over £1 million for the Authority's accounts and £500,000 for the Pension Fund to the Audit Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

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

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in March 2015

Materiality for the Authority's accounts was set at £20 million which equates to around 1.8 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1 million for the Authority.

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

Materiality – pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £10 million which is approximately 1.6 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £500,000 million for 2014/15.

Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

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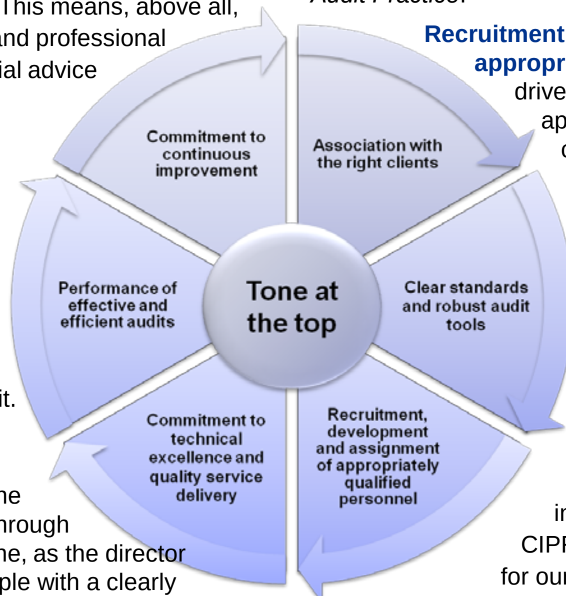
At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.



KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Phil Johnstone, as the director sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical network across the firm that puts us in a strong position to deal with emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 6: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report issued June 2014 showed that we are meeting the overall audit quality and regulatory compliance requirements.

cutting through complexity™

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LONDON BOROUGH OF BRENT

STATEMENT OF ACCOUNTS

2014/15

Contents

INTRODUCTION BY THE CHIEF FINANCE OFFICER

Brent's annual accounts show the financial performance of the Council for the year 2014/15. They present the financial position of the Council on 31 March 2015 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 2014/15.

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

CONRAD HALL 16 September 2015
Chief Finance Officer

Explanatory Foreword

1. INTRODUCTION

The accounts have been produced in line with the requirements of the 2011 Accounts and Audit Regulations, the 2014/15 Code of Practice on Local Council Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.

2. REVIEW OF THE 2014/15 FINANCIAL YEAR

The Council set its net budget for 2014/15 on 3 March 2015 at £269.4m. This included revenue support grant from central government of £95.4m, down 17.8% on the £116.0m received in 2013/14. Other specific grants fell by over 26% (see note 14). The budget included £17.8m of savings with substantial efficiency savings, including over £3m from senior management and corporate services and £2.8m from adopting vacancy factors in staffing budgets in addition to various service specific savings.

Despite this challenging environment the council has performed strongly across a number of key financial indicators. Overall general fund expenditure was maintained within the budget and the Council has achieved its target level of non-earmarked reserves (or general fund balances) increasing balances marginally, from £12.1m to £12.2m.

2014/15 Revenue Budget Compared with Outturn

	Gross Expenditure Budget	Gross Income Budget	Net Budget	Outturn	Variance
	£m	£m	£m	£m	£m
Adult Services	113.2	(22.1)	91.1	90.3	(0.8)
Children & Young People	59.4	(17.6)	41.8	42.7	0.9
Environment & Neighbourhoods	72.7	(40.3)	32.4	32.2	(0.2)
Regeneration & Growth	87.2	(54.8)	32.4	32.3	(0.1)
Central Departments	36.9	(5.1)	31.8	31.8	0.0
Public Health	18.8	0.0	18.8	18.8	0.0
Service Total	**388.2**	**(139.9)**	**248.3**	**248.1**	**(0.2)**
One Off Income	0.0	0.0	0.0	(0.7)	(0.7)
Net Service Total	**388.2**	**(139.9)**	**248.3**	**247.3**	**(0.9)**
Central Budgets	46.9	(25.8)	21.1	21.8	0.8
Transfer to general fund	0.0	0.0	0.0	0.1	0.1
Total Budget Requirement	435.1	(165.7)	269.4	269.4	0.0
Revenue Support Grant	0.0	(95.4)	(95.4)	(95.4)	0.0
Council Tax Income	0.0	(83.9)	(83.9)	(83.9)	0.0
Non Domestic Rates	0.0	(80.4)	(80.4)	(80.4)	0.0
Other Non Specific Grants	0.0	(7.2)	(7.2)	(7.2)	0.0
Collection Fund	0.0	(2.5)	(2.5)	(2.5)	0.0
Total Funding	0.0	(269.4)	(269.4)	(269.4)	0.0
Net	**435.1**	**(435.1)**	**0.0**	**0.0**	**0.0**

The overall net worth of the council increased by £33m, driven principally by rising asset prices which led to an upward revaluation of the council's most substantial asset, council housing. This was partially offset by the low global interest environment, which had the effect of driving long term pension fund liabilities higher. Despite this the pension fund assets increased by 13% or £76m, partially reflecting trading conditions but also sound investment strategies.

This was achieved with a reduction in the number of middle managers (paid above £50,000) by 3% and the number of senior managers (paid above £75,000) by 17% as disclosed in note 33.

Debt collection remains an issue for the Council to address, and a project is underway to improve this. Outstanding short term debtors at the balance sheet date increased by over 15%, but this was substantially due to timings of payments from NHS bodies from which there is no realistic risk of non payment. However, council tax collection rates fell marginally, as disclosed in the collection fund statements. Of greater concern is the increase in HRA debt (rent arrears, note 2 to the HRA) , which have risen in cash terms by almost 30%.

Schools' balances have risen to £22m, 90% higher than the figure at 31 March 2013, and once the effect of academy conversions is taken into account the like for like comparison is even higher. A full comparison across London is not yet available, but it appears that school's balances have reduced in most London Boroughs. The £22m balance represents over 10% of the schools' relevant expenditure, whereas the council's equivalent general fund reserve is less than half of this as a proportion on net budget. The council will look to re-examine this during 2015/16.

The Housing Revenue Account (HRA) returned a substantial and unplanned surplus of £3.5m in the year increasing HRA balances to £4.5m. However, in the light of the assumed changes to right to buy legislation there is a risk that this surplus will not, in practice, be re-invested into council housing stock. The council is urgently considering contingency plans in this area.

Capital Expenditure

The Council's in-year expenditure in 2014/15 was £75.4m (2013/14 £91.6m) this includes schools expenditure. 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	2014/15 £m
Capital Receipt	(9.2)
Government Grant	(41.4)
General Fund Contributions	(5.6)
HRA Contributions	(2.0)
Borrowing	(5.2)
Major Repairs Reserve	(6.3)
Non government grants and section 106	(5.6)
Total	**(75.4)**

Directorate	2014/15 Capital Budget £m	2014/15 Actual £m	Variance £m	Commitments at 31 March 2015 £m
Adults	0.1	0.1	0.0	
Children and Young People	0.3	0.4	0.1	
Environment & Neighbourhoods	13.2	11.7	(1.5)	.1
Finance & IT	0.4	0.3	(0.1)	
Regeneration & Growth (excluding the HRA)	65.9	50.5	(15.3)	7.3
HRA	10.4	8.3	(2.1)	
Expenditure by schools	*	3.9	*	
Total	**90.3**	**75.4**	**(18.9)**	**7.4**

**Capital expenditure by schools is funded from their revenue budget(shown in the previous section as part of Children and Young People expenditure budget), not from the council's capital budget.*

The underspend represents slippage of project spend into 2015/16.

3. BALANCE SHEET

The net worth of the authority is represented by the difference between the authority's assets and liabilities. That is the difference between what we own, are owed and what we owe others. The net worth includes all the general, capital, earmarked and other reserves held on the balance sheet.

Summary Balance Sheet Comparison 2014/15 and 2013/14

	2014/15	2013/14	Movement
	£m	£m	£m
What the council owns or is owed (assets):			
Property, Plant, equipment, vehicles and infrastructure	1,471	1,364	107
Other Assets	7	8	(1)
Amount owed to us by other people/organisations	128	111	17
Cash and cash equivalents	32	62	(30)
The amount we hold in investments	140	76	64
Total we own and are owed	**1,778**	**1,621**	**157**
What the council owes (liabilities)			
We owe other people/organisations	(132)	(126)	(6)
We have outstanding loans	(428)	(433)	5
We have to meet future years' pension costs	(725)	(599)	(126)
We received grants from government towards our assets	(24)	(32)	2
We have other liabilities (eg. Cash overdrawn and provisions)	(11)	(7)	(4)
Total amount we owe	**(1,320)**	**(1,196)**	**(132)**
Total the council is worth	**458**	**425**	**29**

Reserves

Overall between 2013/14 and 2014/15 the net worth of the authority has increased by £33m. This is includes an increase in usable resources such as capital receipts and earmarked reserves of £36m.

Principally this reflects the slippage in the capital programme referred to above, and is therefore not an increase in the true net resources of the authority so much as a deferral of the crystallisation on the liabilities associated with its ongoing activities. This accounts for the temporary increase in the value of investments.

Long Term Assets

There is an increase in property, plant and equipment of £107m and this is made up of the revaluation of council house properties, purchase of land and assets under construction.

Borrowing/Investments

During 2014/15 the Council's net borrowing (gross borrowing less investments and cash and cash equivalents) fell by £44m. This was largely due to the strong cash flow off setting borrowing requirements to fund the capital programme of the Council. The only change to long-term borrowing was scheduled repayments in relation to borrowing undertaken on the basis of annual repayments of principal throughout the life of the loan.

As set out in the Notes to the Balance Sheet (Note 31 - Nature and extent of risks arising from Financial Instruments) the Council deposited £15m with Icelandic banks in 2008 that subsequently went into administration. Of the original deposits £14.4m has now been resolved, with a further £0.6m still outstanding.

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

4. Further Information

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

Core Financial Statements
Balance Sheet

01 April 2013 Restated £'000	31 March 2014 Restated £'000		Notes	31 March 2015 £'000	
1,340,426	1,363,992	Property, Plant & Equipment	1	1,471,397	Non-current Assets
498	498	Heritage Assets		498	
2,751	1,171	Investment Property		822	
3,727	3,480	Intangible Assets	1	2,513	
100	5,100	Long Term Investments	26	100	
42,346	54,008	Long Term Debtors	26	59,646	
1,389,848	**1,428,249**	**Long Term Assets**		**1,534,976**	
46,336	70,226	Short Term Investments	26	139,673	Current Assets
0	4,519	Assets Held for Sale		4,519	
97	64	Inventories		66	
44,100	56,525	Short Term Debtors	2	67,592	
36,131	61,654	Cash and Cash Equivalents	3	31,881	
126,664	**192,988**	**Current Assets**		**243,731**	
(10,509)	(8,577)	Short Term Borrowing	26	(8,564)	Liabilities
(81,517)	(92,692)	Short Term Creditors	7	(97,744)	
(2,885)	(4,001)	Provisions	9	(3,915)	
(94,911)	**(105,270)**	**Current Liabilities**		**(110,223)**	
(38,065)	(33,444)	Long Term Creditors	26	(34,182)	
(2,803)	(3,033)	Provisions	9	(7,323)	
(428,003)	(423,662)	Long Term Borrowing	26	(419,316)	
(806,034)	(630,675)	Other Long Term Liabilities	8	(749,151)	
(1,274,905)	**(1,090,814)**	**Long Term Liabilities**		**(1,209,972)**	
146,696	**425,153**	**Net Assets**		**458,512**	
12,060	12,135	General Fund		12,235	Reserves
9,198	46,173	Capital Receipts		52,919	
100,073	123,864	Earmarked Reserves	10	149,421	
103,639	100,731	Other Usable Reserves		104,318	
(78,274)	142,250	Unusable Reserves		139,619	
146,696	**425,153**	**Total Reserves**		**458,512**	

Date: 16 September 2015

CONRAD HALL
Chief Finance Officer

Movement in Reserves Statement

	General Fund Balance £'000	School Balances £'000	Earmarked General Fund Reserves £'000	HRA £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance as at 31 March 2013	**12,060**	**11,645**	**86,591**	**2,586**	**1,836**	**9,198**	**10,859**	**90,194**	**224,969**	**(78,273)**	**146,696**
Movement in reserves during 2013/14											
Surplus or (deficit) on the provision of services	6,579	0	0	43,345	0	0	0	0	49,924	0	49,924
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	0	228,535	228,535
Total comprehensive income & expenditure	**6,579**	**0**	**0**	**43,345**	**0**	**0**	**0**	**0**	**49,924**	**228,535**	**278,459**
Adjustments between accounting basis & funding basis under regulations	17,367	0	0	(41,566)	0	36,975	(1,639)	(3,126)	8,011	(8,011)	0
Net increase/decrease before transfers to earmarked reserves	**23,946**	**0**	**0**	**1,779**	**0**	**36,975**	**(1,639)**	**(3,126)**	**57,935**	**220,524**	**278,459**
Transfers to/from earmarked reserves	(23,870)	5,991	17,813	(3,416)	(12)	0	3,494	0	0	0	0
Increase/decrease in 2013/14	**76**	**5,991**	**17,813**	**(1,637)**	**(12)**	**36,975**	**1,855**	**(3,126)**	**57,935**	**220,524**	**278,459**
Balance as at 31 March 2014 carried forward	**12,136**	**17,636**	**104,404**	**949**	**1,824**	**46,173**	**12,714**	**87,068**	**282,904**	**142,251**	**425,155**
Movement in reserves during 2014/15											
Surplus or (deficit) on the provision of services	32,684	0	0	87,457	0	0	0	0	120,141	0	120,141
Other comprehensive income & expenditure									0	(86,784)	(86,784)
Total comprehensive income & expenditure	**32,684**	**0**	**0**	**87,457**	**0**	**0**	**0**	**0**	**120,141**	**(86,784)**	33,357
Adjustments between accounting basis & funding basis under regulations	(7,028)			(78,721)		6,746	3,977	(9,127)	(84,153)	84,153	0
Net increase/decrease before transfers to earmarked reserves	25,656	0	0	8,736	0	6,746	3,977	(9,127)	35,988	**(2,631)**	33,357
Transfers to/from earmarked reserves	(25,557)	3,968	21,589	(5,202)	0	0	5,202	0	0	**0**	0
Increase/decrease in 2014/15	**99**	**3,968**	**21,589**	**3,534**	**0**	**6,746**	**9,179**	**(9,127)**	**35,988**	**(2,631)**	**33,357**
Balance as at 31 March 2015	**12,235**	**21,604**	**125,993**	**4,483**	**1,824**	**52,919**	**21,893**	**77,941**	**318,892**	**139,620**	**458,512**

Comprehensive Income and Expenditure Statement

2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000		2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000	Note
29,442	(11,991)	17,451	Central services to the public	27,728	(13,134)	14,594	
21,153	(4,853)	16,300	Cultural and related services	17,411	(4,639)	12,772	
39,286	(6,056)	33,230	Environmental and regulatory services	34,625	(5,771)	28,854	
7,773	(3,735)	4,039	Planning	7,339	(4,132)	3,207	
49,160	(7,818)	41,342	Children's social care	40,720	(6,421)	34,299	
311,200	(270,383)	40,817	Education and children's services	279,783	(264,704)	15,079	
49,116	(25,215)	23,901	Highways and transport services	54,281	(35,569)	18,712	
40,598	(92,075)	(51,477)	Local authority housing (HRA)	39,064	(130,997)	(91,933)	
424,188	(404,636)	19,552	Other housing services	448,018	(428,097)	19,921	
115,740	(25,754)	89,985	Adult social care	102,566	(28,571)	73,995	
7,098	(954)	6,143	Corporate and democratic core	9,457	(159)	9,298	
1,095	(224)	871	Non distributed costs	(2,245)	(55)	(2,300)	
18,151	(18,620)	(469)	Public Health	16,748	(18,848)	(2,100)	
1,113,997	**(872,310)**	**241,687**	**Cost of Services**	**1,075,495**	**(941,097)**	**134,398**	
		(10,232)	Other operating expenditure			7,314	11
		55,652	Financing and investment income and expenditure			46,400	12
		(337,032)	Taxation and non-specific grant income			(308,243)	14
		(49,924)	**(Surplus) or Deficit on Provision of Services**			**(120,131)**	
		(23,277)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(26,424)	
		(205,258)	Actuarial (gains)/losses on pension assets and liabilities			113,210	37
		(228,535)	**Other Comprehensive Income and Expenditure**			**85,597**	
		(278,459)	**Total Comprehensive Income and Expenditure**			**(33,345)**	

Cash Flow Statement

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

2013/14 £'000		**2014/15 £'000**	**Note**
49,924	Net surplus or (deficit) on the provision of services	120131	
103,515	Adjustments for non-cash movements	(100,062)	
(95,056)	Adjustments for investing and financing activities	46,397	
58,383	**Net cash inflows/(outflows) from Operating Activities**	66466	
(24,935)	Net cash inflows/(outflow) from Investing activities	(89,840)	5
(7,925)	Net cash inflows/(outflow) from Financing activities	(6,399)	6
25,523	**Net increase/(decrease) in cash and cash equivalents**	**(29,773)**	
36,131	Cash and cash equivalents at the beginning of the reporting period	61,654	
61,654	**Cash and cash equivalents at the end of the reporting period**	**31,881**	**3**

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

Movements in 2014/15	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Plant Vehicle & Equipment	Surplus Assets	Assets under Construction	Total	Of which PFI funded Assets	Intangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2014	**609,009**	**596,091**	**213,975**	**51,050**	**4,113**	**30,771**	**1,505,009**	**92,310**	**8,331**
Additions	8,327	26,724	11,493	8,233	0	13,335	**68,112**	108	12
Depreciation/ Impairment written out	(28,768)	(10,004)	0	0	(42)	0	**(38,814)**	(362)	0
Revaluation (Revaluation Reserve)	0	24,996	0	0	1,427	0	**26,423**	3,164	0
Revaluation Surplus/(Deficit) on the Provision of Services	74,459	(3,697)	0	0	(124)	0	**70,638**	0	0
Derecognition - disposals	(9,154)	(14,557)	0	(8,888)	0	0	**(32,599)**	(595)	(3,093)
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	**0**	0	0
Reclassifications	0	713	0	0	0	0	**713**	0	0
Other movements in cost or valuation	0	263	0	0	(260)	0	**3**	0	1
At 31 March 2015	**653,873**	**620,529**	**225,468**	**50,395**	**5,114**	**44,106**	**1,599,485**	**94,625**	**5,251**
Accumulated Depreciation/Amortisation and Impairment									
At 1 April 2014	**(29,379)**	**(33,044)**	**(46,704)**	**(31,781)**	**(109)**	**0**	**(141,017)**	**(13,202)**	**(4,851)**
Depreciation/ amortisation	(10,259)	(12,232)	(5,561)	(7,581)	(14)	0	**(35,647)**	(3,028)	(981)
Depreciation written out	375	9,867	0	0	43	0	**10,285**	362	0
Impairment written out	28,768	137	0	0	0	0	**28,905**	0	0
Derecognition - disposals	0	716	0	8,670	0	0	**9,386**	11	3,094
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
Other	0	0	0	0	0	0	**0**	0	0
At 31 March 2015	**(10,495)**	**(34,556)**	**(52,265)**	**(30,692)**	**(80)**	**0**	**(128,088)**	**(15,857)**	**(2,738)**
Net Book Value (Cost or Valuation less Accumulated Depreciation/Amortisation and Impairment)									
At 31 March 15	**643,378**	**595,973**	**173,203**	**19,703**	**5,034**	**44,106**	**1,471,397**	**78,768**	**2,513**
At 31 March 14	**579,630**	**563,047**	**167,271**	**19,269**	**4,004**	**30,771**	**1,363,992**	**79,108**	**3,480**

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

Movements in 2013/14	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Plant Vehicle & Equipment	Surplus Assets	Assets under Construction	Total	Of which PFI funded Assets	Intangible Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2013	**575,171**	**491,338**	**202,704**	**47,230**	**4,072**	**141,277**	**1,461,792**	**89,889**	**6,530**
Additions	16,048	21,787	11,271	6,801	41	26,231	**82,179**	293	1,802
Depreciation written out	0	(6,113)	0	0	0	0	**(6,113)**	0	0
Revaluation (Revaluation Reserve)	0	23,366	0	47	0	0	**23,413**	171	0
Revaluation (Surplus/Deficit on the Provision of Services)	38,597	(37,067)	0	0	0	0	**1,530**	2,457	0
Derecognition - disposals	(20,807)	(26,536)	0	(3,028)	0	0	**(50,371)**	(500)	0
Reclassified (to)/from Held for Sale	0	(8,998)	0	0	0	0	**(8,998)**	0	0
Reclassifications	0	1,580	0	0	0	0	**1,580**	0	0
Other movements in cost or valuation	0	136,734	0	0	0	(136,737)	**3**	0	-1
At 31 March 2014	**609,009**	**596,091**	**213,975**	**51,050**	**4,113**	**30,771**	**1,505,009**	**92,310**	**8,331**
Accumulated Depreciation/Amortisation and Impairment									
At 1 April 2013	**(18,821)**	**(33,781)**	**(41,431)**	**(27,243)**	**(87)**	**0**	**(121,363)**	**(10,144)**	**(2,803)**
Depreciation/ amortisation	(10,558)	(12,045)	(5,273)	(7,841)	(22)	0	**(35,739)**	(3,067)	(2,048)
Depreciation written out	0	6,113	0	0	0	0	**6,113**	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(137)	0	0	0	0	**(137)**	0	0
Derecognition - disposals	0	2,327	0	3,028	0	0	**5,355**		
Derecognition - other	0	0	0	275	0	0	**275**	0	0
Assets reclassified (to)/from Held for Sale	0	4,479	0	0	0	0	**4,479**	9	0
Other				0	0	0	**0**	0	0
At 31 March 2014	**(29,379)**	**(33,044)**	**(46,704)**	**(31,781)**	**(109)**	**0**	**(141,017)**	**(13,202)**	**(4,851)**
Net Book Value (Cost or Valuation less Accumulated Depreciation/Amortisation and Impairment)									
At 31 March 14	**579,630**	**563,047**	**167,271**	**19,269**	**4,004**	**30,771**	**1,363,992**	**79,108**	**3,480**
At 31 March 13	**556,350**	**457,557**	**161,273**	**19,987**	**3,985**	**141,277**	**1,340,429**	**79,745**	**3,727**

Recognition of Foundation Schools

Four foundation schools, Oakington, Malorees, Kilburn Park and Furness, have been brought onto the balance sheet following the latest accounting guidance from CIPFA. The balance sheet has been restated for this adjustment. The table shows the adjustments due to these schools on the Council's prior year balance sheet figures.

Balance Sheet Line	01-Apr-2013 (£'000)	31-Mar-2014 (£'000)
Plant, Property and Equipment - Foundation Schools	17,966	17,966
Unusable Reserves (Capital Adjustment Account)	17,966	17,966

Current Assets

Note 2 – Debtors

31-Mar-14 £'000		31-Mar-15 £'000
17,992	Central government bodies	15,406
5,828	Other local authorities	3,922
882	NHS bodies	8,584
3,248	Public corporations and trading funds	3,164
28,575	Other entities and individuals	36,516
56,525	**Total**	**67,592**

Note 3 - Cash and Cash Equivalents

31-Mar-14 £'000		31-Mar-15 £'000
27,552	Bank current accounts	22,774
34,101	Short-term deposits	9,107
61,654	**Total**	**31,881**

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Note 4 - Cash Flow Statement - Operating Activities

2013/14 £'000		2014/15 £'000
2,823	Interest received-cash inflow	3,141
(26,103)	Interest paid-cash (outflow)	(23,430)

Note 5 -Cash Flow Statement - Investing Activities

2013/14 £'000		2014/15 £'000
(91,101)	Purchase of property, plant and equipment, investment property and intangible assets	(71,789)
(28,890)	Net increase/(decrease) in short-term and long-term investments	(64,448)
59,292	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17,347
35,764	Capital grants received	29,050
(24,935)	**Net cash flows from investing activities**	**(89,840)**

Note 6 - Cash Flow Statement - Financing Activities

2013/14 £'000		2014/15 £'000
(6,056)	Net increase/(decrease) in short-term and long-term borrowing	(4,359)
(1,869)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(2,040)
(7,925)	**Net cash flows from financing activities**	**(6,399)**

Liabilities

Note 7 – Creditors

31-Mar-14 £'000		31-Mar-15 £'000
8,141	Central government bodies	8,077
9,225	Other local authorities	17,368
2,070	NHS bodies	2,562
664	Public corporations and trading funds	0
72,592	Other entities and individuals	69,737
92,692	**Total**	**97,744**

Note 8 - Long-Term Liabilities

31-Mar-14 £'000		31-Mar-15 £'000
598,938	Pension Fund Liability	725,020
31,737	Deferred Income	24,131
630,675	**Total**	**749,151**

Note 9 - Provisions

	Outstanding Legal Cases £'000	Compensation Claims £'000	Other Provisions £'000	Total £'000
Short Term Provisions				
Balance at 1 April 2014	**0**	**2,517**	**1,484**	**4,001**
Moved from long term				
Additional provisions made in 2014/15	0	3,086	0	3,086
Amounts used in 2014/15	0	(2,748)	(248)	(2,996)
Unused amounts reversed in 2014/15	0	0	(176)	(176)
Balance at 31 March 2015		**2,855**	**1,060**	**3,915**
Long Term Provisions				
Balance at 1 April 2014	**195**	**1,226**	**1,612**	**3,033**
Moved to short term				
Additional provisions made in 2014/15	20	62	6,727	6,809
Amounts used in 2014/15	0	(228)	(2,276)	(2,504)
Unused amounts reversed in 2014/15	0	0	(15)	(15)
Balance at 31 March 2015	**215**	**1,060**	**6,048**	**7,323**

Outstanding legal claims

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

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

Compensation Claims

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

Other Provisions

Corporate Leases - Provision for photocopier leases

NNDR Revaluations - Provision for backdated NNDR appeals

Affordable Housing PFI - Provision for shortfall of income over the term of the contract

In addition to the Uninsured Losses provision detailed above, an earmarked reserve for insurance is maintained:

31-Mar-14 £'000		31-Mar-15 £'000
2,517	Uninsured Losses provision short term	2,855
1,226	Uninsured Losses provision long term	1,060
2,500	Earmarked insurance reserve	2,500
6,243	**Total**	**6,415**

Note 10 - Transfers to/from Earmarked Reserves

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

	Balance at 31-Mar-14 £'000	Transfers in 2014/15 £'000	Transfers out 2014/15 £'000	Movement 2014/15 £'000	Balance at 31-Mar-15 £'000
General Fund					
Technical and other obligations					
S106 and Community Infrastructure Levy	26,721	7,572	(5,638)	1,934	28,655
Affordable Housing PFI	2,942	525	(1,316)	(791)	2,151
Transformation	5,853	783	(370)	413	6,266
Service Pressures	2,000	3,450	0	3,450	5,450
Future Funding Risks	0	5,100	0	5,100	5,100
Council Tax, Business Rates & Local Welfare	3,246	1,449	0	1,449	4,695
Redundancy & Restructuring	3,725	0	0	0	3,725
Welfare Reform	3,510	0	0	0	3,510
Other Central	3,673	290	(584)	(294)	3,379
JFS School PFI	2,746	114	0	114	2,860
Employment Initiatives	3,174	0	(479)	(479)	2,695
Insurance	2,500	0	0	0	2,500
2Yr Old additional Funding	2,440	0	0	0	2,440
Willesden Sports Centre PFI	2,086	100	0	100	2,186
Property & Civic Centre	4,032	57	(2,019)	(1,962)	2,070
Public Health	1,326	541	0	541	1,867
South Kilburn	900	900	0	900	1,800
HMO Licensing	0	1,365	0	1,365	1,365
Total	**70,874**	**22,246**	**(10,406)**	**11,840**	**82,714**
Capital Finance Related					
Capital Financing	2,900	2,400	0	2,400	5,300
Revenue Contribution to Capital	2,930	2,400	0	2,400	5,330
Pension Liabilities	0	4,466	0	4,466	4,466
Capital Funding	2,068	0	(14)	(14)	2,054
Total	**7,898**	**9,266**	**(14)**	**9,252**	**17,150**
Joint Arrangements					
Brent NHS Trust Joint Venture	9,008	860	(458)	402	9,410
Better Care Development Fund	0	2,200	0	2,200	2,200
Delayed Transfer of Care	0	325	0	325	325
Total	**9,008**	**3,385**	**(458)**	**2,927**	**11,935**

Other Service Reserves					
Adults & Children & Young People	4,288	2,644	(1,619)	1,025	5,314
Environment & Neighbourhoods	1,349	1,417	(110)	1,307	2,655
Property	1,648	0	0	0	1,648
Regeneration & Growth	8,445	1,096	(5,957)	(4,861)	3,584
Corporate	893	919	(820)	99	992
Total	**16,623**	**6,076**	**(8,506)**	**(2,430)**	**14,193**
General Fund Total	**104,403**	**40,973**	**(19,384)**	**21,589**	**125,992**
HRA					
Housing Revenue Account	1,825	0	0	0	1,825
HRA Total	**1,825**	**0**	**0**	**0**	**1,825**
Schools					
School Balances	17,636	3,968	0	3,968	21,604
Schools Total	**17,636**	**3,968**	**0**	**3,968**	**21,953**
Grand Total	**123,864**	**44,941**	**(19,384)**	**25,557**	**149,421**

Note 11 - Other Operating Expenditure

31-Mar-14 £'000		31-Mar-15 £'000
3,360	Levies	2,604
1,074	Payments to the Government Housing Capital Receipts Pool	975
(14,667)	Gains/(losses) on the disposal of non-current assets	3,735
(10,233)	**Total**	7,314

Note 12 - Financing and Investment Income and Expenditure

31-Mar-14 £'000		31-Mar-15 £'000
24,181	Interest payable and similar charges	24,212
34,668	Pensions interest cost and expected return on pensions assets	25,428
(2,988)	Interest receivable and similar income	(3,281)
(209)	(Surplus)/Deficit on Trading Accounts	41
55,652	**Total**	**46,400**

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

The Council incurred interest expense of £24,212k in 2014/15 (£24,181k in 2013/14) and received interest income of £3,281k in 2014/15 (£2,998k in 2013/14). This expense and income is shown within the surplus or deficit on the provision of services

Note 14 - Taxation and non-Specific Grant Incomes

31-Mar-14 £'000		31-Mar-15 £'000
(86,561)	Council tax income	(89,332)
(46,532)	NNDR Top Up	(47,439)
(31,815)	Business Rates	(34,937)
(115,976)	Revenue Support Grant	(95,368)
(13,441)	Other government grants & taxation	(12,116)
(42,707)	Capital grants and contributions	(29,050)
(337,032)	**Total**	**(308,243)**

Note 15 – Material items of Income and Expenses

All material items are disclosed in the statements for 2014/15 and 2013/14.

Additional Disclosures

Note 16 – Acquired and Discontinued Operations

The council has no transactions to disclose.

Note 17 - Pooled Budgets

The Council entered into partnership agreements under Section 31 of the Health Act 1999 with NHS Brent CCG for the Integrated Community Equipment Service Partnership Board. The London Borough of Brent is the host partner for Occupational Therapy equipment. Funding for Occupational Therapy equipment is split 41% London Borough of Brent and 59% NHS Brent CCG. There is also a Section 31 arrangement with the Central and North West London NHS Foundation Trust (CNWLNFT) which is the host partner for Mental Health. The funding split in this case is 30% London Borough of Brent and 70% CNWLNFT.
The Partnership's income and expenditure for 2014/15 was:

	Mental Health £'000	Occupational Therapy £'000
Funding: London Borough of Brent	(350)	(450)
NHS Brent CCG	0	(654)
CNWLNFT	(954)	0
Total Funding	(1,304)	(1,104)
Expenditure	1,303	1,384
Net Overspend/(Underspend)	**(1)**	**280**
2013/14 Net Overspend/(Underspend)	**(38)**	**110**

Note 18 – Members' Allowances

Total payments including National Insurance costs in 2014/15 were £1,035,694 (£943,654 in 2013/14). Details of the Members' Allowances scheme are available on Brent's website (www.brent.gov.uk).

Note 19- External Audit Costs

31-Mar-14 £'000		31-Mar-15 £'000
264	Fees payable to KPMG with regard to external audit services carried out for the year	266
	Fees payable to KPMG with regard to additional audit services carried out for the year	35
33	Fees payable to KPMG for the certification of grant claims and returns for the year	30
297	**Total**	**331**

Note 20 - Contingent Liabilities

The Council has a number of contingent liabilities listed below. The best estimate of the liability for all the issues could be in the region of £8.2m. Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

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

The Council has received a new claim in respect of social care clients.

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

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

The Council has received a claim in relation to the leasing of a building and two claims relating to construction contracts.

The Council has a claim relating to historic overpayment of salaries.

Note 21 - Exceptional Items

There were no exceptional items in the 2014/15 accounts.

Note 22 - Grant Income

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

2013/14 £'000	Credited to Services	2014/15 £'000
3,849	Adult and Community Learning from Learning and Skills Council	3,468
201,975	Dedicated Schools Grant (DSG)	200,296
4,815	Discretionary Housing payments	4,261
3,355	Housing Benefit and Council Tax Benefit Administration	3,355
0	Local Welfare Programme Funding	1,021
3,418	Private Finance Initiative Housing Non HRA	3,418
293,076	Mandatory Rent Allowances: subsidy	294,858
22,321	Mandatory Rent Rebates outside HRA	24,121
18,335	Public Health	18,848
1,242	Private Finance Initiative Willesden Sports Centre - PFI Rese	1,242
9,159	Pupil Premium Grant	11,339
4,878	REFCUS revenue grants	11,930
30,606	Rent Rebates Granted to HRA Tenants: subsidy	29,741
6,929	Sixth forms funding from Learning and Skills Council (LSC)	5,567
1,016	Troubled Families	1,023
0	Universal Infant School Meal	1,867
8,960	Other Miscellaneous Grants	9,134
613,934	**Total**	**625,489**

2013/14 £'000	Credited to Taxation and Non Specific Grant Income	2014/15 £'000
	Grants:	
9,103	Basic Safety Needs	4,095
1,148	Targeted Basic Safety Needs	0
11,300	Framework Academies	6,051
5,833	Transport for London	4,969
2,132	LA Capital Maintenance	2,291
0	Disabled Facilities	10
1,370	Other Grants	4,063
	Contributions:	
11,821	S106	7,571
42,707	**Total**	**29,050**

Note 23 - Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education(DfE), the Dedicated Schools Grant (DSG).
The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget.
In 2014-15, as in previous years, an element of the DSG was recouped by the DfE to fund academy schools in the borough.
The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school.
Over and underspends on the two elements (i.e. central expenditure and ISB) are accounted separately and the Council is able to (where it can afford) supplement the schools budget from its own resource.

The DSG received in 2014/15 was deployed as follows:

	Central Expenditure	Individual Schools Budget	Total
	£	£	£
Final DSG for 2014-15 before Academy Recoupment			272,648,000
Academy figure recouped for 2014-15			(72,352,000)
Total DSG after recoupment for 2014-15			**200,296,000**
Brought Forward from 2014-15			(1,183,119)
Carry Forward to 2014-15 agreed in advance			1,183,119
Agreed initial budgeted distribution in 2014-15	49,408,915	150,887,085	**200,296,000**
In year adjustments	6,478,510	(7,071,510)	(593,000)
Final budgeted distribution for 2014-15	55,887,425	143,815,575	199,703,000
Less Actual Central Expenditure	(54,354,877)		(54,354,877)
Less Actual ISB deployed to schools		(143,815,575)	(143,815,575)
Plus Local Authority contribution for 2014-15	0	0	0
Carry Forward to 2015-16 agreed in advance	**1,532,548**	**0**	**349,429**

Note to the NTA (Notes to the Accounts)
The final DSG for 2014-15 before academy recoupment figure included an estimate of funding for the early years block which was derived from 2013-14 early years data.

The final allocation for the 2014-15 early years block was made in May 2015 using the Jan 2015 census figures with the resulting adjustment (reduction in funding) treated as an "in year adjustment" for 2014-15. This adjustment has effectively reduced the DSG carry forward to £942,429. The accounts currently reflect both the higher DSG grant and carry forward.

Note 24 – Related Party Transactions

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

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

Councillors and Chief Officers complete related party transactions forms each year.

A number of voluntary organisations which received grants from the London Borough of Brent in 2014/15 have Brent Members as Directors, Trustees or employees.
The following disclosures have been made where material transactions were made as obtained from Members' 2014/15 Declarations of Related Party Transactions (where the organisation received a significant amount of funding):

	£'000
Community Development Centre (CODEC)	4
Brent Centre for Young People	28
Community Voluntary Services (CVS) Brent	103
Help Somalia Foundation	2
Local Government Information Unit (affiliation fee)	26
Brent Housing Partnership (management fee)	7,624

London Borough of Brent Pension Fund - administrative support is provided to the Fund. The Pension Fund's accounts are shown separately in this document. The Council charged the Pension Fund £0.741m for administering the fund in 2014/15 (£0. 880m was charged in 2013/14).

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

Subsidiary Company - Brent has one subsidiary, Brent Housing Partnership (BHP) Limited. The Council paid a management fee to BHP of £7.624m in 2014/15 (£8. 046m in 2013/14).
Barham Park Trust is a charity that that is controlled by the council as a result of the council appointing all the trustees and is included in Brent's Group accounts as a subsidiary. Brent held £445k on behalf of the Barham Park Trust.

The Group Accounts can be found later in this document and combine the accounts of Brent, BHP and Barham Park Trust.

As at 31 March 2015 the Council was owed £206.7k by NHS Brent CCG. There were no provisions for bad debts relating to the above.

Locata
Brent, in partnership with other London boroughs and Housing Associations, is operating a joint lettings scheme for housing tenants. A company called Locata (Housing Services) Limited has been set up for this purpose.
Brent is liable to contribute to the debts and liabilities of Locata up to £10, if it was wound up.
Locata's accounts have not been consolidated into Brent's group accounts because the sums involved are not material to the Council's accounts and because Brent has limited influence on the company (less than 20% voting rights
A copy of Locata's accounts can be obtained from Companies House www.companieshouse.gov.uk.

Note 25 - Capital Expenditure and Capital Financing

2013/14 £'000 GF	2013/14 £'000 HRA	2013/14 £'000 Total	Capital Investment	2014/15 £'000 GF	2014/15 £'000 HRA	2014/15 £'000 Total
66,079	16,048	82,127	Property, Plant and Equipment	52,096	8,327	60,423
31	0	31	Investment Properties	0	0	0
1,802	0	1,802	Intangible Assets	12	0	12
7,604	0	7,604	Revenue Expenditure Funded from Capital under Statute	14,917	0	14,917
75,516	**16,048**	**91,564**	**Total Expenditure**	**67,025**	**8,327**	**75,352**
			Sources of Finance			
(19,110)	(2,044)	(21,154)	Capital Receipts	(9,180)	0	(9,180)
(43,438)	(20)	(43,458)	Government Grants and other Contributions	(46,975)	(30)	(47,005)
(3,248)	(1,670)	(4,918)	Direct revenue contributions	(5,637)	(2,015)	(7,652)
0	(12,197)	(12,197)	Major Repairs Reserve	0	(6,282)	(6,282)
(520)	(118)	(638)	Earmarked Reserves	0	0	0
(9,199)	0	(9,199)	Borrowing	(5,233)	0	(5,233)
(75,515)	**(16,049)**	**(91,564)**	**Total Resources**	**(67,025)**	**(8,327)**	**(75,352)**
		0	**Net Balance**			**0**
			Calculation of Capital Financing Requirement			
		1,365,661	Fixed Assets			1,472,717
		3,480	Intangible Assets			2,513
		4,519	Assets Held for Sale			4,519
		(171,809)	Revaluation Reserve			(193,761)
		(587,631)	Capital Adjustment Account			(682,786)
		(31,737)	Deferred Income			(24,131)
		582,483	**Capital Financing Requirement**			**579,071**

Financial Instruments

Note 26 - Financial Instruments Categories

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

	Long Term			Current		
	31 March 2015 £'000	**31 March 2014 £'000**	**31 March 2013 £'000**	**31 March 2015 £'000**	**31 March 2014 £'000**	**31 March 2013 £'000**
Investments						
Loans and receivables	0	5,000	0	139,673	70,226	46,336
Unquoted equity investment at cost	100	100	100	0	0	0
Total investments	**100**	**5,100**	**100**	**139,673**	**70,226**	46,336
Debtors						
Loans and receivables	59,646	54,008	42,346	0	0	0
Financial assets carried at contract amounts				36,516	28,575	28,093
Total Debtors	**59,646**	**54,008**	**42,346**	**36,516**	**28,575**	**28,093**
Borrowings						
Financial liabilities at amortised cost	(419,316)	(423,662)	(428,003)	(8,564)	(8,577)	(10,509)
Total Borrowings	**(419,316)**	**(423,662)**	**(428,003)**	**(8,564)**	**(8,577)**	**(10,509)**
Other Long Term Creditors						
PFI and finance lease liabilities	(34,182)	(33,444)	(38,065)	0	0	0
Total Other Long Term Creditors	**(34,182)**	**(33,444)**	**(38,065)**	**0**	**0**	**0**
Creditors						
Financial liabilities carried at contract amounts	0	0	0	(69,737)	(72,592)	(61,501)
Total Creditors	**0**	**0**	**0**	**(69,737)**	**(72,592)**	**(61,501)**

Note 27 – Fair Values of Assets and Liabilities

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

The Council's long term borrowing at 31 March 2014 and 31 March 2015 consisted of loans from the Public Works Loan Board (PWLB) and market loans The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio, assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates In the case of market loans, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date. The carrying amount of short-term borrowing is considered to be at fair value.

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

Financial Liabilities

31-Mar-14			31-Mar-15	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
8,577	8,577	Short Term Borrowing	8,564	8,564
423,662	560,664	Long Term Borrowing	419,316	661,987
33,444	33,444	Long Term Creditors	34,182	34,182

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

Financial Assets

109,326	109,326	Loans and Receivables	148,782	148,782
54,008	54,008	Long Term Debtors	59,646	59,646

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

Impairment of Deposits with Icelandic Banks

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7th October 2008. As at 31 March 2015, the Council had recovered £9.4m of the original £10m deposit and a further repayment may arise subject to the result of court action. The impairment made by the Council is essentially the balance of the deposit outstanding.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. The Council has received £4.7m of the original £5m loan in final settlement of its claim.

Note 28 – Leases

Authority as Lessee

Finance Leases

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

31-Mar-14 £'000		31-Mar-15 £'000
13	Plant, Furniture, Vehicles and Equipment	5,307

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-14 £'000		31-Mar-15 £'000
	Finance lease liabilities	
119	Current	1,151
7	Non-current	4,155
2	Finance costs payable in future years	215
128	Minimum lease payments	5,521

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	
	2014-15	**2013-14**	**2014-15**	**2013-14**
	£'000	**£'000**	**£'000**	**£'000**
Not Later than one year	1,237	120	1151	119
Later than one year and not later than five years	4,283	8	4155	7
	5,520	**128**	**5,306**	**126**

The increase in finance lease values is due to the start of a new Public Realm contract in 2014-15, which contains embedded leases for vehicles and equipment used for the contract. Finance lease values at 31.3.14 were low as the previous Waste Services contract was coming to an end.

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:

2013-14 £'000		2014-15 £'000
1,147	Not later than one year	644
3,494	Later than one year and not later than five years	1,985
6,482	Later than five years	6,861
11,123	**Total**	**9,490**

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

2013-14 £'000		2014-15 £'000
115	Future Minimum Sublease Payments Receivable	0

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

2013-14 £'000		2014-15 £'000
2276	Minimum Lease payments	1,355
(38)	(Sublease payments receivable)	(103)
2,238		**1,252**

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 Public Realm, Waste Services and Parking Enforcement have been separated and are disclosed above in the finance and operating lease sections.

The following payments are for two Special Education contracts where payments cannot be separated, so are disclosed separately from other leases:

2013-14 £'000		2014-15 £'000
227	Minimum Lease payments	0

Authority as Lessor

Finance Leases

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

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

2013-14 £'000		2014-15 £'000
	Finance lease debtor	
1,249	Non Current	1,249
1,249	**Gross Investment in Lease**	**1,249**

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

	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	2014-15 £'000	**2013-14 £'000**	**2014-15 £'000**	**2013-14 £'000**
Later than five years	1,249	1,249	1,249	1,249
	1,249	**1,249**	**1,249**	**1,249**

In addition to the payments made by the commercial operator shown above, the council receives contingent rent based on the turnover of the golf course. In 2014-15, £22k contingent rent was receivable.

Operating Leases

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

Future minimum lease payments expected under these contracts are:

2013-14 £'000		2014-15 £'000
953	Not later than one year	1,009
1,767	Later than one year and not later than five years	3,176
30,707	Later than five years	35,745
33,427	**Total**	**39,930**

The increase in future lease payments in 14-15 is largely down to two additional leases of parts of the Civic Centre.

The council receives additional contingent rent for one of its properties based on the turnover of the lessee's business. In 2014-15, £50k contingent rent was receivable.

Figures for operating leases for 13-14 have been updated to reflect additional information about these leases.

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

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

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

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

- In 2005/06 a 32 year agreement was made to provide and maintain social housing within Stonebridge. Whether or not a block of flats or house paid for by this contract appears on Brent's balance sheet was determined by a tenant's vote at the start of the contract. The PFI operator manages and maintains these properties on behalf of Brent.
- Changes to the PFI were agreed after the end of the financial year with the contractor, which reduced our long term contractual commitments from £17.4m to £5.6m. A provision of £5.6m has been included in note 9 to reflect this.

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

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

2013-14 £'000		2014-15 £'000
37,806	Balance outstanding at start of year	35,950
(1,869)	Payments during the year	(2,040)
13	Additional liabilities	22
35,950	**Balance outstanding at end of year**	**33,932**

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 2015/16	3,108	2,994	3,486	9,588
Payable with two to five years	13,289	10,464	12,410	36,163
Payable within 6 to 10 years	9,117	12,811	12,529	34,457
Payable within 11 to 15 years	9,667	16,551	9,814	36,032
Payable within 16 to 20 years	4,225	9,746	6,945	20,916
Payable within 21 to 25 years	853	3,896	2,426	7,175
Total	**40,259**	**56,462**	**47,610**	**144,331**

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

2013-14		**2014-15**
£'000		**£'000**
(33,745)	Deferred Income opening balance	(31,738)
0	Additions	
2,007	Amortisation	7,607
(31,738)	Deferred Income closing balance	(24,131)

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

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

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

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

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

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

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

Note 30 – Capitalisation of Borrowing Costs
The Civic Centre scheme is currently the Council's only asset where borrowing costs have been capitalised. No borrowing costs were capitalised in 2014/15 (£580k in 2013/14). The capitalisation rate used to determine borrowing costs eligible for capitalisation was 4.73% in 2013/14.

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

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

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

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

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

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

that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

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

	Long Term		Short Term	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
Credit Rating	**£'000**	**£'000**	**£'000**	**£'000**
AAA	0	0	9,100	34,100
AA-	0	0	15,000	20,000
A	0	0	35,000	50,000
Unrated local authorities	0	5,000	89,400	0
Residual Icelandic banks	0	0	602	1,602
Total Investments		**5,000**	**149,102**	**105,702**

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

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

	Amount at 31 March 2015 £'000	**Historical experience of default %**	**Estimated maximum exposure to default £'000**
	(a)	(b)	
Deposits with banks and financial institutions	2		2
Trade debtors	78,999	60.35%	47,674
	79,001		**47,676**

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

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

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

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

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

Liquidity risk

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

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

	£'000
Less than one year	4,341
Between one and two years	4,341
Between two and five years	19,126
Between five and ten years	12,492
Between ten and twenty years	26,058
Between 20 and 30 years	1,200
Between 30 and 40 years	100,693
More than 40 years	159,906
Uncertain date *	95,500
	423,657

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

Investments of £149,102k are due to be repaid within one year.

Market Risks: Interest Rate Risk

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2015, all the principal borrowed was exposed to fixed rates.

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

	£'000
Increase in interest receivable on variable rate investments	(1,490)
Impact on Comprehensive Income and Expenditure	(1,490)
Decrease in fair value of fixed rate borrowings/liabilities*	**94,765**

*No Impact on Comprehensive Income and Expenditure

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

Note 32 - Senior Employees' Remuneration

Employee Benefits

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

Postholder	Note	2013/14 Salary (including fees and allowances) £	2013/14 Compen-sation for loss of office £	2013/14 Total remuneration excluding pension contributions £	2013/14 Employer's pension contributions £	2013/14 Total remuneration including pension contributions £	2014/15 Salary (including fees and allowances) £	2014/15 Compen-sation for loss of office £	2014/15 Total remuneration excluding pension contributions £	2014/15 Employer's pension contributions £	2014/15 Total remuneration including pension contributions £
Interim Chief Executive - C Gilbert (from 1 November 2012) Payments to Limited Company		66,667	Nil	66,667	Nil	66,667	Nil	Nil	Nil	Nil	Nil
Interim Chief Executive - C Gilbert	1	118,963	Nil	118,963	Nil	118,963	193,698	Nil	193,698	Nil	193,698
Assistant Chief Executive (from October 2013-December 2014)	3	51,026	Nil	51,026	6,838	57,864	104,322	84,793	189,115	21,282	210,397
Chief Operating Officer- (from February 2015)	2	Nil	Nil	Nil	Nil	Nil	20,719	Nil	20,719	Nil	20,719
Chief Finance Officer (section 151 officer from October 2013)		55,519	Nil	55,519	7,440	62,959	120,038	Nil	120,038	24,488	144,526
Director- Children and Families (until July 2013)		50,574	93,277	143,851	6,774	150,625	Nil	Nil	Nil	Nil	Nil
Acting Director Children and Young People (from July 2013-April 2014)	4	94,424	Nil	94,424	12,653	107,077	10,462	Nil	10,462	2,134	12,596
Director Children and Young People (from April 2014)	5	Nil	Nil	Nil	Nil	Nil	132,049	Nil	132,049	26,938	158,987

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Employee Benefits>>

Note 32 - Senior Employees' Remuneration (Continued)

Postholder	Note	2013/14 Salary (including fees and allowances) £	2013/14 Compen-sation for loss of office £	2013/14 Total remuneration excluding pension contributions £	2013/14 Employer's pension contributions £	2013/14 Total remuneration including pension contributions £	2014/15 Salary (including fees and allowances) £	2014/15 Compen-sation for loss of office £	2014/15 Total remuneration excluding pension contributions £	2014/15 Employer's pension contributions £	2014/15 Total remuneration including pension contributions £
Director- Strategy Partnerships & Improvement (left during 2013/14)		29,388	113,176	142,564	3,938	146,502	Nil	Nil	Nil	Nil	Nil
Director- Customer& Community Engagement (Left during 2013/14)		11,077	63,278	74,355	1,484	75,839	Nil	Nil	Nil	Nil	Nil
Human Resources Director		117,676	Nil	117,676	15,769	133,445	121,462	Nil	121,462	24,778	146,240
Deputy Director of Finance (section 151 officer from September 2012 to October 2013)		69,461	Nil	69,461	9,308	78,769	Nil	Nil	Nil	Nil	Nil
Director of Environment & Neighbourhoods		133,475	Nil	133,475	17,886	151,361	139,715	Nil	139,715	28,502	168,216
Director of Legal and Procurement (Until December 2014)	3	120,072	Nil	120,073	16,089	136,162	109,274	55,451	164,725	22,292	187,017
Director of Adult Social Services		126,715	Nil	126,715	16,980	143,695	131,567	Nil	131,567	26,840	158,407
Director of Regeneration and Growth		133,475	Nil	133,475	17,886	151,361	144,715	Nil	144,715	29,522	174,236
Director of Public Health(from August 2013)		77,765	Nil	77,765	10,420	88,185	109,746	Nil	109,746	22,388	132,134
Total		**1,256,279**	**269,731**	**1,526,009**	**143,465**	**1,669,474**	**1,334,577**	**140,244**	**1,478,011**	**229,163**	**1,707,174**

Note 1: The Interim Chief Executive's salary in 2014/15 included £5,305 for returning officer duties for the May 2014 Local Elections paid by the Government. The Interim Chief Executive's annualised salary, excluding returning officer duties in 2014/15 was £188,072.

Note 2: The new post of Chief Operating Officer was in place from February 2015. Annualised payments for this post were £142,692.

Note 3: In 2014/15 the positions of the Assistant Chief Executive and the Director of Legal and Procurement were merged into the new post of the Chief Operating Officer. The former Director of Legal and Procurement's contract of employment was terminated on 31st December 2014. At the time of leaving the annualised salary was £120,038. The former Assistant Chief Executive's contract of employment was terminated on 31st December 2014. At the time of leaving the annualised salary was £120,038.

Note 4: The Operational Director of Children and Young People was Acting Strategic Director of Children & Young People from July 2013 until April 2014. The director was paid £13,645 for additional responsibilities.

Note 5: The Strategic Director of Children & Young People was in place from April 2014. Annualised payments for this post were £142,692.

Note 6: The employer's pension contributions have increased from 13.4% to 20.4% of employee salaries following the 3 year review ended 31 March 2014. This rate is effective from 01 April 2014-31 March 2017.

Employee Benefits>>

Note 33 - Officers' Remuneration

The number of employees whose remuneration in 2014/15 and 2013/14, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:-

2013/14				2014/15		
Schools Staff	**Officers**	**Total**	**Remuneration band £'s**	**Schools Staff**	**Officers**	**Total**
142	67	209	50,000 - 54,999	138	75	213
86	31	117	55,000 - 59,999	63	28	91
27	18	45	60,000 - 64,999	28	11	39
24	9	33	65,000 - 69,999	30	16	46
21	14	35	70,000 - 74,999	19	13	32
14	6	20	75,000 - 79,999	14	5	19
10	2	12	80,000 - 84,999	10	1	11
9	3	12	85,000 - 89,999	10	3	13
7	3	10	90,000 - 94,999	2	0	2
1	1	2	95,000 - 99,999	6	1	7
2	2	4	100,000 - 104,999	1	2	3
2	5	7	105,000 - 109,999	2	5	7
0	4	4	110,000 - 114,999	1	4	5
1	1	2	115,000 - 119,999	1	0	1
0	2	2	120,000 - 124,999	0	2	2
0	1	1	125,000 - 129,999	0	0	0
0	2	2	130,000 - 134,999	0	2	2
0	1	1	135,000 - 139,999	0	1	1
0	2	2	140,000 - 144,999	0	1	1
0	0	0	160,000 - 164,999	0	1	1
0	1	1	185,000 - 189,999	0	1	1
0	0	0	190,000 - 194,999	0	1	1
346	**175**	**521**	**Total**	**325**	**173**	**498**

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

The number of school staff earning over £50k have reduced because 1 Secondary school, 2 Primary Schools and 1 Special school have converted into Academies and are no longer part of Brent's accounts.

In 2013/14 27 Officers were in the £50K+ bands due to Redundancy or termination agreements.
In 2014/15 11 Officers were in the £50K+ bands due to Redundancy or termination agreements.

Officers earning over £50K has decreased due to organisational restructure during 2013/14 and 2014/15.
Officers earning over £75K have decreased due to senior management restructure during 2013/14 and 2014/15.

Note 34 - Exit Packages

Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other other departures		Total number of exit packages by by cost band (b) + (c)		Total cost of exit exit packages in each band £'000	
	2013/14	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**
£0 - £20,000	39	18	93	14	132	32	1,063	388
£20,001 - £40,000	15	5	51	11	66	16	1,899	460
£40,001 - £60,000	4	1	22	7	26	8	1,236	392
£60,001 +	1	1	3	3	4	4	294	326
Total	**59**	**25**	**169**	**35**	**228**	**60**	**4,492**	**1566**
ADD amounts provided for in CIES not included in bandings							1,014	334
TOTAL cost included in CIES							5,506	1,900

Note 35 - Pension Schemes Accounted for as Defined Contribution Schemes

In 2014/15, the Council paid £8.8m to Teachers' Pensions (£9.5m 2013/14) in respect of teachers' retirement benefits, representing 14.1% (14.1% 2013/14) of pensionable pay. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 36.

As a result of the transfer of responsibilities for Public Health from the NHS, the Council also paid £43k in 2014/15 (£61K in 2013/14) to the NHS pension scheme representing 14% (14% in 2013/14) of pensionable pay.

Note 36 - Defined Benefit Pension Schemes
Participation in Pension Schemes

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

Transactions Relating to Post-employment Benefits

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

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

31 March 2014 £'000 (restated)		31 March 2015 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
31,261	Current service cost	23,374
883	Past service costs (including curtailments)	397
0	Settlements and curtailments	(2,159)
	Financing and investment Income and Expenditure:	
56,496	Interest cost	47,454
(21,828)	Expected return on scheme assets	(22,026)
66,812	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**47,040**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(78,334)	Changes in demographic assumptions	0
19,525	Changes in financial assumptions	161,486
(145,540)	Other experience	(10,639)
(909)	Return on assets excluding amounts in net interest	(37,637)
(138,446)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**160,250**
	Movement in Reserves Statement	
29,766	Employers' contributions payable to the scheme	29,127
5,140	Contributions in respect of unfunded benefits	5,041
34,906	*Actual amount charged against the General Fund Balance for pensions in the year:*	34,168
(66,812)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(47,040)
(31,906)		**(12,872)**

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

31 March 2014 £'000	31 March 2014 £'000	31 March 2014 £'000		31 March 2015 £'000	31 March 2015 £'000	31 March 2015 £'000
Assets	**Obligations**	**Net (liability) / asset**		**Assets**	**Obligations**	**Net (liability) / asset**
			Opening Balances at 1 April			
482,210		482,210	Fair value of employer assets	511,430		511,430
	(1,178,630)	(1,178,630)	Present value of funded liabilities		(1,040,067)	(1,040,067)
	(75,870)	(75,870)	Present value of unfunded liabilities		(70,302)	(70,302)
482,210	**(1,254,500)**	**(772,290)**	**Opening Position at 1 April**	**511,430**	**(1,110,369)**	**(598,939)**
	(31,261)	(31,261)	Current service cost		(23,374)	(23,374)
	(883)	(883)	Past service costs		(397)	(397)
			Settlements		2,159	2,159
21,828		21,828	Interest income on plan assets	22,026		22,026
	(56,496)	(56,496)	Interest cost		(47,454)	(47,454)
6,148	(6,148)	0	Contributions by scheme participants	6,421	(6,421)	0
29,766		29,766	Employer contributions	29,127		29,127
5,140		5,140	Contributions in respect of unfunded benefits	5,041		5,041
(29,431)	29,431	0	Benefits paid	(33,186)	33,186	0
(5,140)	5,140	0	Unfunded benefits paid	(5,041)	5,041	0
909	204,349	205,258	Actuarial gains and losses	37,637	(150,847)	(113,210)
511,430	**(1,110,368)**	**(598,938)**	Closing Balances at 31 March	**573,455**	**(1,298,476)**	**(725,020)**
			Analysis of closing balance			
511,430		511,430	Fair value of employer assets	573,455		573,455
	(1,040,067)	(1,040,067)	Present value of funded liabilities		(1,228,689)	(1,228,689)
	(70,302)	(70,302)	Present value of unfunded liabilities		(69,786)	(69,786)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1,298m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall net liability of £725m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

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Note 38 - Fair value of employers assets (bid value)

31-Mar-14 Quoted prices in active markets	31-Mar-14 Quoted prices not in active markets	31-Mar-14 Total	31-Mar-14 Percentage of Total Assets	Asset Category	31-Mar-15 Quoted prices in active markets	31-Mar-15 Quoted prices not in active markets	31-Mar-15 Total	31-Mar-15 Percentage of Total Assets
£'000	£'000	£'000	%		£'000	£'000	£'000	%
				Private Equity				
0	64,630.6	64,630.6	12%	All	0	84,647.7	84,647.7	15%
				Real Estate				
26,719.4	0	26,719.4	5%	UK Property	30,319.3	0	30,319.3	5%
4,768.6	0	4,768.6	1%	Overseas Property	3,474.1	0	3,474.1	1%
				Investment Funds & Unit Trusts				
254,046.5	0	254,046.5	50%	Equities	278,871.4	0	278,871.4	49%
75,676.9	0	75,676.9	15%	Bonds	77,474.2	0	77,474.2	13%
0	26,733	26,733	5%	Hedge Funds	0	0	0	0%
40,444.1		40,444.1	8%	Commodities	0	0	0	0%
0	29,706.9	29,706.9	6%	Infrastructure	61,687.6		61,687.6	11%
0	0	0	0%	Other	0	25,696	25,696	4%
				Cash and cash equivalents				
0	(11,295.4)	(11,295.4)	-2%	All	0	11,284.7	11,284.7	2%
401,655.5	**109,775.1**	**511,430.6**	**100%**	**Totals**	451,826.6	121,628.4	573,455	**100%**

Sensitivity Analysis

Change in assumptions at 31 March 2015:	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£'000
0.5% decrease in Real Discount Rate	10%	128,256
1 year increase in member life expectancy	3%	38,954
0.5% increase in the Salary Increase Rate	3%	33,822
0.5% increase in the Pension Increase Rate	7%	92,178

Note 39 - Projected defined benefit cost for the period to 31-Mar-16

Period Ended 31-Mar-15	Assets	Obligations	Net (liability)/asset	
	£'000	£'000	£'000	% of pay
Projected Current service cost	0	(28,959)	(28,959)	-30.00%
Total Service Cost		**(28,959)**	**(28,959)**	**-30.00%**
Interest Income on plan assets	18,378	0	18,378	19.00%
Interest cost on defined benefit obligation	0	(41,504)	(41,504)	-43.00%
Total Net Interest Cost	**18,378**	**(41,504)**	**(23,126)**	**-24.00%**
Total Included in Surplus or Deficit	**18,378**	**(70,463)**	**(52,085)**	**-54.00%**

Information about the defined benefit obligation

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	Liability Split at 31-Dec-2014	Average Age at 31-Mar-2013
Active members	25%	51
Deferred members	43%	51
Pensioner members	32%	67
Total	**100%**	

Note 40 - Basis for Estimating Assets and Liabilities

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

2013-14		2014-15
	Actuarial Assumptions:	
	Longevity at 65 for current pensioners:	
22.0	Men	22.0
24.3	Women	24.3
	Longevity at 65 for future pensioners:	
24.4	Men	24.4
26.8	Women	26.8
4.4%	Rate of increase in salaries	4.1%
2.8%	Rate of increase in pensions	2.4%
4.3%	Rate for discounting scheme liabilities	3.2%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	75.0%

Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2015

2013/2014 £'000		2014/2015 £'000
	Income	
(47,155)	Dwelling Rents	(48,085)
(401)	Non Dwelling Rents(Gross)	(269)
(2,893)	Tenants Charges for Services and Facilities	(2,906)
(295)	Contribution Towards Expenditure	(337)
(2,734)	Leaseholders' charge for services and Facilities	(2,663)
(38,597)	Upward revaluation of assets	(74,459)
0	Other Tenant Income	(2,337)
(92,075)	**Total Income**	**(131,056)**
	Expenditure	
9,534	Repairs and Maintenance	9,216
12,137	Supervision and Management	11,561
5,691	Special Services	4,892
2,093	Rent and Rates and Other Charges	1,644
10,641	Depreciation of Fixed Assets	10,342
488	Bad or Doubtful Debts	1,458
14	Debt Management Expenses	9
40,598	**Total Expenditure**	**39,123**
(51,477)	**Net Cost of Services included in the Council's Income and Expenditure Account**	**(91,933)**
40	HRA share of Corporate and Democratic Core	0
(51,437)	**Net Cost of HRA Services**	**(91,933)**
	HRA share of the operating income and expenditure included in the Council's income and expenditure	
1,074	Payments to capital receipts pool	975
978	(Gain) or Loss on Sale of HRA fixed Assets	(2,644)
6,136	Interest payable and similar charges	6,133
0	Amortised Payment and Discount	64
(57)	HRA Investment Income/Mortgage Interest	(52)
(43,306)	**(Surplus)or Deficit for the Year on HRA Services**	**(87,457)**

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

Movement on the HRA Statement

2013/2014 £'000	Movement on the HRA Statement	2014/2015 £'000
(2,586)	**Housing Revenue Account brought forward**	**(949)**
(43,306)	(Surplus) or deficit on the provision of services	(87,457)
	Other comprehensive income & expenditure	
(43,306)	**Total comprehensive income & expenditure**	**(87,457)**
45,021	Adjustment between accounting basis and funding basis under regulations	83,923
1,715	**Net increase/decrease before transfers to earmarked reserves**	**(3,534)**
(12)	Transfers to/(from) earmarked reserves	0
(66)	Transfers to/(from) General Fund	0
1,637	**Net increase/decrease**	**(3,534)**
(949)	**Balance as at 31 March carried forward**	**(4,483)**

HRA adjustments between accounting basis and funding basis under regulations

2013/14 £000		2014/2015 £000
(978)	Gain / (Loss) on sale of HRA non-current assets	2,644
1,788	Capital expenditure funded by HRA	1,368
3,579	Amortised payment and discount	1,516
38,597	Revaluation of assets	74,459
(1,074)	Payments to the capital receipts pool	(975)
(262)	Pooled capital receipts – contribution to administration costs	(222)
0	Pension interest cost and expected return on pension assets	14
(40)	HRA share of CDC	0
14,052	Transfers to / from Major Repairs Reserve	15,461
(10,641)	Transfers to / from Capital Adjustment Account	(10,342)
45,021	**Total adjustments between accounting basis and funding basis under regulations**	**83,923**

Notes to the Housing Revenue Account

Note 1: Housing Stock

The Council's stock of dwellings reduced during the year from 8,543 to 8,429, a net reduction of 114 Dwellings. These reductions resulted from Right to Buy sales and transfer of dwellings from the HRA to the General Fund to be used for Temporary Accommodation.

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

31-Mar-14 £'000		31-Mar-15 £'000
284	Leasehold	261
8,259	Freehold	8,168
8,543	**Total**	**8,429**

Note 2: Rent Arrears

The level of rent arrears at 31 March 2015 was £2.983m . Movement on the arrears and related provisions are shown below.

31-Mar-14 £'000		31-Mar-15 £'000
2,751	Arrears from tenants	2,983
4,247	Arrears from Right to Buy Leaseholders	5,029
(5,832)	Provision	(6,644)
1,166	**Total Arrears**	**1,368**

Note 3 – Non-current Assets

	Council Dwellings £'000	Non-Operational £'000	Total £'000
Gross Book Value at 1 April 2014	609,010	9,511	618,521
Revaluation in 2014/15	0	(2,490)	(2,490)
Upward revaluation of assets	74,459	0	74,459
Expenditure during the Year	8,327	0	8,327
Disposals	(9,154)	0	(9,154)
Gross Book Value at 31 March 2015	**682,642**	**7,021**	**689,663**
Accumulated Depreciation B/fwd.	(29,379)	(192)	(29,571)
Write out of Accumulated Depreciation	375	0	375
(Depreciation)/adjustment for current year	(10,259)	(83)	(10,342)
Net Book Value at 31 March 2015	**643,379**	**6,746**	**650,125**

Note 4 - Vacant Possession Value of HRA Dwellings

The vacant possession value of dwellings within the HRA at 31 March 2014 was £2.615 billion. The difference between vacant possession value of the HRA dwellings and balance sheet value within the HRA shows the economic cost to the government of providing Council housing at less than open market value.

Note 5 - HRA Capital Receipts

2013/14 £'000		2014/15 £'000
19,829	Houses	12,750
19,829	**Total**	**12,750**

Note 6 – Net Interest Charged to the HRA

The net interest charge to the HRA, is calculated in accordance with government regulation known as the Item 8 Determination. In 2014/15 £6.133m was charged (£6.136m in 2013/14).

Note 7 - Brent Housing Partnership

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

Collection Fund

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

From 1 April 2013, local authorities have kept a proportion of the income raised from Non Domestic Rates (in London the local authority keeps 30%, 50% is paid over to central government, and 20% to the Greater London Authority (GLA). This transfers some of the benefits and risks directly to local authorities, as they now benefit from a share of the increased income if their business base grows, but there is also a risk if the total income falls, either due to businesses closing, or if successful appeals are made against rateable valuations, and bills drop as a result. As of 31 March 2015 there were still over a thousand valuation appeals outstanding in Brent, and although many of these will be unsuccessful, there will be a reduction in income as a result of successful appeals. An allowance has been made for this in finalising the figures for 2014/15, but the authority has no influence over decisions made by the Valuation Office.

In addition to its 30% share of income raised from Non Domestic Rates, the Council also receives a “Top-up” payment from central government, to bring it back to the income figure it would have received for 2014/15 had the previous system remained unchanged. This income is credited to the General Fund rather than the Collection Fund.

For Council Tax, 95.6% of the debit relating to the 2014/15 financial year had been collected by March 31st 2015. This is fractionally down from the 95.7% achieved in 2013/14. However the total debit increased significantly (as shown in the following table) due an increase in the number of properties, together with reduced levels of exemptions, discounts and Council Tax Support. Collection of arrears from prior years was very similar to 2013/14 (approximately £2.1m). For Non Domestic Rates the in year collection rate increased from 97.6% to 98.1%

Collection Fund Account for the Year ended 31 March 2015

2013/14 £'000		Notes	2014/15 £'000
	Income		
(113,071)	Income from Council Tax payers	1	(116,931)
(101,590)	Income from Non Domestic Rates	2	(110,186)
(3,010)	NNDR Crossrail Levy (to GLA)		(3,026)
(217,671)	**Total Income**		**(230,143)**
	Expenditure		
	Council Tax:-		
	Payment to GLA		
23,389	- precept	**3**	23,682
526	- share of surplus		712
	Payment to Brent		
81,741	- precept	**3**	83,874
1,814	- share of surplus		2,488
(2,386)	Provisions for uncollectable amounts		2,465
4,127	less (write back)/add write off		(13)
	Non-Domestic Rates:-		
106,307	- Payment to National Pool / Preceptors	3	110,711
417	- Cost of Collection Allowance		417
3,010	NNDR Crossrail Levy (to GLA)		3,026
218,945	**Total Expenditure**		**227,362**
	Council Tax		
(3,860)	Surplus in year		(3,723)
(2,340)	Surplus brought forward		(6,200)
(6,200)	Surplus carry forward		(9,923)
	Non Domestic Rates		
5,134	Deficit in year (2014/15 only)		942

Notes to the Collection Fund

Note 1: Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities (for Brent this is the GLA) and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was 79,205 for 2014/15. This basic amount of Council Tax for a Band D property £1,357.94 for 2014/15 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	1,089	
Band B	0.78	5,077	
Band C	0.89	19,120	
Band D	1.00	23,365	
Band E	1.22	20,862	
Band F	1.44	7,579	
Band G	1.67	4,795	
Band H	2.00	404	
		82,291	x 96.25% Collection Rate = 79,205

The final income of £116.931m for 2014/15includes adjustments to debits during the year.
This total includes the adjustment required for the collection fund surplus of £5.0m as at 31 March 2015 (see Note 4).

The differences between 2013/14 and 2014/15 for write-offs and provisions relate to a very large write-off of old uncollectable debts in 13/14, which was largely met from reducing the provision. This did not happen in 2014/15.

Note 2: National Non-Domestic Rates (NNDR)

Non Domestic Rates are organised on a national basis. The Government specified a rate of 48.2p in the £ for 2014/15 (47.1p for small businesses having a rateable value of below £12,000) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nation-wide re-valuation of all properties which took effect from 1 April 2010. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £278,579,226 at 31 March 2015. From 2013/14, the Council retains 30% of the income due, 20% goes to the Greater London Authority and 50% to Central Government. The Government redistributes the sums paid to it back to local authorities on the basis of a Formula Grant calculation. The amounts collected from the ratepayers and paid between the three preceptors can be analysed as follows:

2013/14 £000		2014/15 £000
123,965	Gross Debit	127,240
0	Transitional Relief	0
(7,239)	Charitable Relief	(7,283)
(1,743)	Provision for Uncollectable Amount	(2,813)
(6,097)	Provision for Rate Appeal Reductions (movement)	(334)
(2,218)	Other Adjustments	(2,098)
(5,078)	Empty/Void Relief	(3,047)
0	Retail Relief (from 14/15)	(1,479)
101,590	Net NNDR Income	110,186
(417)	Cost of Collection Allowance Payable to General Fund	(417)
101,173	**Amount Payable to NNDR Pool / Preceptors**	**109,769**

In addition to the above, properties with a rateable value of over £55,000 pay an additional business rates supplement of 2.0p in the £ to the Greater London Authority, to pay towards the costs of the Crossrail project. This supplement began on 1 April 2010, and for 2014/15 £3.026m was due to the GLA.

Note 3: Precepts

2013/14 £'000	Council Tax	2014/15 £000
81,741	London Borough of Brent	83,874
23,389	Greater London Authority	23,682
105,130		**107,556**

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

2013/14 £'000	NNDR	2014/15 £000
53,154	Central Government	55,356
31,892	London Borough of Brent	33,213
21,261	Greater London Authority	22,142
106,307		**110,711**

Note 4: Estimated Surplus and Deficit

By 15 January each year, the Council estimates what the surplus or deficit on the collection fund will be as at 31 March. These estimates are set out below. The estimate is different to the final outturn figure.

31-Mar-14 £000		31-Mar-15 £'000
(2,488)	London Borough of Brent	(3,899)
(712)	Greater London Authority	(1,101)
(3,200)	**Deficit / (Surplus)**	**(5,000)**

Note 5: Collection Fund Debtors and Creditors

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

Debtors

31-Mar-14 £'000		31-Mar-15 £'000
2,303	Other entities and individuals	2,569
4,461	Central government	4,245
2,141	Other local authorities	2,189
8,905		**9,003**

Creditors

31-Mar-14 £'000		31-Mar-15 £'000
(4,090)	Other entities and individuals	(5,833)
(4,524)	Central government	(5,167)
(2,753)	Other local authorities	(3,006)
(11,367)		**(14,006)**

GROUP ACCOUNTS

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

Brent has one subsidiary, Brent Housing Partnership (BHP) Limited. This is an arms length management organisation (ALMO) which was set up in October 2002 to manage Council properties on behalf of Brent.
BHP is a limited company. It is limited by a guarantee with no share capital. It is fully owned by the London Borough of Brent. The London Borough of Brent has an obligation to meet BHP's pension fund liabilities. BHP's accounts may be obtained from Ian Rooney, Head of Finance, 6th Floor, Brent Civic Centre, Engineers Way, Wembley HA9 0FJ, e-mail address ian.rooney@bhphousing.co.uk.

The group accounts also consolidate the accounts of the Barham Park Trust. Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees.

The accounts of BHP & Barham Park Trust have been consolidated as a subsidiaries using the acquisition basis of combination.
The following group financial statements have been prepared:

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

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

Group Movement in Reserves Statement

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance as at 31 March 2013 carried forward	**30,111**	**86,591**	**2,586**	**1,836**	**9,197**	**10,858**	**90,194**	**231,373**	**(96,545)**	**134,828**
Movement in reserves during 2013/14										
Surplus or (deficit) on the provision of services	5,513	0	43,345	0	0	0	0	48,858	0	48,858
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	242,259	242,259
Total comprehensive income & expenditure	**5,513**	**0**	**43,345**	**0**	**0**	**0**	**0**	**48,858**	**242,259**	**291,117**
Adjustments between accounting basis & funding basis under regulations	17,367	0	(41,566)	0	36,975	(1,639)	(3,126)	8,011	(8,011)	0
Net increase/(decrease) before transfers to earmarked reserves	**22,880**	**0**	**1,779**	**0**	**36,975**	**(1,639)**	**(3,126)**	**56,869**	**234,247**	**291,117**
Transfers (to)/from earmarked reserves	(17,879)	17,813	(3,416)	(12)	0	3,494	0	0	0	0
Increase/(decrease) in 2013/14	5,001	17,813	(1,637)	(12)	36,975	1,855	(3,126)	56,869	234,247	291,117
Balance as at 31 March 2014	**35,112**	**104,404**	**949**	**1,824**	**46,172**	**12,713**	**87,068**	**288,242**	**137,702**	**425,945**
Movement in reserves during 2014/15										
Surplus or (deficit) on the provision of services	32,684	0	88,831	0	0	0	0	121,515	0	121,515
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	(89,701)	(89,701)
Total comprehensive income & expenditure	**32,684**	**0**	**88,831**	**0**	**0**	**0**	**0**	**121,515**	**(89,701)**	**31,814**
Adjustments between accounting basis & funding basis under regulations	(7,018)	0	(78,721)	0	6,746	3,977	(9,127)	(84,143)	84,143	0
Net increase/(decrease) before transfers to earmarked reserves	**25,666**	**0**	**10,110**	**0**	**6,746**	**3,977**	**(9,127)**	**37,372**	**(5,558)**	**31,814**
Transfers (to)/from earmarked reserves	(21,589)	21,589	(5,202)	0	0	5,202	0	0	0	0
Increase/(decrease) in 2014/15	4,077	21,589	4,908	0	6,746	9,179	(9,127)	37,372	(5,558)	31,814
Balance as at 31 March 2015	**39,189**	**125,993**	**5,857**	**1,824**	**52,918**	**21,892**	**77,941**	**325,614**	**132,144**	**457,759**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015

2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000		2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000
29,442	(11,991)	17,451	Central services to the public	27,728	(13,134)	14,594
21,413	(4,949)	16,464	Culture and related services	17,493	(4,721)	12,772
39,286	(6,056)	33,230	Environment and Regulatory services	34,625	(5,771)	28,854
7,773	(3,735)	4,039	Planning	7,339	(4,132)	3,207
49,160	(7,818)	41,342	Children's Social Care	40,720	(6,421)	34,299
311,200	(270,383)	40,817	Education and Children's services	279,783	(264,704)	15,079
49,116	(25,215)	23,901	Highways and transport services	54,281	(35,569)	18,712
42,406	(95,786)	(53,380)	Local authority housing (HRA)	39,101	(134,623)	(95,522)
424,188	(404,636)	19,552	Other housing services	448,018	(428,097)	19,921
115,740	(25,754)	89,985	Adult social care	102,566	(28,571)	73,995
7,098	(954)	6,143	Corporate and democratic core	9,457	(159)	9,298
1,093	(219)	873	Non distributed costs	(2,245)	(55)	(2,300)
18,151	(18,620)	(469)	Services Acquired from NHS - Public Health	16,748	(18,848)	(2,100)
1,116,065	**(876,117)**	**239,948**	**Cost of Services**	**1,075,614**	**(944,805)**	**130,809**
		(10,232)	Other operating expenditure			7,314
		58,431	Financing and investment income and expenditure			48,615
		(337,006)	Taxation and non-specific grant income			(308,243)
		(48,858)	**(Surplus) or Deficit on Provision of Services**			**(121,505)**
		(30,777)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(28,585)
		(211,482)	Actuarial (gains)/losses on pension assets and liabilities			118,275
		(242,259)	**Other Comprehensive Income and Expenditure**			**89,690**
		(291,117)	**Total Comprehensive Income and Expenditure**			(31,815)

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GROUP BALANCE SHEET AS AT 31 MARCH 2015

Restated 01 April 2014 £'000	Restated 31 March 2014 £'000		31 March 2015 £'000
1,381,978	1,410,015	Property, Plant & Equipment	1,519,101
498	498	Heritage Assets	498
8,221	10,421	Investment Property	10,490
3,727	3,480	Intangible Assets	2,513
100	5,100	Long Term Investments	100
1,323	13,578	Long Term Debtors	19,842
1,395,847	**1,443,092**	**Long Term Assets**	**1,552,544**
46,336	70,226	Short Term Investments	139,673
0	4,519	Assets Held for Sale	4,519
370	373	Inventories	226
42,177	55,620	Short Term Debtors	69,217
37,493	62,946	Cash and Cash Equivalents	36,512
126,376	**193,684**	**Current Assets**	**250,147**
(10,509)	(8,577)	Short Term Borrowing	(8,564)
(80,723)	(92,521)	Short Term Creditors	(103,689)
(2,885)	(4,001)	Provisions	(2,265)
		Deferred income	
(94,117)	**(105,099)**	**Current Liabilities**	**(114,518)**
(38,065)	(33,444)	Long Term Creditors	(34,182)
(2,803)	(4,656)	Provisions	(8,952)
(428,003)	(423,662)	Long Term Borrowing	(419,316)
(824,404)	(643,970)	Other Long Term Liabilities	(767,964)
(1,293,275)	(1,105,732)	**Long Term Liabilities**	(1,230,414)
			0
134,831	**425,945**	**Net Assets**	**457,759**
231,375	288,241	Usable Reserves	325,573
(96,544)	137,704	Unusable Reserves	132,186
134,831	**425,945**	**Total Reserves**	**457,759**

Group Cash Flow Statement

2013/14 £'000		2014/15 £'000
48,858	Net surplus or (deficit) on the provision of services	121,505
104,671	Adjustments for non-cash movements	(95,881)
(95,056)	Adjustments for investing and financing activities	46,397
58,473	Net cash inflows/(outflow) from Operating Activities	**72,021**
(25,095)	Net cash inflows/(outflow) from Investing activities	(92,056)
(7,925)	Net cash inflows/(outflow) from Financing activities	(6,399)
25,453	**Net increase or (decrease) in cash and cash equivalents**	(26,434)
37,493	Cash and cash equivalents at the beginning of the reporting period	62,946
62,946	**Cash and cash equivalents at the end of the reporting period**	36,512

Notes to the Group Accounts

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

2014/15

	Brent	BHP	Barham Park	Adjustments	Group
	£000	£000	£000	£000	£000
Financing and investment income	46,400	2,215	(9)	9	48,615
Local Authority housing (HRA)	(91,933)	(3,589)	0	0	(95,522)
Property plant and equipment	1,471,895	46,759	945	0	1,519,599
Investment properties	822	9,668	0	0	10,490
Long term debtors	59,646	0	0	(39,804)	19,842
Inventories	66	160			226
Short term debtors	67,592	6,299	445	(5,119)	69,217
Cash and cash equivalents in hand	31,881	4,631			36,512
Short term creditors	(97,744)	(11,064)		5,119	(103,689)
Other long term liabilities	(34,182)	(39,804)		39,804	(34,182)
Usable reserves	318,893	6,235	445		325,573
Unusable reserves	139,619	(8,377)	944		132,186
Cash flow from investing activities	(89,840)	(2,215)			(92,055)

2013/14

	Brent	BHP	Barham Park	Adjustments	Group
	£000	£000	£000	£000	£000
Financing and investment income	55,652	2,779	(11)	11	58,431
Local Authority housing (HRA)	(51,477)	(1,903)	0	0	(53,380)
Property plant and equipment	1,346,026	45,118	905	0	1,392,049
Investment properties	1,171	9,250	0	0	10,421
Long term debtors	54,008	0	0	(40,430)	13,578
Inventories	65	308	0	0	373
Short term debtors	56,525	4,466	475	(5,846)	55,620
Cash and cash equivalents in hand	61,654	1,292	0	0	62,946
Short term creditors	(92,691)	(5,676)	0	5,846	(92,521)
Long term creditors	(33,444)	(40,430)	0	40,430	(33,444)
Usable reserves	282,905	4,861	475	0	288,241
Unusable reserves	124,284	(5,451)	905	0	119,738
Cash flow from investing activities	(24,935)	(160)	0	0	(25,095)

Independent auditor's report to the members of the London Borough of Brent

We have audited the financial statements of Brent Council for the year ended 31 March 2015 on pages 7 to 123. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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's and the Group's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2015 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

Conclusion on the London Borough of Brent'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
We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.
We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We have undertaken our 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 2014, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2015.
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Brent Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Delay in certification of completion of the audit

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

Philip Johnstone
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
15 Canada Square, Canary Wharf, London E14 5GL
September 2015

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Council Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Council at the Accounting date and its income and expenditure for the year ended 31 March 2015.

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

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

Certificate of the Chief Finance Officer

I certify that the accounts set out on pages 7 to 88 give a true and fair view of the financial position of the London Borough of Brent as at 31 March 2015 and its income and expenditure for the year then ended, and that the accounts set out on pages 89 to 122 give a true and fair view of the net assets of the London Borough of Brent Pension Fund as at 31 March 2015 and its income and expenditure for the year then ended.

Conrad Hall — 16 September 2015
Chief Finance Officer

Certificate of the Chair of the Audit Committee

I confirm that these accounts were agreed by the Audit Committee at its meeting held on 16 September 2015.

David Ewart — 16 September 2015
Chair of the Audit Committee

Statement of Accounting Policies

1. Code of Practice

The general policies adopted in preparing these accounts are in accordance with the 2014-15 Code of Practice on Local Council Accounting in the United Kingdom issued by the Chartered Institute of Public Finance Accountants (CIPFA) - Statement of Recommended Practice (SORP), henceforth referred to as the "Code of Practice". This Code of Practice is based upon International Financial Reporting Standards (IFRS), with some adoptions from International Public Sector Accounting Standards (IPSAS).

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

The financial statements do not include the measurement and disclosure requirements of IFRS 13 Fair Value Measurement since the adoption of this standard has been deferred to the 2015/16 Code.

1.1 Materiality

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

2. Comprehensive Income and Expenditure Statement

2.1 Accruals of Expenditure and Income

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

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

2.2 Revenue Recognition

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

2.3 VAT

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

2.4 Revenue Grants

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

2.5 Charges to Revenue

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

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

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

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

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

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

2.7 Overheads/Cost of Support Services
The full costs of support services (also known as overheads) have been charged to services in the Comprehensive Income and Expenditure Statement in accordance with CIPFA's 'Service Reporting Code of Practice'. Charges have been made on a variety of bases. Appropriate statistics have been used, for example, Human Resources charges were based on staff numbers.

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

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

2.10 Jointly Controlled Operations
The council has a jointly controlled operation in the form of pooled budget conjunction with Brent NHS Trust. This is an operation undertaken that with a pooled budget between the NHS Trust and the council. The authority recognises the income that it gains and expenditure that it incurs on the Comprehensive Income and Expenditure Statement. The Balance sheet recognises any assets and liabilities resulting to the council from the pooled budget.

3. Balance sheet – Long Term Assets

3.1 Plant, Property and Equipment

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

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

Individual categories of assets are valued on the following basis:

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

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

At 1 April 2009 those land and building assets held at 1 April 2004 values were revalued completing that 5 year cycle. There has been subsequent revaluation of elements of the asset base at 1 April each year in line with the five year cycle. Council dwellings have been revalued at 1 April 2011 in line with the separate 5 year cycle, and their values have been up-rated to 31 March 2015 using Land Registry indices to reflect changes in property values.

3.1.1 Depreciation and Amortisation

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

Consumption includes the wearing out, using up or other reduction in the useful economic life of a tangible fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
With the exception of HRA dwellings depreciation is calculated on all building assets using the straight line method as set out below. Land Assets are not depreciated.

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

Housing Revenue Account dwellings are depreciated by an estimate of the consumption of economic benefits. The Major Repairs Allowance calculated by central government is used as the basis for this. Where buildings assets are revalued, the accumulated depreciation at the beginning of the year is written down to the revaluation reserve.

3.1.2 Component Accounting

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

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

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

Consideration of the requirement for componentisation will be undertaken when buildings are valued/re-valued, or enhancement expenditure of £250,000 is spent on them, which will trigger a revaluation.

3.2 Investment Properties

Investment properties are properties held solely for capital appreciation or rental income.

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

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

3.3 Heritage Assets

Heritage Assets are defined as:

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

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

3.4 Intangible Assets

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

Amortisation is the equivalent of depreciation for intangible assets.

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

3.5 Impairment

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

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

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

3.6 Foundation Schools – change to accounting policy and explanation

"CIPFA has provided additional guidance in relation to Foundation Schools; the Council has determined that under the requirement of the 2014-15 Code, these schools should be recognised on the Council's balance sheet since the Council has control over the resources inherent in these assets. This is a change in accounting policy so the Council has presented an additional balance sheet presenting the position as at 1-April-2013 which includes the Foundation Schools' assets.

The Foundation Schools' assets have been brought onto the balance sheet at fair value. Transitional provisions permit this valuation to be treated as a deemed cost. The contra entry for the recognition of these assets is the Capital Adjustment Account and the Revaluation Reserve for these assets is zero as at 1 April 2013. From that point on the Foundation Schools' assets are treated like any other non-current assets. An additional note to the non-current assets details the changes."

4. Balance sheet – Current Assets

4.1 Inventories and Long Term Contracts

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

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

4.2 Cash and Cash Equivalents

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

4.3 Work in Progress (Construction contracts)

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

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

5. Balance sheet - Liabilities

5.1 Provisions, Contingent Liabilities, and Contingent Assets

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

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

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

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

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

5.2 Employee benefits

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

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

The Council accounts for employee benefits in accordance with the Code which is based on IAS 19. The underlying principle of IAS 19 is that an organisation should account for employment and post-employment benefits when employees earn them and the authority is committed to providing them, even if the actual provision might be many years into the future.
The Code has adopted the 2011 amendments to IAS 19 and IAS 1 which has resulted in a change in accounting policy. There are new classes of components of defined benefit cost to be recognised in the financial statements (ie net interest on the net defined benefit liability (asset) and re measurements of the net defined benefit liability (asset)), and new definitions of recognition criteria for service costs, eg past service costs and new recognition criteria for termination benefits.
The opening Balance Sheet for 1 April 2012 and a number of the IAS 19 disclosures have been restated.

5.3 Reserves

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

6 Balance Sheet - Financial Instruments

6.1 Financial Assets

Financial assets are classified into three types:

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

6.1.1 Loans and Receivables

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

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

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

6.1.2 Fair value through income and expenditure

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

6.2 Premature Redemption of Debt

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

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

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

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

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

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

6.3 Financial Liabilities

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

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

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

7 Capital Financing

7.1 Capital Expenditure

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

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

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

7.2 Capital Government Grants and Contributions

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

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

7.3 Leasing

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

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

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

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

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

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

7.3.1 Service Concessions and the Private Finance Initiative (PFI)

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

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

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

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

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

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

7.4 Minimum Revenue Provision

The Minimum Revenue Provision (MRP) included within the 2014/15 Accounts has been calculated on the basis of the 2013/14 outturn position, amended for the inclusion of PFI projects as per the requirements of the introduction of the International Financial Reporting Standards. In accordance with the revised regulations for the calculation of MRP issued in 2008 the Council adopted the following policy for non-HRA assets:

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

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

These policies do not apply to HRA assets.

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

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

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

7.5 Income from the Sale of Fixed Assets

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

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

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

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

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

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

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

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

7.6 Borrowing Costs

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

8 Group Accounts

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions of the Council, its subsidiary Brent Housing Partnership (BHP) Limited and the Barham Park Trust. BHP is an Arms Length Management Organisation (ALMO). Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. The financial statements in the Group Accounts are prepared in accordance with the policies set out above.

Additional Supporting Information and reconciliation disclosures

Key Judgements and Material Estimates.

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

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

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

. Retirement Benefit Obligations – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority’s retirement benefit obligation. The key assumptions made are set out in Note 36 - Defined Benefit Pension Schemes.

. Provisions – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability in accordance with accounting policies. In calculating the level of provisions the authority also exercises some judgement; they are measured at the authority’s best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the authority’s provisions and details of its contingent liabilities are set out in Note 9 - Provisions and Note 20 - Contingent Liabilities respectively.

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

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

. Classification of Leases – The authority has entered into a number of lease arrangements in respect of property and other assets. The authority has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels and in reviewing contractual arrangements having the substance of a lease (e.g. contract values and length of contract). Details of the authority's leases and lease type arrangements are set out in note 28.

. Treatment of PFI arrangements – The authority has entered into a number of PFI arrangements in respect of infrastructure. The authority has exercised judgement in the identification of service concessions and embedded leases within PFIs using such as arrangements that allow the council to control residual value of PFI assets without legal title. Initial assets and liabilities for the PFIs are calculated using financial model based upon the contractual terms and conditions and the operator's financial model; subsequent changes in the authority's PFI liabilities are estimated using the same model. Subsequent changes in the authority's PFI funded assets are measured in the same way as other non current assets. Details of the PFI and service concession type arrangements are set out in note 29.

. Deposits with Icelandic banks – The authority originally deposited £15m with the Glitnir and Heritable banks. In 2014/15 the Glitnir deposit was repaid so based on the latest information from the administrators an impairment of £0.6m has been recognised to cover reasonably expected losses relating to Heritable Bank. Further information on deposits with Icelandic Banks is included in Note 31 - Nature and extent of risks arising from Financial Instruments

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

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

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

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

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

Accounting Standards that have been issued but have not yet been adopted
There are a number of changes to accounting standards which will apply to future accounts beginning 1 April 2015:-
IFRS 13 Fair Value Measurement becomes a requirement of the 2015/16 Code
It introduces a universal definition of fair value based on exit price. The code introduces the concept and definition of current value to PPE and will see the valuation of surplus assets change from its valuation based on current use.

The CIPFA Code of Practice on Transport Infrastructure assets will be adopted in 2016/17 where transport infrastructure assets will be measured at depreciated replacement cost. This is a significant change in local government accounting policy which will require comparatives to be restated and means that the conversion date is 1 April 2015.

Events after the reporting period
There has been 1 material event where there has been a change to the Stonebridge PFI agreement (see note 29) between the 31 March 2015 and the authorised date of release of these statements that have required the statements to be changed. Events after this authorised date are not reflected in these statements.

Descriptions of Earmarked Reserves

Section 106 and CIL - Amounts received under Section 106 of the Town and Country Planning Act 1990 which are earmarked for particular purposes arising from the related developments and the Community Infrastructure Levy 2010.

Property - Monies earmarked to be spent on repairs, maintenance and dilapidations to council freehold and leasehold buildings.

Civic Centre - Monies earmarked to be spent on costs associated with the move to the Civic Centre including any shortfall income generation. This will support more efficient use of office accommodation and new ways of working.

Redundancy & Restructuring - Monies set aside to meet the future costs of restructuring.

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

Welfare Reform – Monies identified centrally to help with the impact of the welfare reforms

Capital Financing -These are monies identified to smooth the impact of capital financing costs following the completion of the Civic Centre.

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

Revenue Contribution to Capital – Monies to reduce the costs of the Authority's minimum revenue contribution in future years.

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

Service Pressures - A centrally held fund created to meet service pressures

Insurance – Monies to meet the unknown insurance liabilities including the historic costs arising from MMI

Future Funding Risks – Monies set aside to reflect the potential deterioration in 2016/17 central government funding compared to the assumptions in the medium term financial strategy.

Pension Liability – Monies to mitigate the impact of low interest rates on the measurement of pension fund liabilities at the forthcoming actuarial valuation

South Kilburn – Monies provided to support meanwhile use projects on vacant sites, independent advice and support for residents and administrative costs associated with delivering the project.

Other Central – Various reserves held centrally less than £1m.

Other Corporate – Various reserves held by the corporate units of less than £1m.

Council Tax, Business Rates & Local Welfare - Various reserves relating to the costs of the Council's local taxation and benefits operation

Employment Initiatives - Monies set aside for employment schemes and initiatives.

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

Other Regeneration & Growth – Various reserves held by the service area of less than £1m.

Other Environment & Neighbourhoods – Various reserves held by the service area of less than £1m.

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

Brent NHS Trust Joint Venture- This reserve is used to fund joint initiatives between the Council and Brent NHS that are beneficial to the social care and health needs of the client base and is spent according to decisions by the joint board.

2Yr Old additional Funding - To fund 2 Year Old Places in Private & Voluntary Sector.

Other Adults & Children & Young People – Various reserves held by the service area of less than £1m.

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

Reconciliation between Brent's management structure and the Comprehensive Income and Expenditure Statement

	Adult Social Services	Children & Young People	Environment & Neighbourhood Services	Regeneration & Growth	Corporate Departments	Housing Revenue Account	Central Budgets	Employee Benefits	Pension Costs	Capital	**Total**
Central services to the public	0	352	257	0	11,234	0	2,751	0	0	0	**14,594**
Cultural and related services	0	0	7,382	0	3,233	0	0	0	0	2,157	**12,772**
Environmental and regulatory services	0	0	25,836	78	2,286	0	0	0	0	654	**28,854**
Planning	0	0	0	514	1,215	0	0	0	0	1,478	**3,207**
Children's social care	0	32,389	0	0	1,918	0	(16)	0	0	8	**34,299**
Education and children's services	0	(3,270)	0	-9	11,947	0	(1,986)	(1,203)	(1,274)	10,874	**15,079**
Highways and transport services	15,914	0	(3,411)	30	2,664	0	767	0	0	2,748	**18,712**
Local authority housing (HRA)	0	0	0	0	0	(27,816)	0	0	0	(64,117)	**(91,933)**
Other housing services	0	0	0	17,892	6,117	0	(2,952)	0	0	(1,136)	**19,921**
Adult social care	66,857	0	0	0	5,944	0	0	0	0	1,194	**73,995**
Corporate and democratic core	0	0	422	7,986	(15,596)	0	10,886	0	0	5,600	**9,298**
Non distributed costs	0	0	0	0	0	0	(532)	(6)	(1,762)	0	**(2,300)**
Public Health	14	0	0	0	16,734	0	(18,848)	0	0	0	**(2,100)**
Cost of Services	**82,785**	**29,471**	**30,486**	**26,491**	**47,696**	**(27,816)**	**(9,930)**	**(1,209)**	**(3,036)**	**(40,540)**	**134,398**

Reconciliation between Brent's management structure and the Comprehensive Income and Expenditure Statement (continued)

	Adult Social Services	Children & Young People	Environment & Neighbourhood Services	Regeneration & Growth	Corporate Departments	Housing Revenue Account	Central Budgets	Employee Benefits	Pension Costs	Capital	**Total**
Cost of Services	**82,785**	**29,471**	**30,486**	**26,491**	**47,696**	**(27,816)**	**(9,930)**	**(1,209)**	**(3,036)**	**(40,540)**	**134,398**
Other operating expenditure	0	0	0	0	0	0	2,603	0	0	4,711	**7,314**
Financing and investment income and expenditure	0	736	-3	0	11	6,132	10,813	0	25,428	3,283	**46,400**
Taxation and non-specific grant income	0	0	0	0	0	0	(286,763)	0	0	(21,480)	**(308,243)**
(Surplus) or Deficit on Provision of Services	**82,785**	**30,207**	**30,483**	**26,491**	**47,707**	**(21,684)**	**(283,277)**	**(1,209)**	**22,392**	**(54,026)**	**(120,131)**
Additional lines from Movement in Reserves Statement											
Adjustments between accounting basis & funding basis under regulations	543	9,744	612	3043	2,457	24,660	10,251	1,209	(22,392)	54,026	**84,153**
Transfers to/from earmarked reserves	6,337	3,499	1,038	(4,391)	449	0	25,414	0	0	0	**32,346**
Total	**89,665**	**43,450**	**32,133**	**25,143**	**50,613**	**2,976**	**(247,612)**	**0**	**0**	**0**	**(3,632)**

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2013/14	Useable Reserves				Unusable Reserves							
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Collection Fund Adjustment Account	Deferred Capital Receipts Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment of non-current assets and amortisation of intangible assets	(66,556)	0	0	0	64,031	0	0	0	2,525	0	0	0
Revaluation losses on Property Plant and Equipment	30,298	0	0	0	(30,298)	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(7,605)	0	0	0	7,605	0	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(45,026)	0	0	0	39,084	0	0	0	5,942	0	0	0
Statutory provision for the financing of capital investment	15,690	0	0	0	(15,690)	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	14,841	0	0	0	(14,841)	0	0	0	0	0	0	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	17,203	0	0	(17,203)	0	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	18,560	0	0	20,330	(38,890)	0	0	0	0	0	0	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	59,693	(59,693)	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	21,382	0	0	(21,382)	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(262)	262	0	0	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,074)	1,074	0	0	0	0	0	0	0	0	0	0
Reversal of Major Repairs Allowance credited to the HRA	10,558	0	(10,558)	0	0	0	0	0	0	0	0	0

2013/14	Useable Reserves				Unusable Reserves							
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Collection Fund Adjustment Account	Deferred Capital Receipts Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	12,197	0	(12,197)	0	0	0	0	0	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	8,933	0	0	0	0	0	(4,189)	0	0	(4,744)	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(66,812)	0	0	0	0	66,812	0	0	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	34,906	0	0	0	0	(34,906)	0	0	0			0
Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	851	0	0	0	0	0	0	(851)	0	0	0	0
Revaluation reserve written off to the capital adjustment account	0	0	0	0	(255)	0	0	0	255	0	0	0
Surplus or (deficit) on the provision of services	(49,923)	0	0	0	0	0	0	0	0	0	0	(49,923)
Actuarial gains or losses on pensions assets and liabilities	0	0	0	0	0	(205,258)	0	0	0	0	0	(205,258)
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of service	0	0	0	0	0	0	0	0	(23,277)	0	0	(23,277)
Transfers to earmarked reserves	27,286	0	(3,494)	0	0	0	0	0	0	0		23,792
Total Adjustments	**1,561**	**(36,975)**	**(1,855)**	**3,127**	**(22,833)**	**(173,352)**	**(4,189)**	**(851)**	**(14,555)**	**(4,744)**	**0**	**(254,666)**
Opening Balance	(14,647)	(9,198)	(10,859)	(90,193)	(564,810)	772,290	23,365	5,922	(157,253)	0	(1,250)	(46,633)
Closing Balance	(13,086)	(46,173)	(12,714)	(87,066)	(587,643)	598,938	19,176	5,071	(171,808)	(4,744)	(1,250)	(301,299)

2014/15	Useable Reserves				Unusable Reserves							
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Collection Fund Adjustment Account	Deferred Capital Receipts Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment of non-current assets and amortisation of intangible assets	(35,648)	0	0	0	33,117	0	0	0	2,531	0	0	0
Revaluation losses on Property Plant and Equipment	70,852	0	0	0	(70,906)	0	0	0	54	0	0	0
Movements in the market value of Investment Properties	150	0	0	0	(150)	0	0	0	0	0	0	0
Amortisation of intangible assets	(980)	0	0	0	980	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(14,916)	0	0	0	14,916	0	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20,568)	0	0	0	18,682	0	0	0	1,886	0	0	0
Statutory provision for the financing of capital investment	21,647	0	0	0	(21,647)	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	13,219	0	0	0	(13,219)	0	0	0	0	0	0	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	32,368	0	0	(32,368)	0	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	41,495	(41,495)	0	0	0	0	0	0	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	17,347	(17,347)	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	9,180	0	0	(9,180)	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(222)	222	0	0	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,198)	1,198	0	0	0	0	0	0	0	0	0	0
Reversal of Major Repairs Allowance credited to the HRA	10,259	0	(10,259)	0	0	0	0	0	0	0	0	0

2014/15	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Collection Fund Adjustment Account	Deferred Capital Receipts Reserve	Total
	Useable Reserves				**Unusable Reserves**							
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	6,282	0	(6,282)	0	0	0	0	0	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,126	0	0	0	0	0	(2,126)	0	0	0	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(47,040)	0	0	0	0	47,040	0	0	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	34,168	0	0	0	0	(34,168)	0	0	0	0	0	0
Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,209	0	0	0	0	0	0	(1,209)	0	0	0	0
Revaluation reserve written off to the capital adjustment account		0	0	0	0	0	0	0	0	0	0	0
Amount by which Brent's share of the council tax surplus has increased during the year	2,971	0	0	0	0	0	0	0	0	(2,971)		0
Surplus or (deficit) on the provision of services	(120,131)	0	0	0	0	0	0	0	0	0	0	(120,131)
Actuarial gains or losses on pensions assets and liabilities	0	0	0	0	0	113,210	0	0	0	0	0	113,210
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of service	0	0	0	0	0	0	0	0	(26,424)	0	0	(26,424)
Transfers to earmarked reserves	30,759	0	(5,202)	0	0	0	0	0	0	0	0	25,557
Total Adjustments	**(3,628)**	**(6,747)**	**(9,179)**	**9,127**	**(95,184)**	**126,082**	**(2,126)**	**(1,209)**	**(21,953)**	**(2,971)**	**0**	**(7,788)**
Opening Balance	(13,085)	(46,173)	(12,714)	(87,067)	(587,642)	598,938	19,175	5,071	(171,808)	(4,744)	(1,250)	(301,299)
Closing Balance	(16,713)	(52,920)	(21,893)	(77,940)	(682,826)	725,020	17,049	3,862	(193,761)	(7,715)	(1,250)	(309,087)

Construction Contracts

The Council is required to disclose costs related to construction contracts where the Council is completing the work on behalf of other bodies.
At 31 March 2015 the Council had a single construction contract in progress, for the construction of the Crest Academies (previously known as the John Kelly Schools) on behalf of the Academy Partnership utilizing grant monies provided by the Department of Education. Upon completion of the scheme the buildings will be passed over to the Academy Partnership at nil consideration to the Council. The value of work completed at 31 March 2015 is as per the Council's Financial Information System as maintained by the scheme's Project Manager and based on consultants reports. The amount due from the Department of Education at 31 March 2015 is as follows:

CREST Academies	**£'000**
Costs Incurred to date	39,246
Revenue recognized:	
• Before 1 April 2014	31,100
• During 2014/15	6,051
Profit/(Loss)	0
Advances Received	0
Gross Amount Due	2,095
Comprising:	
• Amounts not yet received	2,095

Pension Fund Accounts

Pension Fund Accounts for 2014/15

Brent Pension Fund Account	Notes	2013/14 £'000	2014/15 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(44,261)	(45,371)
Transfers in from other pension funds	8	(1,895)	(1,782)
		(46,156)	**(47,153)**
Benefits	9	35,169	36,392
Payments to and on account of leavers	10	3,595	1,427
Administration expenses	11	908	714
		39,672	**38,533**
Net (additions)/withdrawals from dealings with members		**(6,484)**	**(8,620)**
Returns on investments			
Investment income	12	(2,392)	(2,097)
Taxes on income	13	569	554
(Profits) and losses on disposal of investments and changes in the market value of investments	15a	(30,888)	(72,673)
Investment management expenses	14	5,963	6,901
Net return on investments		(26,748)	(67,315)
Net (increase)/decrease in the net assets available for benefits during the year		**(35,510)**	**(75,935)**

Net Assets Statement	Notes	31 March 2014 £'000	31 March 2015 £'000
Investment assets	15	562,083	639,487
		562,083	**639,487**
Current assets	20	19,357	18,504
Long term assets	21	158	100
Current liabilities	22	(483)	(1,041)
Net assets of the fund available to fund benefits at the period end		**581,115**	**657,050**

Notes to the Brent Pension Fund accounts

1. Description of Fund

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Brent Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:
- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies within the borough area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Brent Pension Fund Sub-Committee, which is a committee of Brent Council.

b) Membership

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

Organisations participating in the Brent Pension Fund include:
- Scheduled bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 34 employer organisations with active members within the Brent Pension Fund at 31 March 2015, listed below:

Scheduled bodies
London Borough of Brent
Alperton High School
ARK Academy
ARK Franklin Academy
ARK Elvin Academy
Brent Housing Partnership
Capital City Academy
Claremont High School
College of North West London
Convent of Jesus & Mary Language College
Crest Academy
Gladstone Park
Islamia Primary School
Kingsbury High School
Michaela Community School
North West London Jewish day School
Preston Manor High School
Queens Park Community School
Sudbury Primary School
Wembley High Technology College
Woodfield School

Admitted bodies
Brent MENCAP
Capita Business Services Limited
Civica
Europa Facility Services Limited
National Autistic Society
Local Employment Access Project (LEAP)
Sudbury Neighbourhood Centre
Wetton Cleaning Services (Estate Cleaning & North Grounds Maintenance)
Wetton Cleaning Services (South Grounds Maintenance)
Thames Reach
Conway Aecom Limited
Sanctuary Housing
Veolia
Xerox (UK) Limited

Brent Pension Fund	31 March 2014	31 March 2015
Number of employers with active members	30	34
Number of employees in scheme		
Brent Council	3,970	4,179
Other employers	1,398	1,724
Total	**5,368**	**5,903**
Number of pensioners		
Brent Council	5,275	5,311
Other employers	720	761
Total	**5,995**	**6,072**
Deferred pensioners		
Brent Council	6,392	6,501
Other employers	1,073	1,127
Total	**7,465**	**7,628**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. During 2014/15, the most commonly applied employer contribution rate within the Brent Pension Fund was 28.4% of pensionable pay.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

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

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

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

LGPS 2014

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

- a pension scheme design based on career average;
- 1/49th accrual rate with revaluation of active members' benefits based on Consumer Prices Index (CPI);
- scheme normal pension age to be equal to the state pension age for both active members and deferred members;
- the earliest point at which retirement benefits can be taken is age 55;
- contributions based on actual pay (including part time employees) with an average member contribution yield of 6.5%, as now, with tiered contributions. Higher earners paying a higher proportion of their earnings in contributions than lower earning colleagues;
- a low cost option allowing members to pay 50% contributions for half the main benefits;
- all accrued rights are protected and benefits built up to April 2014 will be linked to final salary when members leave the scheme;
- vesting period when members can get a refund on their contributions if they leave the scheme will be increased from three months to two years.

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Administration expenses

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

g) Investment management expenses

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

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

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

Net Assets Statement

h) Financial assets

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

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

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

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

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

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

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

i) Foreign currency transactions

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

j) Derivatives

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

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

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

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

n) Additional voluntary contributions

Brent Pension Fund provides an Additional Voluntary Contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities and infrastructure investments at 31 March 2015 was £126m (£114m at 31 March 2014).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The items in the Net Assets Statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £89m. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £12m, and a one-year increase in assumed life expectancy would increase the liability by approximately £30m.
Private equity/infrastructure	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £126m. There is a risk that this investment may be under- or overstated in the accounts.

6. Events after the Balance Sheet date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions receivable

By category

	2013/14 £'000	2014/15 £'000
Employers	36,569	37,028
Members	7,692	8,343
Total	**44,261**	**45,371**

By authority

	2013/14 £'000	2014/15 £'000
Scheduled bodies	42,946	43,648
Admitted bodies	1,315	1,723
Total	**44,261**	**45,371**

8. Transfers in from other pension funds

	2013/14 £'000	2014/15 £'000
Individual transfers	1,895	1,782
Total	**1,895**	**1,782**

9. Benefits payable

By category

	2013/14 £'000	2014/15 £'000
Pensions	29,273	30,674
Commutation and lump sum retirement benefits	5,447	5,409
Lump sum death benefits	449	309
Total	**35,169**	**36,392**

By authority

	2013/14 £'000	2014/15 £'000
Scheduled bodies	33,739	35,055
Admitted bodies	1,430	1,337
Total	**35,169**	**36,392**

10. Payments to and on account of leavers

	2013/14 £'000	2014/15 £'000
Payments to and on account of leavers	3,595	1,427
Total	**3,595**	**1,427**

11. Administration expenses

	2013/14 £'000	2014/15 £'000
Pension administration costs	824	665
External audit fees	16	21
Actuarial fees	68	28
Total	**908**	**714**

12. Investment income

	2013/14 £'000	2014/15 £'000
Fixed interest securities	27	0
Equity dividends	0	0
Pooled property investments	1,924	1,645
Interest on cash deposits	219	48
Private equity/infrastructure	222	404
Total	**2,392**	**2,097**

13. Taxes on income

	2013/14 £'000	2014/15 £'000
Withholding tax - equities	569	554
Total	**569**	**554**

14. Investment management expenses

	2013/14 £'000	2014/15 £'000
Management fees	5,892	6,861
Performance monitoring service	22	20
Other advisory fees	49	20
Total	**5,963**	**6,901**

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

2013/14 management fees have been amended to reflect the additional Management fees as per CIPFA recommendation.

15. Investments

	Market value 31 March 2014 £'000	Market value 31 March 2015 £'000
Investment assets		
Pooled investments	414,424	476,369
Pooled property investments	34,944	37,006
Private equity/infrastructure	112,715	126,112
Total investments	**562,083**	**639,487**

a) Reconciliation of movements in investments

	Market value 1 April 2014 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Market value 31 March 2015 £'000
Pooled investments	414,424	20,012	(672)	42,967	476,369
Pooled property investments	34,944	0	(216)	2,278	37,006
Private equity/infrastructure	112,715	17,215	(31,246)	27,428	126,112
Net investment assets	**562,083**	**37,227**	**(32,134)**	**72,673**	**639,487**

	Market value 1 April 2013 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Market value 31 March 2014 £'000
Pooled investments	405,064	15,027	(26,578)	20,995	414,424
Pooled property investments	33,320	0	(983)	2,607	34,944
Private equity/infrastructure	99,913	29,673	(20,481)	7,286	112,715
Net investment assets	**538,297**	**44,700**	**(48,042)**	**30,888**	**562,083**

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the Fund, such as commissions, stamp duty and other fees.

Opening market values for 2014 have been amended to reflect the additional Management fees as per CIPFA recommendation.

b) Analysis of investments

	31 March 2014 £'000	31 March 2015 £'000
Fixed interest securities		
UK		
Public sector quoted	0	0
Corporate quoted	0	0
Overseas		
Public sector quoted	0	0
	0	**0**
Equities		
UK		
Quoted	0	0
	0	**0**
Pooled funds – additional analysis		
UK		
Fixed income unit trust	84,058	86,005
Unit trusts	111,992	116,646
Diversified growth funds	44,781	69,376
Overseas		
Unit trusts	173,593	204,342
	414,424	**476,369**
Pooled property investments	34,944	37,006
Private equity/infrastructure	112,715	126,112
	147,659	**163,118**
	562,083	**639,487**

Investments analysed by fund manager

	Market value 31 March 2014 £'000	%	Market value 31 March 2015 £'000	%
Legal & General	220,614	39.0	254,280	39.8
Henderson	112,417	19.9	113,334	17.7
Capital Dynamics	88,632	16.3	94,321	14.7
Yorkshire Fund Managers	1,090	0.2	798	0.1
Baillie Gifford	44,781	7.9	69,376	10.8
Aviva	34,944	6.2	37,006	5.8
Dimensional	37,941	6.7	40,708	6.4
Alinda	21,664	3.8	29,664	4.6
Total	**562,083**	**100.0**	**639,487**	**100.0**

All the above companies are registered in the United Kingdom.

Concentration of investments

During the year, no individual investment exceeded 5% of the total value of the Fund's net assets.

c) Stock lending

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

16. Financial instruments

a) Classification of financial instruments

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

31 March 2014				31 March 2015		
Fair value through profit and loss £000	**Loans and receivables £000**	**Financial liabilities at amortised cost £000**		**Fair value through profit and loss £000**	**Loans and receivables £000**	**Financial liabilities at amortised cost £000**
			Financial assets			
414,424	0	0	Pooled investments	476,369	0	0
34,944	0	0	Pooled property investments	37,006	0	0
112,715	0	0	Private equity/infrastructure	126,112	0	0
0	18,265	0	Cash	0	17,080	0
0	1,158	0	Debtors	0	1,489	0
562,083	**19,423**	**0**		**639,487**	**18,569**	**0**
			Financial Liabilities			
0	0	(483)	Creditors	0	0	(1,041)
562,083	**19,423**	**(483)**	**Totals**	**639,487**	**18,569**	**(1,041)**

b) Net gains and losses on financial instruments

31 March 2014 £'000		31 March 2015 £'000
	Financial assets	
30,888	Fair value through profit and loss	72,673
30,888	**Total**	**72,673**

c) Fair value of financial instruments and liabilities

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

31 March 2014			31 March 2015	
Carrying value £'000	**Fair value £'000**		**Carrying value £'000**	**Fair value £'000**
		Financial assets		
562,083	562,083	Fair value through profit and loss	639,487	639,487
19,423	19,423	Loans and receivables	18,569	18,569
581,506	**581,506**	**Total financial assets**	**658,056**	**658,056**
		Financial liabilities		
(483)	(483)	Financial liabilities at amortised cost	(1,041)	(1,041)
(483)	**(483)**	**Total financial liabilities**	**(1,041)**	**(1,041)**

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

d) Valuation of financial instruments carried at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	564,361	0	75,126	639,487
Loans and receivables	18,569	0		18,569
Total financial assets	**582,930**	**0**	**75,126**	**658,056**
Financial liabilities				
Financial liabilities at amortised cost	(1,041)	0	0	(1,041)
Total financial liabilities	**(1,041)**	**0**	**0**	**(1,041)**
Net financial assets	**581,889**	**0**	**75,126**	**657,015**

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	449,368	0	112,715	562,083
Loans and receivables	19,423	0		19,423
Total financial assets	**468,791**	**0**	**112,715**	**581,506**
Financial liabilities				
Financial liabilities at amortised cost	(483)	0	0	(483)
Total financial liabilities	**(483)**	**0**	**0**	**(483)**
Net financial assets	**468,308**	**0**	**112,715**	**581,023**

17. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

2) **Market risk**

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

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

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

The Fund manages these risks in two ways:
- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with WM Company plc, the Pension Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

Asset type	Potential market movements (+/-)
Fixed interest	1.9%
UK equities	9.5%
Overseas equities	9.1%
Property	2.6%
Alternative investments	4.5%
Cash	0.0%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset type	Value at 31 March 2015	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	17,080	0.0	17,080	17,080
Investment portfolio assets:				
Fixed interest	86,005	1.9	87,699	84,311
UK equities	116,646	9.5	127,727	105,565
Overseas equities	204,342	9.1	222,917	185,797
Property	37,006	2.6	37,964	36,048
Alternative investments	195,488	4.4	204,426	186,730
Total	**656,567**		**697,813**	**615,531**

Asset type	Value at 31 March 2014	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	18,265	0.0	18,265	18,265
Investment portfolio assets:				
Fixed interest	84,058	2.1	85,823	82,293
UK equities	111,992	11.4	124,759	99,225
Overseas equities	173,593	12.4	195,119	152,067
Property	34,944	2.3	35,748	34,140
Alternative investments	157,496	6.1	167,103	147,889
Total	**580,348**		**626,817**	**533,879**

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2014 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2014	**31 March 2015**
	£'000	**£'000**
Cash balances	18,265	17,080
Fixed interest securities	84,058	86,005
Total	**102,323**	**103,085**

Interest rate risk sensitivity analysis

The Pension Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. Experience suggests that long-term average rates are expected to move less than 100 basis points from one year to the next.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	**Carrying amount as at 31 March 2015**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£'000	**£'000**	**£'000**
Cash balances	17,080	170	(170)
Fixed interest securities	86,005	860	(860)
Total change in assets available	**103,085**	**1,030**	**(1,030)**

Asset type	**Carrying amount as at 31 March 2014**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£'000	**£'000**	**£'000**
Cash balances	18,265	183	(183)
Fixed interest securities	84,058	840	(840)
Total change in assets available	**102,323**	**1,023**	**(1,023)**

Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2015 and as at the previous period end:

Currency exposure – asset type	**Asset value at 31 March 2014 £'000**	**Asset value at 31 March 2015 £'000**
Overseas unit trusts	173,593	204,342
Overseas pooled property investments	5,022	3,424
Overseas private equity/infrastructure	112,715	126,112
Total overseas assets	**291,330**	**333,878**

Currency risk – sensitivity analysis

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

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

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

	Asset value as at 31 March 2015	**Change to net assets available to pay benefits**	
		+8%	**-8%**
	£'000	**£'000**	**£'000**
Overseas unit trusts	204,342	220,689	187,995
Overseas pooled property investments	3,424	3,698	3,150
Overseas private equity/infrastructure	126,112	136,516	116,023
Total change in assets available	**333,878**	**360,903**	**307,168**

	Asset value as at 31 March 2014	**Change to net assets available to pay benefits**	
		+8%	**-8%**
	£'000	**£'000**	**£'000**
Overseas unit trusts	173,593	187,480	159,706
Overseas pooled property investments	5,022	5,424	4,620
Overseas private equity/infrastructure	112,715	121,732	103,698
Total change in assets available	**291,330**	**314,636**	**268,024**

b) Credit risk

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

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

The Pension Fund's cash balance is held in an interest bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria. Given the relatively low level of cash held by the Pension Fund at any one time, it is not considered necessary to place deposits with other banks and financial institutions to provide diversification.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2015 was £17.080m (31 March 2014: £18.265m). This was held with the following institutions:

	Rating	Balances as at 31 March 2014 £'000	Balances as at 31 March 2015 £'000
Bank deposit accounts			
NatWest	A-	18,265	17,080
Total		**18,265**	**17,080**

c) Liquidity risk

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

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 2015 the value of illiquid assets was £163.1m, which represented 26% (31 March 2014: £147.6m which represented 27%) of the total fund assets.

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

All financial liabilities at 31 March 2015 are due within one year.

Refinancing risk

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

18. Funding arrangements

In line with the LGPS (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013.

The key elements of the funding policy are:

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

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

At the 2013 actuarial valuation, the Fund was assessed as 56% funded (61% at the March 2010 valuation). This corresponded to a deficit of £442m (2010 valuation: £294m) at that time.

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

Year	**Employers' contribution rate**
2014/15	28.4%
2015/16	29.4%
2016/17	30.0%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the Fund's website.

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

The main actuarial assumptions used for the March 2013 actuarial valuation were as follows:

Discount rate	4.6% p.a.
Price inflation	3.3% p.a.
Pay increases	4.1% p.a.
Pension increases	2.5% p.a.

Mortality assumptions

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

Mortality assumption at age 65	**Male**	**Female**
Current pensioners	22.0 years	24.3 years

Commutation assumption

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

19. Actuarial present value of promised retirement benefits

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

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

The actuarial present value of promised retirement benefits at 31 March 2015 was £1,396m (31 March 2014: £1,168m). The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2013 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Financial assumptions

Inflation/pensions increase rate	2.8%
Salary increase rate	4.4%
Discount rate	4.3%

Longevity assumption

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

	Males	Females
Current pensioners	22.0 years	24.3 years
Future pensioners*	24.4 years	26.8 years

* Future pensioners are assumed to be currently aged 45

Commutation assumption

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

20. Current assets

	31 March 2014 £'000	31 March 2015 £'000
Debtors:		
- Contributions due – employees	188	249
- Contributions due – employers	812	1,140
- Sundry debtors	92	35
Cash balances	18,265	17,080
Total	**19,357**	**18,504**

Analysis of debtors

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	0	0
Other local authorities	999	1,388
Other entities and individuals	93	1
Total	**1,092**	**1,389**

21. Long Term assets

	31 March 2014 £'000	31 March 2015 £'000
Long term assets	158	100
Total	**158**	**100**

Long term assets comprises of contributions due from employers, repayable later than a year of the Balance Sheet date.

22. Current liabilities

	31 March 2014 £'000	31 March 2015 £'000
Sundry creditors	483	1,041
Total	**483**	**1,041**

Analysis of creditors

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	3	12
Other entities and individuals	480	1,029
Total	**483**	**1,041**

23. Additional voluntary contributions

	Market value 31 March 2014 £'000	Market value 31 March 2015 £'000
Clerical Medical	1,145	1,303
Equitable Life	169	170
Prudential		15
Total	**1,314**	**1,488**

AVC contributions of £26,296 were paid to Clerical Medical during the year (2013/14: £38,000). The Pension Fund's former provider, Equitable Life, no longer accepts AVC contributions from Scheme members.

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

24. Related party transactions

Brent Council

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

The Council incurred costs of £0.732m (2013/14: £0. 880m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £31.467m to the Fund in 2014/15 (2013/14: £30.663m). All monies owing to and due from the Fund were paid in year.

Governance

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

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

Key management personnel

Paragraph of the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* (the Code) exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Brent Pension Fund.

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

25. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2015.

26. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2015 totalled £30.5m (31 March 2014: £41.5m).

	31 March 2014 £'000	31 March 2015 £'000
Capital Dynamics	38,061	28,001
Alinda	3,416	2,517
Yorkshire Fund Managers	60	0
Total	**41,537**	**30,518**

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

27. Contingent assets

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

	31 March 2014 £'000	31 March 2015 £'000
Wettons (Estate Cleaning & North Grounds Maintenance)	158	0
Wettons (South Grounds Maintenance)	145	0
Europa	136	136
Capita Business Services Limited	123	123
Conway Aecom	111	111
Xerox (UK) Limited	29	29
Sanctuary	0	8
ThamesReach	5	5
Total	**707**	**412**

28. Impairment losses

The Fund had no impairment losses at 31 March 2015.

ACCRUALS

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CORPORATE AND DEMOCRATIC CORE

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

COLLECTION FUND ADJUSTMENT ACCOUNT

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

CREDITORS

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

DEBTORS

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

Glossary >>>

FINANCE LEASE

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

FIXED ASSETS

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

GOING CONCERN

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

GOVERNMENT GRANTS - SPECIFIC

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

INFRASTRUCTURE ASSETS

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

LONG TERM INVESTMENTS

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

LEVIES

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

LONG-TERM CONTRACTS

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

MINIMUM REVENUE PROVISION

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

NATIONAL NON DOMESTIC RATE (NNDR)

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

OPERATING LEASES

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

OPERATIONAL ASSETS/NON OPERATIONAL ASSETS

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

PRECEPTS

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

PRIOR YEAR ADJUSTMENTS

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

PRUDENCE

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

REVALUATION RESERVE

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

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation.

ABBREVIATIONS

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

Glossary >>>

Appendix 3 – Draft Letter of Representation

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

16 September 2015

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of London Borough of Brent ("the Authority") for the year ended 31 March 2015, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;

ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

    i. give a true and fair view of the financial position of the Authority and Group as at 31 March 2015 and of the Authority's and the Group's expenditure and income for the year then ended;

    ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the scheme year;

    iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable

3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.

4. In respect of the restatement to the prior period relating to a change in the accounting treatment for local authority schools, the impact of which is described in note 5 to the financial statements, the Authority confirms that the restatement is appropriate.

5. The effect of the potential unadjusted audit difference of £1.3 million relating to Pension Fund investments is seen as immaterial to the financial statements.

Information provided

6. The Authority has provided you with:

    - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    - additional information that you have requested from the Authority for the purpose of the audit; and
    - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

8. The Authority confirms the following:

   i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   ii) The Authority has disclosed to you all information in relation to:

      a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
         - management;
         - employees who have significant roles in internal control; or
         - others where the fraud could have a material effect on the financial statements; and
      b) allegations of fraud, or suspected fraud, affecting the Authority's and the Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

12. The Authority confirms there, other than the variation dated 30th April 2015, there have been no variations to the Private Finance Iniative (PFI) schemes.

13. The Authority confirms that:

    The financial statements disclose all of the uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:

        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

    This letter was tabled and agreed at the meeting of the Audit Committee on 16 September 2015.
    Yours faithfully,

    Chair of the Audit Committee

    Chief Finance Officer

<u>Appendix to the Representation Letter of London Borough of Brent: Definitions</u>

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A penson fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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Brent	**Audit Committee** 16 September 2015 **Report from the Chief Finance Officer**
For Information	Wards Affected: ALL

Internal Audit Progress Report for the period 1 April – 31 July 2015

1. Summary

1.1 This report provides an update on the progress against the internal audit plan for the period 1 April 2015 to 31 July 2015. The appendix to the report also summarises those assurance reports from the 2014/15 plan which have been finalised since the last meeting of the committee. The report also provides a summary of counter fraud work for the first quarter of 2015/16.

2. Recommendations

2.1. That the Audit Committee notes the progress made in achieving the 2015/16 Internal Audit Plan and the review of fraud work.

3. Detail

3.1. The Internal Audit Plan for 2015/16 comprises 996 days. 590 days will be delivered by Mazars. The in-house resource will deliver a further 406 days.

3.2. Much of the work of the first quarter of the year focused on the completion of the 2014/15 plan. Details of reports finalised during the first quarter relating to last year's plan are provided in appendix one. In summary, nine reports were finalised. Of these, six related to the council (or its schools), and of these four had substantial assurance ratings, one a limited assurance rating and one a nil assurance rating. Three reports related to BHP, of which one had a substantial assurance rating and two had limited assurance ratings.

3.3. The key points to note with regards to progress for the current year are:

- There are 79 internal audit assignments included within the agreed 2015/16 plan (excluding follow up and advisory work). Work has commenced on 21 of these.
- It is recommended that one assignment is removed from the plan, as outlined within Table One below. On review of the explanation provided, the removal of this assignment from the plan is justified.
- Four assignments have been delayed at the request of management from quarter

one to quarters three and four. These are set out in Table Three and based on the merits of these requests, it is appropriate that the commencement of these assignments is delayed.

- Five assignments have been completed to draft or final stage. Three of them have an audit opinion associated with them. One has a substantial assurance opinion and two limited. In straightforward percentage terms this is of course unacceptably high, but as the sample size is so small (just three reports) there is not yet sufficient evidence to assume that this will be representative for of the year. The remaining two relate to grant certifications which do not have an assurance rating attached and were signed off without qualification.

Table 1 – Planned Assignments to be Withdrawn from original plan

Audit		
Home Care Contract – ASC Department	10	Area had been subject to a recent review as a result of changes in delivery mechanism. Email sent to Strategic Director to confirm agreement yet to be responded to.
Total	**10**	

Table 2 – Assignments Added to original plan

Audit		
DFG Grant Determination Certification	2	Grant required to be signed off by Head of Audit & Investigations.
Total	2	

Table 3 – Assignments to be Delayed

Audit		
Chalkhill Primary School	8	Request from school for audit to be delayed until the autumn term due to building works at school.
START (Previously BACES) (R&G Department)	15	Request from Operational Director for audit to be delayed until Q4 as a result of restructure of service and appointment of new Head of Service. Strategic Director notified.
Transport Services	15	Request from Operational Director for audit to be delayed until Q3 as a result of restructure of service. Strategic Director notified
BHP Recruitment & Retention	12	Request from HR Manager for audit to be delayed due no permanent recruitment being undertaken within the last 12 months
Total	**50**	

A summary of progress is set out in table four below:

Table 4 – Delivery Status as at 31 July 2015

Delivery Status	
Total days in the plan	996
Number of days delivered to date	154
% of days delivered to date	15%
Days to be delivered	842
Total number of reports to be delivered in current plan	79
Number of draft/final reports/certifications issued to date	5
% of reports issued to date	6%

3.4. Members will note that progress to date on the 2015/16 internal audit plan is currently below the profiled target for Q1. This has largely been due to the significant work required to finalise the outstanding 14/15 audits, during the quarter. There are, however, a number of reports at draft report stage which will be reported to the next meeting of the committee. The committee will also note that there also a number of assignments in progress and therefore it is anticipated that significant improvement in performance will be made during quarter two.

Internal Fraud

3.5. Internal fraud refers to fraud committed by employees, agency staff and staff in maintained Schools. For the purposes of this report, "fraud" includes instances of theft, fraud, misappropriation, falsification of documents, undisclosed conflicts of interest and serious breach of financial regulations. Activity for the first quarter of year to date is shown in table five below:

Table 5 – Internal Fraud 2015/16

Internal	**2015/16 Q1**	**2014/15** Total
Open Cases b/f	11	21
New Referrals	26	41
Closed Cases	4	51

Fraud / Irregularity identified	2	17
Dismissal	0	5
Resignation	2	7
Warning	0	5
Open cases carried c/f	33	11

3.6. There has been an increase in internal fraud cases from the National Fraud Initiative, which may suggest internal staff are claiming housing benefit which they may not be entitled to. These cases are currently being subject to further assessment.

Housing Tenancy Fraud

3.7 Recovery of social housing properties has a significant impact upon the temporary accommodation budget. The Audit Commission has previously estimated that the average value, nationally, of each recovered tenancy is £18,000. Caseload information is set out in table six below.

Table 6 – Housing Fraud 2015/16

Housing Fraud	**2015/16 Q1**	**2014/15 Total**
Open cases b/f	150	77
New Referrals	73	380
Closed Cases	76	307
Fraud Found	21	61
Recovered Properties	18	51
Applications Refused	4	0
Property Size Reduced (Rehousing)	1	4
Home Loss payment recovered	0	1
Right To Buy	2	0
Value of properties recovered*	£324,000	£918,000
Value of Right to Buy Discount Prevented	£177,700	0
Open cases carried c/f	147	150
Cases with Legal for Possession	23	23

Other External Fraud

3.8. This category includes all other external fraud/irregularity cases, such as blue badge, direct payments and council tax discounts.

Other External Fraud	Q1	As at 31/03/15
Open cases b/f	18	24
New Referrals	9	65
Closed Cases	15	7
Fraud / Irregularity	0	22
Prosecution	0	1
Warning / Caution	0	2
Overpayment Identified	0	19
Open cases carried c/f	12	18

Table 8 – Other External Fraud 2015/16

4. Financial Implications

4.1. The total value of the audit contract with Croydon Council, delivered by Mazars, is £192,000 in the current year and is funded within the Audit and Investigations base budget.

5. Legal Implications

5.1. None

6. Diversity Implications

6.1. None

7. Background Papers

7.1. None

8. Contact Officer Details

Steve Tinkler, Head of Audit & Investigation, Civic Centre, First Floor West.
Telephone –07525 893458

Conrad Hall
Chief Finance Officer

Internal Audit

Progress Report 1 April – 31 July 2015

London Borough of Brent

September 2015

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Executive Summary

Introduction	This report sets out a summary of the work completed against the 2014/15 and the 2015/16 Internal Audit Plans, including the assurance opinions awarded and any high priority recommendations raised. Those audits reported on at previous meetings have been removed, but reference can be made to the full list of assurance opinions in the cover report.

Summary of Work Undertaken	The Final Reports in respect of the 2014/15 period and issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report: • Accounts Payable • Vale Farm Contract (Contract Management) • Highways Maintenance • Procurement • Declaration of Interests' and Gifts & Hospitality (Members) • Islamia Primary School • Accounts Payable (BHP) • Leasehold Management Application (BHP) Final Reports certifications grant issued in respect of the 2015/16 financial year to date are as follows: • Quality Assurance Meeting • Troubled Families Grant Claim (Payment by Results) May 2015 • Disabled Facilities Grant Determination (Grant Certification for 2014/15).

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2014 /15

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.

Audit	Assurance Opinion and Direction of Travel
General and Computer Audits	
Vale Farm (Contract Management)	S S
Highways Maintenance	S
Procurement	S
BHP	
Leasehold Management Application (IT) - BHP	S

LIMITED ASSURANCE REPORTS – General Audits

For all Limited Assurance reports, we have included a brief rationale, 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 are reported separately to the BHP Audit Committee.

Declaration of Interests' & Gifts & Hospitality (Members)	
The Localism Act 2011 abolished the previous standards regime and introduced a new framework for the regulation of member conduct. Under the provisions of the Act local authorities have a statutory duty to 'promote and maintain high standards of conduct by members and co-opted members of the authority'. Under Part 2 of the Brent Members' Code of Conduct, members are required to register interests by providing written notification to the authority's Monitoring Officer. Members are required to register their interests within 28 days of his or her election or appointment to office. Members are also required to notify the Monitoring Officer of any changes or additions within 28 days of becoming aware of the change or addition The key areas of weakness are as follows: • Lack of clarity regarding the requirement for newly elected members to register their interests within 28 days of becoming a member of the council rather than 28 days of the local code being adopted. • The failure of some new members to submit their declarations of interests within the prescribed timescale following the 2014 local elections. • Declarations not always completed in full. • Poor attendance at the relevant training sessions • Change forms not indicating the date of change of member's declarations of interests, gifts or hospitality. • Lack of formal guidance available to members in relation to gifts and hospitality. **Five priority 1, four priority 2 and three priority 3 recommendations were raised as a result of this audit.**	L

Recommendation	Management Response / Responsibility / Deadline for Implementation
<u>Revisions of Local Code to avoid ambiguity</u> The local code of conduct should be revised to reflect more clearly the requirements of the Localism Act 2011, s.30 which requires new Members of an authority to declare their interests within 28 days of	Agreed. On 1 October 2015, the Standards Committee will be consulted on the proposed changes to the Code. Subsequently, on 23 November 2015, the proposed changes will be reported to Full Council for approval. It is

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Recommendation	Management Response / Responsibility / Deadline for Implementation
becoming a member.	expected that the new Code will be implemented in December 2015. Meanwhile, the Monitoring Officer will check personally to ensure that any new Member fulfils this obligation. Monitoring Officer
Training All new Members should be reminded of the requirement and importance of attending induction and other training on Standards and the Members' Code of Conduct. New Members of the Planning and Licensing committees should be reminded that attendance at training on Planning and Licensing matters is a requirement of the Planning & Licensing Codes of Conduct.	Agreed. Mandatory training on Standards and the Members' Code of Conduct was provided on 21 July 2015. For those Members who were unable to attend that training session, it will be repeated on 17 September 2015. Since changes to the membership of committees were announced at the Annual Meeting of Council in May 2015, Executive and Member Services have reminded Members of the requirement and importance of training on Planning and Licensing matters and training has been repeated on a number of occasions to accommodate the availability of Members. In the coming weeks, efforts will continue to ensure that all new Members of the Planning and Alcohol and Entertainment Licensing Committee receive specialist training and that other Members of those committees receive refresher training as appropriate. Officers have advised individual Members, the chairs of the relevant Group leaders and Group Whips that they should not participate in the Committees without the appropriate training.

Recommendation	Management Response / Responsibility / Deadline for Implementation
	Relevant Group Leaders and Whips have now been notified if any of their Members have any outstanding mandatory training requirements. Head of Executive and Member Services
<u>Timeliness of Declaration of Interests' Forms by Members</u> Management must implement robust procedures to notify and remind Members of their statutory requirements in respect of declarations of interest. Members should be reminded of their responsibility to declare their interests within 28 days and advised, in clear terms, of the potential consequences of failure to comply.	Agreed. Members have been reminded of this through an item in the Members' Bulletin. Mandatory Standards training on 21 July 2015 advised Members of these requirements and this training will be repeated on 17 September 2015. The Monitoring Officer Advice Note to be issued in August 2015 will also remind Members of these requirements. Documented Procedures finalised by 17 August 2015. Monitoring Officer
<u>Completion of Declaration of Interests' Forms by Members</u> • Members should be reminded to complete declarations of interests' forms in full. Where there are no interests to declare, then the relevant section of the form should indicate "none" or "nil" to ensure completeness of the form. • Checks to ensure that submitted forms do not contain gaps	Agreed. January 2015 (by way of correspondence) and July and September (by way of mandatory training) and by a Monitoring Officer Advice Note, by way of Members' Bulletin, to be issued in August 2015. Monitoring Officer In addition, all registration forms will be checked for

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Recommendation	Management Response / Responsibility / Deadline for Implementation
should be undertaken by the Democratic Services Team. • Where it appears that a Member has not completed the form properly or in full, a notification should be sent to the relevant Member, and copied to their party Whip (if applicable), to indicate that their declaration of interests form has not been properly completed and a request for them to do so. • In particular, Members should, if necessary, be reminded to include membership of any political parties or sponsorship in their declarations.	obvious errors and gaps by 1 September 2015 and the relevant Members will be advised of the corrective action necessary. Thereafter, notification of new interests will be checked for obvious errors and gaps, and Members advised of any corrective action, on an on-going basis. Head of Executive and Members Services
Change Forms The change form used by Members to notify the Council of changes to their declared interests; any new interests and /or gifts and hospitality accepted, should be amended to include a requirement that the date of the change of interests and/ or the acceptance of the gift or hospitality should be indicated on the form.	Agreed. 17 August 2015. Head of Executive and Members Services

LIMITED/NIL ASSURANCE REPORTS – Schools

Islamia Primary School

Ten priority 1; twelve priority 2 and one priority 3 recommendations were raised as a result of this audit.	N

Recommendation	Management Response / Responsibility / Deadline for Implementation
<u>**Minutes of Meetings and Approval of Documents**</u> Meetings of the Governing Body and its committees should be properly minuted to explicitly record decisions and approvals of the governing body and to reflect presentation of reports including the following: • The approval of the Terms of Reference for Personnel & Finance Committee. • The approval of the Scheme of Delegation. • The adoption of the Council's Financial Regulations. • The approval of the school's Financial Procedures & Practices document. • The approval of School Development Plan (SDP). • The approval of the whistle blowing policy. • The approval of the Charging Policy. • The approval of the staffing structure. • The approval of the draft and final budget. • The review of ongoing contracts for services and suppliers. The approval of the Educational Visits Policy.	Agreed. A new clerk is being recruited and the governors will insist that all minutes are properly recorded and all documents approved. Minutes will be signed off by the Chair as evidence of approval. All policies not formerly approved will be presented to the next Personnel & Finance Committee/Governing Body meeting for review and approval. September 2015 / Head teacher & Governing Body.

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Recommendation	Management Response / Responsibility / Deadline for Implementation
Scheme of Delegation The Governing Body should ensure that the Scheme of Delegation sets out more explicitly and in more detail the powers delegated by the Governing Body to its committees, the Head teacher and other staff. The authorisation limits for the Head teacher with regards to virements should be consistent with authorisation limits for expenditure. There should	Agreed. The Scheme of Delegation will be reviewed at the next Personnel & Finance Committee and forwarded to Governing Body for approval. December 2015 / Head teacher & Governing Body
Clerking Arrangements Payments to the clerk to the governing body should be made through the payroll.	Not Agreed.
Audit Recommendations Any outstanding recommendations arising from the last review by Internal Audit should be implemented. The Governing Body or Personnel & Finance Committee should regularly monitor the progress of the implementation of audit recommendations	Agreed. The previous action plan was reviewed and checked to ensure that all the recommendations are fully implemented. A new action plan has been prepared for the current audit and will be presented to Personnel & Finance Committee / Governing Body for approval. December 2015 / Head teacher & Governing Body
High Value Expenditure and Rolling Contracts Evidence of the procurement process and the reasons for awarding contracts should be documented and retained. The Council's Financial Regulations for Schools (section G 3) require schools to obtain at least three written quotes where the estimated value of a contract or purchase item falls between £20k and £172,514; or to undertake a formal tender process where the estimated value exceeds £172,514. For contracts, this applies to the lifetime of the contract as opposed to spend in individual periods. In addition, details of approval for high value expenditure items should	Partly Agreed. The ISS contract was approved by Governing Body in May 2015. The ISS contract is over £172K and proper procedures were followed as per Hill Dickinson's advice. All contracts over £20K will be presented to Personnel & Finance Committee / Governing Body for approval. Once approved, the Chair will sign the contract as evidence of approval.

Recommendation	Management Response / Responsibility / Deadline for Implementation
be clearly recorded in the Governing Body meeting minutes, and that staff should be reminded of the need to ensure that all expenditure is approved in line with the Scheme of Delegation.	Immediate / Head teacher & Bursar
Income – Accounting, Recording, Transfer, and Pre-numbered Receipts The School should ensure that income and expenditure in respect of school meals is being correctly accounted for. The spreadsheet used for recording income received should include the date of receipt of income, method of payment, date banked and the paying-in slip reference number. Evidence should be maintained of the transfer of money from one officer to another. This could be in the form of a sign off by both officers. Pre-numbered receipts should be issued for all monies collected on behalf of the School.	Agreed. From September 2015, the School will be introducing Parentpay cashless system. This will produce detailed reports of all cash collections, which can be allocated under appropriate heading – trip, school meals etc. Thus there will be no handling of cash or banking of income
Bank Reconciliations Bank reconciliations should be properly documented and the relevant documentary evidence (such as unreconciled receipts and payments) should be printed off the School's accounting system and attached to the reconciliation.	Agreed. Bank reconciliations are now being documented and all documentary evidence attached. Implemented / Bursar & Accounts Team
Approval of Individual School Range ISR The Governing Body should ensure that it formally approves the School's ISR and that the approval is properly minuted**.**	Not Agreed.
Pension – Joining and Opt-Out Forms The School should seek advice of a specialist or the Council's Pensions Team on what action to take to address the matter of the teacher who has not been given the opportunity to join or opt out of the Teacher's Pension Scheme. All staff employed under a permanent contract with the School should	Not Agreed. All pension issues were dealt with. Copies of all opt-out forms are kept with the exception of one in for which a letter from the employee was available with instructions of opting out. The letter is clear evidence of opt-out document that is similar to an opt-out form, which is enforceable in any court of law.

Recommendation	Management Response / Responsibility / Deadline for Implementation
be given the opportunity to join the pension scheme. The School should seek advice from the Council's Pensions Team regarding this matter. The School should ensure that copies of all opt-out forms are retained.	Agreed. Immediate / Head teacher & Bursar
DBS Checks Once recruitment (or other relevant) decisions have been made, copies of DBS certificate information should be destroyed unless there is a pending matter. In such circumstances they should be held securely (not on personnel files) and access to these limited to those entitled to see it.	Partly Agreed. The DBS certificates are kept for 6 months from the date the new officer joins the School and are then subsequently destroyed. All DBS certificates are kept in a locked cabinet. Immediate / Human Resources Officer
Employment Status Checks Adequate steps should be taken by the School to verify the employment status of individuals prior to payment being made to them without the deduction of tax and other statutory deductions	Not Agreed. This is already in place. All supply teachers are recruited through agency and we refrain from employing self-employed contractors unless proper legal self-employment contract is in place. The contract used satisfies all the requirement as per HMRC rules as they have been drawn by expert lawyers and accountants.

Limited Assurance Reports (BHP)

Accounts Payable (BHP)

One priority 1 and three priority 2 recommendations were raised as a result of this audit.	L

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Non Assurance Work

Accounts Payable Data Analytics	
Objective and Scope	This audit was designed to provide London Borough of Brent with Accounts Payable analysis reports to mitigate the control deficiency currently within the Borough, of the lack of an Accounts Payable analysis function. Previous to the implementation of One Oracle, the Borough was using 'AP Forensics' to produce Accounts Payable reports to focus further testing/investigation.
Recommendations	• Senior management and key stakeholders should review the below embedded listing of 16 potential duplicate invoices numbers, to ensure that they are in line with their expectations and to guide further investigation into the potential duplicates if required. • Senior management and key stakeholders should review the below embedded summary of transactions by 18 users, to ensure the trend and patterns identified are in line with their expectations. • Senior management and key stakeholders should review the below embedded listing of 72 transactions which occurred on weekend days, to ensure they are in line with business objectives and expectations. • Senior management and key stakeholders should review the below embedded summary of creditor transactions, to ensure they are in line with business objectives and expectations. • Senior management and key stakeholders should review the below embedded summary of transactions by Purchase Order number, to ensure they are in line with business objectives and expectations. • Senior management and key stakeholders should review the below embedded listing of 125 invoices which have an invoice paid date, in advance of their system entry date, to ensure they are in line with business objectives, the Borough's best practice guidelines and staff expectations. • Senior management and key stakeholders should review the below embedded summary of 17 unpaid invoices over one year old, to ensure they are aware of creditors at risk of becoming 'long-term'.

2015/16 Financial Year

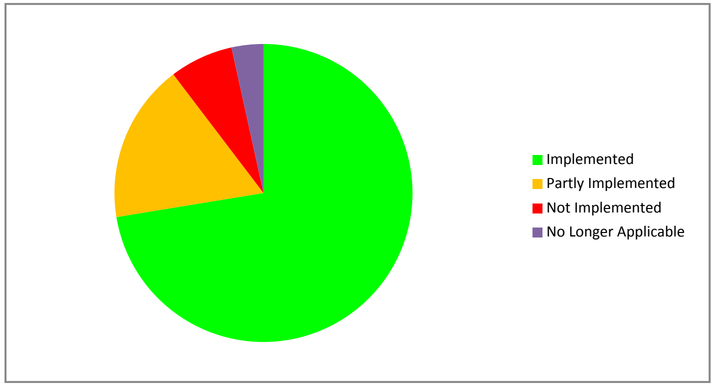
FULL / SUBSTANTIAL ASSURANCE REPORTS: 2013 /14

Audit	Assurance Opinion and Direction of Travel
General and Computer Audits	
Quality Assurance Meeting	S

Non-Assurance Work

Troubled Families Grant Claim Certification	Certification of May 2015 Grant Claims as follows: • 1 Payment by Results Claim This is a grant which the Head of the Audit & Investigations Team is required to certify the grant claims. This funding is for the DCLG's Troubled Families programme which is aimed at reducing the cost of problem families. The government is providing funding to cover up to 40% of the cost of interventions for these families. This will be paid primarily on a payment by results basis. The DCLG will make available up to £4,000 for each troubled family that is eligible for the payment-by-results scheme. A proportion of this is paid upfront as an "attachment fee" for the number of families that the local authority starts working with, and the rest will be paid following positive outcomes with these families.

Disabled Facilities Grant DFG Determination	Certification of Grant Determination for the 2014/15 Financial Year.

Follow-Up of Previously Raised Recommendations	As part of our 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 in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a required timeframe, with particular focus applied to any priority 1 recommendations. The current level of implementation is as per the chart on the following page. Of the 29 recommendations followed-up, 27 (93**%)** had been either fully or partly implemented, or are no longer applicable due to changes in the scope of operations. Of the 9 priority 1 recommendations followed up, 100**%** had been fully implemented. **Implementation of Recommendations** 

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Follow-Up of Previously Raised Recommendations

The approach to our follow up of internal audit recommendations is changing. Once an audit report has been agreed and finalised, the agreed recommendations will be uploaded on the Audit & Investigations portal on infostore. Each strategic director will then then be required to ensure that officers indicated as being responsible for the implementation of the audit recommendations update the status of each recommendation as and when due. On a monthly basis, Internal Audit will review all priority 1 and priority 2 recommendations which are due for implementation in that month and send reminders to the responsible officers for them to update infostore on the status of implementation of the recommendation. Internal Audit will then undertake verification work as required to confirm that they have been implemented. The Audit Committee will be updated on the status of implemented and non-implemented recommendations due as part of the normal reporting arrangements. The intention of this new approach is to ensure that all due recommendations are being implemented and that where they are not, action is taken to address these at an early stage.

The table below provides a summary of the findings from the follow-up work completed since the last meeting, excluding any BHP recommendations.

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. Partly implemented recommendations are those assessed as requiring further work in order to meet the objective of the recommendation.

The table includes a column to highlight any priority 1 recommendations which were found not to have been fully implemented. Please note that we 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**	**NA**	**I**	**PI**	**NI**	**I**	**PI**	**NI**	**N/A**	
Accounts Payable				1	1						1	1		1	
Princess Frederica Primary School	9			11	4	2					20	4	2		
	9			**12**	**5**	**2**	**1**				**21**	**5**	**2**	**1**	

Appendix A – Definitions

Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and 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 grading provided 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 our internal audit reports, we categorise our 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.

Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Steve Tinkler – Head of Audit & Investigations	steve.tinkler@brent.gov.uk
	07525 893458
Aina Uduehi – Audit Manager	aina.uduehi@brent.gov.uk
	020 8937 1495

Mazars Public Sector Internal Audit Limited	Contact Details
Mark Towler – Director	john.clayden@mazars.co.uk
John Clayden – Senior Audit Manager	07901 670365
Harish Shah – Computer Audit Sector Manager	

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Brent	**Audit Committee** 16 September 2015 **Report from the Chief Finance Officer**
For Information	Wards Affected: ALL
Report Title: Strategic Audit Partner Procurement – Update Report	

1. Summary

1.1 This report provides the committee with an update on the procurement activity being undertaken by the London Borough of Ealing to appoint a Strategic Audit Partner to support the services delivered by the Audit and Investigation Shared Service.

2. Recommendations

2.1. That the Audit Committee notes the progress made in respect of the procurement activity commenced to appoint a strategic audit partner to support the Audit and Investigation shared service.

3. Detail

3.1. The committee will recall that at the meeting of Council on 22 June 2015, it was resolved that the provision of internal audit service be delegated to the London Borough of Ealing with effect from 1 October 2015 or such other date as may reasonably agreed with the London Borough of Ealing.

3.2. The Shared Service hosted by the London Borough of Ealing will initially be delivery Audit and Investigation services to the Ealing, Hounslow and Brent who currently each operate very similar audit service delivery models, with the majority of audit days being delivered by the same outsourced provider, supported by an element of in-house resource. It should be noted that these arrangements have been in place for a significant period of time, with limited market testing being undertaken.

3.3. The vision for the Shared Service is to provide a comprehensive, robust and resilient Internal Audit service to the three London Boroughs. However, a clear vision of the shared service is one of growth and the delivery of services to other organisations over time. This strategy of growth is therefore a key development within the shared service and an important consideration for potential suppliers of Internal Audit services to the Shared Service.

3.4. The Shared Service approach therefore provides an opportunity for Ealing to explore opportunities to engage and manage a single Strategic Audit Partner on a consolidated basis on behalf of the partnering organisations, creating an opportunity to achieve efficiencies with regards to contractor performance and management costs.

3.5 Due to the changing public sector landscape and the continuing need for Local Authorities to find continuing financial savings, it is important that an effective internal audit function is in place to support organisations through this journey. In order to achieve this objective it is vital that the Shared Service have the right internal audit partner that understands the current public sector landscape and has the relevant skills and expertise. The procurement approach being adopted by Ealing has therefore been designed to test the market in this regard and to identify the most appropriate partner to support the longer term vision of growth for the Shared Service. The Strategic Audit Partner will be able to demonstrate:

- A sound understanding of the pressures faced by the public sector and a track record of working effectively with complex public sector organisations;
- A service offering that complements shared service / cross-council service delivery;
- A well-established Internal Audit methodology reflecting the current pressures effecting public sector organisations and enabling the necessary levels of assurance in terms of the effective management of risk;
- Delivery of innovation and continuous improvement in internal audit methodology delivered specifically with regards to the use of technology;
- A rich mix of expertise and resources dedicated to supporting internal audit delivery by the shared service to the partner organisations;
- The effective ability to support the wider shared service growth agenda through collaborative working; and
- Bringing a strategy to develop a joint commercial enterprise that is successful in bidding for additional client contracts and growing the business.

3.6 It is the intention of Ealing to appoint the Strategic Audit Partner following the completion of an EU compliant procurement process, with services to commence from 1 April 2016.

3.7 In view of the lack of recent market testing in respect of Internal Audit Services, and as an initial step in the procurement process, a supplier market day was hosted by Ealing on 13 August 2015, in order to explain the shared service vision and the key attributes the Strategic Audit Partner would need to be demonstrate. This event attracted 9 potential suppliers, who received a standard presentation by the Ealing Head of Audit & Investigations, followed by the opportunity to ask questions of the procurement panel which consisted of representatives from Brent, Ealing and Hounslow.

3.8 It is the intention that the formal Invitation to Invitation to Tender process will commence in early October 2015.

4. Financial Implications

4.1. The total value of the audit contract with Croydon Council, delivered by Mazars, is £192,000 in the current year and is funded within the Audit and Investigations base budget.

5. Legal Implications

5.1. The proposed procurement approach being conducted by Ealing will be completed in accordance with the relevant Contract Procedure Rules and OJEU requirements.

5.2 The responsibilities of Ealing as the Host organisation for the Shared Service and those for Hounslow and Brent in respect of the receipt of Internal Audit services will be defined within the respective collaboration agreements.

6. Diversity Implications

6.1. None

7. Background Papers

7.1. None

8. Contact Officer Details

Steve Tinkler, Head of Audit & Investigation, Civic Centre, First Floor West.
Telephone –07525 893458

Conrad Hall
Chief Finance Officer

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Audit Committee
16 September 2015

Report from the Chief Finance Officer

Wards Affected:
ALL

2015/16 Mid–Year Treasury Report

1. SUMMARY

1.1 This report updates Members on recent treasury activity.

2. RECOMMENDATION

2.1 The Committee is asked to note the 2015/16 mid-year Treasury report which is also to be submitted to the Council and Cabinet.

3. DETAIL

BACKGROUND

3.1 The Council's Treasury Management Strategy is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

3.2 The Code also recommends that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

3.3 Treasury Management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

3.4 In addition to reporting on risk management, the Code requires the Authority to report on any financial instruments entered into to manage treasury risks.

ECONOMIC BACKGROUND

3.5 Growth rates in most major economies looked more fragile in the last six months. The US continues to grow slowly and the Eurozone as a whole has started to experience slow growth. However, Eurozone growth continues to be fragile, and vulnerable to external shocks. The UK is now growing comparatively quickly (0.7% growth in the second quarter of 2015) although balanced growth is still to be delivered. Although business investment rose in the last quarter and there are now signs that productivity may be starting to recover, this is a recent development and the trend is far from established. Both the current account and trade deficits continue to be a source of concern. There is concern that recent developments in China will have international implications, particularly for developing and commodity supported economies.. Inflation in the UK remains at a very low level, with the Consumer Price Index currently growing at 0.1% per annum.

3.6 Gilt yields fluctuated in response to international events in the first half of the year with a slight upward trend. There is continuing uncertainty about when the Federal Reserve and Bank of England will start to unwind Quantitative Easing or increase interest rates, but it is likely that falls in Stock Markets in recent weeks have made the authorities more cautious. The movement in rates at which local authorities can borrow from the Public Works Loans Board (PWLB) is set out in the table below (certainty rates):

Period	March 2015	August 2015
1 year	1.2%	1.3%
5 year	1.9%	2.1%
10 year	2.5%	2.7%

3.7 The interest rate the Council receives on money market funds or for 1-12 month maturities with local authorities has changed little during the first half of the year at 0.45%.

DEBT MANAGEMENT

3.8 The Authority continues to qualify for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate). This is reviewed on an annual basis and has been confirmed as applying until 31 October 2015.

3.9 Alternative sources of long term funding to long-dated PWLB borrowing are available, but the Council will continue to adopt a cautious and considered approach to funding from the capital markets as the affordability, simplicity and ease of dealing with the PWLB represents a strong advantage. No long term loans have been raised so far this year as is shown in the table below:

	Balance on 01/04/2015 £m	Debt £m	New Borrowing £m	Balance on 31/08/2015 £m
Short Term Borrowing	0.0	0.0	0.0	0.0
Long Term Borrowing	423.7	1.6	0.0	422.1
TOTAL BORROWING	423.7	1.6	0.0	422.1
Average Rate %	4.72			4.73

3.10 Affordability and the “cost of carry” remained important influences on the Council’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

3.11 For the Council the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments. However this position will not be sustainable over the medium term and the Council will need to give careful consideration to its future capital programme and how this is financed in due course. Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Council’s treasury advisor, Arlingclose.

3.12 The persistence of low interest rates means that it would be uneconomic to reschedule debt, because early retirement of the loan would incur a heavy penalty, to compensate the PWLB for having to lend the money on at lower rates. For example, our most expensive loan, maturing in 6 years, was taken out in 1994, at a rate of 8.875%. There is £3.05m outstanding on this loan. Early repayment would trigger debt redemption charges of £1.28m. If the loan was replaced on a like for like basis, interest charges would be lower. However, the lower interest charges combined with the £1.28m redemption charge (amortised over the life of the loan) would result in an annual charge some £21k higher than the current annual payment. This shows that the current market conditions are some distance away from facilitating effective debt redemption

INVESTMENT ACTIVITY

3.13 The Council gives priority to security and liquidity and aims to achieve a yield commensurate with these principles.

	Balance on 01/04/2015 £m	Investments Made £m	Investments Repaid £m	Balance on 31/08/2015 £m
Short Term Investments	149.1	545.3	506.2	188.2

3.14 Security of capital has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16. New investments were made with the following classes of institutions:

A- rated banks;
AAA rated Money Market Funds;
Other Local Authorities;
The UK Debt Management Office.

3.15 Counterparty credit quality was assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, Standard & Poors and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms; potential support from a well-resourced parent institution; share price. At the beginning of the year, there were no foreign banks on our Lending List. Since then, two conservatively run Scandinavian banks with good ratings and strong financial figures have been added to the list. All investments in banks and Building Societies are now undertaken by means of marketable instruments (Certificates of Deposit, CDs). This adds a measure of additional liquidity without sacrificing return, given our maturity limits.

BUDGETED INCOME AND OUTTURN

3.16 The Council's external interest budget for the year is £23.3m, and for investment income is £1.4m and the latest estimate is that the Council will achieve these figures. The average cash balances, representing the Council's reserves and working balances, were £183m during the period to 31 August

3.17 The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2016. Short-term money market rates have remained at very low levels.

ICELANDIC BANK INVESTMENT UPDATE

3.18 The Council received £0.4m in August 2015, which means that only £0.2m of the original £10m deposit now remains outstanding. It is expected that a further distribution will be made but this depends on the result of litigation currently under way regarding a property investment.

COMPLIANCE WITH PRUDENTIAL INDICATORS

3.19 Officers confirm that they have complied with its Prudential Indicators for 2015/16, which were set in February 2015 as part of the Council's Treasury Management Strategy Statement (TMSS). Details can be found in Appendix 1.

OUTLOOK

3.20 At the time of writing this activity report in August 2015, economic growth remains slow worldwide, though the UK has performed comparatively well. Growth has been led by consumer spending, though investment has begun to grow. Productivity remains low though is also showing some signs of improving. However, the current account deficit remains a problem and will continue to do so as long as Eurozone demand remains depressed. Growth prospects outside the UK do not give cause for hope that it will improve soon. A significant threat to world growth is the situation in China and contagion to other emerging economies, which are being squeezed by continued weakness in their currencies, as well as a dearth of demand drivers. The outlook is for official interest rates to remain unchanged into the next financial year, and recent developments are unlikely to bring forward the date for the first. The Council's advisers expect gilt yields to rise slowly over the next two years. Markets will continue to be affected by the potential for a Greek sovereign default and the ramifications of the slowing growth in China.

SUMMARY

3.21 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the first half of 2015/16. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

4. FINANCIAL IMPLICATIONS

These are covered in the report.

5 DIVERSITY IMPLICATIONS

None.

6. STAFFING IMPLICATIONS

None.

7 LEGAL IMPLICATIONS

None.

8 BACKGROUND

Annual Treasury Strategy – Report to Full Council as part of the Budget Report – February 2015.

Persons wishing to discuss the above should contact Chris Thompson Treasury and Pension Investments Section, Finance, on 020 8937 1474 at Brent Civic Centre.

CONRAD HALL
Chief Finance Officer

Appendix 1

Capital Financing Requirement

Estimates of the Council's cumulative maximum external borrowing requirement for 2015/16 to 2017/18 are shown in the table below (excluding Private Finance Initiative schemes):

	31/03/2015 Actual £m	31/03/2016 Estimate £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m
CFR	579	577	567	567

Usable Reserves

Estimates of the Council's level of Usable Reserves for 2015/16 to 2017/18 are as follows:

	31/03/2015 Actual £m	31/03/2016 Estimate £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m
Usable Reserves	97	88	85	84

Prudential Indicator Compliance

Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Authorised Borrowing Limit. This is a statutory limit which should not be breached. The Council's Authorised Borrowing Limit was set at £750m for 2015/16. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2015/16 was set at £650m. The Chief Finance Officer confirms that there were no breaches to the Authorised Limit or the Operational Boundary so far this year; borrowing at its peak was £466m.

Upper Limits for Fixed Interest Rate and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2015/16	Maximum during 2015/16
Upper Limit for Fixed Rate Exposure	100%	100%
Upper Limit for Variable Rate Exposure	40%	0%

Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 31/08/15 £m	% Fixed Rate Borrowing as at 31/08/15	Compliance with Set Limits?
Under 12 months	40	0	41	10	Yes
12 months and within 24 months	20	0	33	8	Yes
24 months and within 5 years	20	0	44	10	Yes
5 years and within 10 years	60	0	18	4	Yes
10 years and above	100	0	288	68	Yes

Net Debt and the CFR

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that the net external borrowing does not exceed the total of the CFR in the preceding year plus the estimates of any additional increases to the CFR for the current and next two financial years.

The Authority had no difficulty meeting this requirement so far in 2015/16, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

The limit for 2015/16 was set at £20m.

The Council's practice since the onset of the credit crunch in 2007 has generally been to keep investment maturities to a maximum of 12 months. At 30 September, the last maturity date in the deposits portfolio was 11 March, 2016.

Credit Risk

This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk, with advice and support from our advisers, Arlingclose:

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with a minimum long term credit rating of A- or equivalent, as set in the 2015/16 TMSS.

HRA Limit on Indebtedness

This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government.

HRA Limit on Indebtedness	31/03/2015 Actual £m	31/03/2016 Estimate £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m
HRA CFR	137	137	137	137
HRA Debt Cap (as prescribed by CLG)	199	199	199	199
Difference	62	62	62	62

Brent

Audit Committee
16 September 2015

Report from the Chief Finance Officer

Wards Affected:
ALL

2014/15 Treasury Management Outturn Report

1. INTRODUCTION

1.1 This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2014/15.

2. RECOMMENDATION

2.1 The Committee is asked to consider the 2014/15 Treasury Management outturn report, which will also be submitted to the Cabinet and Full Council, n compliance with CIPFA's Code of Practice on Treasury Management (the Code).

3. BACKGROUND

3.1 The Council's treasury management activity is underpinned by the Code, which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.

3.2 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Investment Guidance.

3.3 The Council has borrowed money over the long term to support investment in the Council's infrastructure and also invests balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Economic background

3.4 The recovery in the UK continued with steady economic activity and growth. Q4 2015 GDP showed year-on-year growth of 2.4%. Much of the improvement came from the service sector, with contributions from production and construction. Retail sales, consumer confidence and house prices all increased over the year. However, business investment has recovered less convincingly, the recovery in productivity has been anaemic at best, and the twin deficits (trade and budget) remain a source of concern. CPI fell from 1.6% in March 2014 to 0% in March 2015, principally because of a considerable fall in energy prices over the autumn of 2014 but also reflecting lower core inflation, reducing the pressure on the Bank to raise rates. The fall in unemployment continued, down from 6.8% in March 2014 to 5.5% in March 2015. Some 31.1m people were in employment, but the amount of excess capacity remains uncertain, making it difficult to be confident how much inflationary pressure is in the economy. Earnings growth increased from 1.8% in March 2014 to 2.3% in March 2015. In April 2015, the next move in official rates was expected to be upwards but there was no expectation that it was imminent.

3.5 At present it is difficult to be confident that present levels of growth can be sustained due to:

- the Eurozone's ongoing struggle to show sustainable Geopolotical uncertainty arising from the situation in the Ukraine and the Middle East
- Evidence of increasing strains to the Chinese and other emerging economies, caused by a confluence of factors.

Gilt Yields and Money Market Rates

3.6 Gilt yields (the rate of interest on UK government borrowing) remained little changed until July 2014 and then fell in response to lower oil prices and the implication for inflation. Yields reached their low point (10 year yields at 1.33%) in January 2015 and then rose a little to finish the year at 1.19% (5 years), 1.57% (10 years) and 2.14% (20 years).

3.7 Interest rates on short term inter-bank lending remained below 1% through the year.

The Borrowing Requirement and Debt Management

3.8 The table below summarises the Council's borrowing activity during 2014/15. The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31/03/2015 was £579 million.

	Balance 01/04/2014 (£m)	New Borrowing (£m)	Borrowing Repaid (£m)	Balance 31/03/2015 (£m)	Average Rate (%)	Average Life (Years)
CFR	582			579		
Short Term Borrowing	0	75	75	0	0	
Long Term Borrowing	428	0	4	424	4.72	37.4
TOTAL BORROWING	428	75	79	424	4.72	37.4

3.9 At 1 April 2014 the Council had £428 million of long-term borrowing, to finance its previous years' capital programmes. With short-term interest rates being much lower than long-term rates, it was more cost effective in the short-term to use internal resources and borrow on a short-term basis (mainly from other local authorities), rather than undertake further long-term borrowing. By doing so, the Council has been able to reduce net borrowing costs and reduced overall treasury risk, because overall borrowing has been reduced slightly.

3.10 The Treasury Management Strategy approved by the Council in March 2015 states that the Council will maintain borrowing at the lowest level consistent with prudent management of the Councils finances. This implies that, at present discount rates, we will not undertake premature repayment of debt but that, in conjunction with our Treasury Management advisers, Arlingclose, we will remain abreast of developments and be prepared to borrow up to the level of CFR if a significant permanent rate rise appears likely. These circumstances did not arise during the year.

3.11 No debt was restructured during the year and no lenders exercised options to vary the terms of loans on LOBO (Lender Option, Borrower Option) terms. The Council has borrowed £95.5m under LOBO transactions, all of which were entered into in the period November 2002 to April 2010. Unlike PWLB loans, there is no formula for the cost of redemption of LOBOs, and the price quoted would depend on any bank's view on its commercial advantage. The banks' positions have been insured through the derivatives markets and to renegotiate these arrangements would be very expensive

3.12. There are complex arguments made about LOBOs, by their supporters and by their detractors. The Council's position is simply that the LOBOs are part of its portfolio, and must therefore be managed as effectively as possible. There are no plans to enter into further LOBO contracts. However, it should be noted that the average rate of interest being paid on LOBOs is little different to that on PWLB debt (4.75% compared to 4.71% at 31 March) and the range of rates lower. The most expensive LOBO was at 6.234% on 31 March, compared with the most expensive PWLB at 8.875%

3.13 In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

Investment Activity

3.14 Both CIPFA and the CLG Investment Guidance require the Council to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield. The table below summarises investment activity during 2014/15.

Investments	Balance on 01/04/2014 (£m)	Investments made (£m)	Investments repaid (£m)	Balance on 31/03/2014 (£m)	Average Rate (%)
Fixed Term Deposits	62	630	567	125	0.5
Money Money Market Funds and notice deposits	49	482	507	24	0.6
TOTAL INVESTMENTS	111	1112	1074	149	0.5

3.15 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15 which defined "high credit quality organisations" as those having a long-term credit rating of A- or higher that are domiciled in the UK or overseas where the sovereign rating is

AA+ or higher. During the year, in response to the growth of bail in risk and following changed advice from Arlingclose, officers took the decision to restrict the maximum maturity with market financial institutions to three months and use only marketable instruments issued by them. Yields obtained were slightly reduced by this action, but it was felt to be a prudent response to the changed risk environment.

3.16 At the start of the year, investments with banks and building societies were primarily fixed-rate term deposits. The maximum duration of these investments was 12 months in line with the prevailing credit outlook during the year as well as market conditions. At the end of the year, the transition to marketable instruments was underway, and the latest commercial counterparty maturity was 4 August.

Credit developments and credit risk management

3.17 The Council assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating determined by the Council for the 2014/15 treasury strategy was A- across rating agencies Fitch, S&P and Moody's.

3.18 The mechanism for dealing with a failed bank, which was brought into effect through the Financial Services (Banking Reform) Act 2013, is now largely in operation. The Council has taken a number of actions in response to this, and continues to monitor risks, with advice from Arlingclose. Some results of these are noted above (3.11 – 12)

3.19 The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. As a result, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

3.20 In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test. The Council banks with RBS

3.21 The Council did not make any deposits with institutions in the Eurozone during the year and took the action noted above on UK banks.

Liquidity Management

3.22 Combining changes to the regulatory environment and our adoption of a three month lending limit, investments with financial institutions are now normally by means of purchasing 3 month Certificates of Deposit (CDs). Longer maturities can be obtained by depositing with government bodies, either Central, via Treasury Bills up to 6 months, or Local, though attractive rates from Local Authorities are rare at the moment. At peak periods, mindful of the primacy of security as a criterion for decision making, substantial balances may be held in short term investments, particularly Money Market Funds. The use of short term borrowing at times of lower cash balances is judged to maintain a prudent balance between maintaining security and liquidity and achieving a reasonable yield on investments, though this is rarely required currently.

Yield

3.23 The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at low levels which continued to have a significant impact on investment income. The average 3-month LIBID rate during 2014/15 was 0.5%, the 6-month LIBID rate averaged 0.67% and the 1-year LIBID rate averaged 0.95%. The low rates of return on the Council's short-dated money market investments reflect prevailing market conditions and the Council's objective of optimising returns commensurate with the principles of security and liquidity.

3.24 The Council's budgeted investment income for the year had been estimated at £0.6m. The average cash balance during the year was £153m during the period and interest earned was £0.9m.

Update on Investments with Icelandic Banks

3.25 ***Heritable*** – The Council has now recovered 94% of its £10 million deposit with Heritable Bank. It is likely that further distributions will be received, although the administrators have not made any further estimate of final recoveries yet. After the end of the year (in late August) a further £380,000 (3.8%) was received and a further distribution is expected, subject to the outcome of a legal case.

3.26 ***Glitnir*** – The Central Bank of Iceland undertook a final auction of the krone representing the final £1m outstanding and, after conversion of the proceeds to sterling, this realised £0.7m. The balance had already been provided for in previous year's Accounts

Compliance

3.27 The Council confirms that it has complied with its Prudential Indicators for 2014/15, which were approved by the Council on 2 March 2014 as part of the Council's Treasury Management Strategy Statement.

3.28 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2014/15. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. Further information is set out in Appendix 2.

Investment Training

3.29 The needs of the Council's treasury management staff for training in investment management are kept under review and considered as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

3.30 During 2014/15 staff attended training courses, seminars and conferences provided by Arlingclose and CIPFA and opportunities which may arise with other organisations are considered.

3.31 A member training session on treasury management was held on 24 November 2014 which outlined the overall treasury management framework with a particular focus on the management of risks.

4. FINANCIAL IMPLICATIONS

4.1 The Council's incurred interest costs of £20.0m in 2014/15 in respect of its long-term borrowing and earned interest of £0.9m on its investments.

5. LEGAL IMPLICATIONS

5.1 None identified.

6. DIVERSITY IMPLICATIONS

6.1 None identified.

7. STAFFING IMPLICATIONS

7.1 None identified.

8. BACKGROUND INFORMATION

Treasury Management Strategy Report to Council – 2 March 2015
2014/15 Mid Year Treasury Report to Council – 8 September 2014

9. CONTACT OFFICERS

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eamonn.mccarroll@brent.gov.uk

Appendix 1 - Debt and Investment Portfolio Position 31/3/2015

	31/3/2015 Actual Portfolio £m	31/3/2015 Average Rate %
External Borrowing:		
PWLB – Maturity	288	5.0
PWLB – Equal Instalments of Premium	40	2.6
LOBO Loans	96	4.8
Total External Borrowing	**424**	**4.7**
Other Long Term Liabilities:		
PFI	34	9.3
Total Gross External Debt	**458**	**5.1**
Investments:		
Deposits	62	0.7
Money Market Funds	49	0.4
Total Investments	**111**	**0.6**
Net Debt	**353**	**4.8**

Appendix 2 – Prudential Indicators

(a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2014/15 is shown in the table below:

Capital Financing Requirement	31/03/2015 Estimate £m	31/03/2015 Actual £m
General Fund	445	442
HRA	137	137
Total CFR	**582**	**579**

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31/03/2015 Estimate £m	31/03/2015 Actual £m
Borrowing		424
PFI liabilities		34
Total Debt	**615**	**458**
Borrowing in excess of CFR?	**No**	**No**

(b) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2014/15.

	Operational Boundary (Approved) 31/03/2015	Authorised Limit (Approved) 31/03/2015	**Actual External Debt 31/03/2015**
Borrowing			424
Other Long-term Liabilities			34
Total	**680**	**780**	**458**

(c) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed.

	Approved Limits for 2014/15 Proportion %	Maximum during 2014/15 Proportion %
Upper Limit for Fixed Rate Exposure	100	100
Compliance with Limits:	Yes	Yes
Upper Limit for Variable Rate Exposure	40	0
Compliance with Limits:	Yes	Yes

(d) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing at 31/03/2015 £m	% Fixed Rate Borrowing at 31/03/2015	Compliance with Set Limits?
under 12 months	40	0	40	10	Yes
12 months and within 24 months	20	0	29	8	Yes
24 months and within 5 years	20	0	49	11	Yes
5 years and within 10 years	60	0	18	4	Yes
10 years and within 20 years	100	0	26	6	Yes
20 years and within 30 years	100	0	1	0	Yes
30 years and within 40 years	100	0	101	24	Yes
40 years and within 50 years	100	0	160	37	Yes
50 years and above	100	0	0	0	Yes

(e) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	31/03/2015 Estimate £m	31/03/2015 Actual £m
Non-HRA	80	67
HRA	10	8
Total	**90**	**89**

(f) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	31/03/2015 Estimate %	31/03/2015 Actual %
Non-HRA	9.76	7.37
HRA*	15.99	13.14
Total	10.76	8.00

(g) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council adopted the principles of best practice.

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in February 2013

(h) Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

	31/03/2015 Approved £m	31/03/2015 Actual £m
	20	0

(i) HRA Limit on Indebtedness

HRA Debt Cap (as prescribed by CLG)	£199m	
	31/03/2015 Estimate £m	31/03/2015 Actual £m
HRA CFR	137	137

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Brent	**Audit Committee** 16 September 2015 **Report from the Chief Finance Officer**
For Information	Wards affected: All
Report Title: Corporate Risk Register	

1. Summary

1.1 This report presents the council's current Corporate Risk Register.

2. Recommendations

2.1 The Audit Committee to review and note the contents of the Council's updated Corporate Risk Register.

3. Detail

3.1 The risk register is attached at appendix 1. This sets out the council's corporate and key operational risks. Only those operational risks with a net score of 12 or more are reported to the Audit Committee. There are further risks contained within the departmental registers which can be viewed via the infostore system.

3.2 Strategic Directors are required to maintain an operational risk register and review this periodically with their Departmental Management Teams. The register is now held on Infostore and Directors are required to ensure their registers are up to date in accordance with the Audit Committee reporting cycle. The key dates are: 10th March, 10th June, 27th August and 10th December 2015.

3.3 The Audit Committee last reviewed the register at its meeting in March 2015.

3.4 The Corporate Risk Register has been updated to align risks with the new senior management structure, particularly those within the Chief Operating Officer's area of responsibility.

3.5. Since the last meeting at which the risk register was presented, the Risk Management Group has met on three occasions. The register attached as appendix 1, has undergone some refinement and the following changes should be noted:

Corporate Risks

- The previous risk relating to budget savings has now been split into two to take account of the risk unintended impact on Services and the risk of an overspend as a result of the failure to achieve the required savings.
- Addition of a number of risks as set out below:
  - Failure to safeguard vulnerable children;
  - Failure to safeguard vulnerable adults;
  - Non compliance with Health and Safety legislation;
  - Major or large scale incidence Major or large scale incidence (accident, natural hazard, riot or act of terrorism); business interruption affecting the Council's resources and its ability to deliver critical services. Risk top safety of staff and loss of staff.

Adult Social Care Department

- Removal of risk of service quality failure (CQC inspection failure, increased safeguarding), provider failure (organisation decides not to deliver or goes bankrupt) or market failure (unable to purchase the required services for people);
- Removal of risk relating to fraud and financial mismanagement of direct payments;
- Removal of risk of failure to engage with partners across the public sector and other external organisations; and
- Removal of risk of inability to meet the demand for carers as a result of the implementation of the Care & Support Act 2014.

Chief Operating Officer's Department – Realignment of risks to reflect new areas of responsibility.

Children & Young People Department

- Addition of risk of failure to recruit sufficient numbers of permanent social workers and the related higher level of social work turn-over;
- Removal of risk of increase in demand for social services resulting from welfare reforms.

Regeneration & Growth Department

- Addition of risk of deficits in employment & Skills service quality and delivery;
- Addition of risk of decline in Building Control income due to loss of business share;
- Addition of risk of inability to deliver enough secondary school capacity through the Schools Capital Programme (including SEN provision in that phase);
- Addition of risk of substantial contractor claim in respect of delay to completion of Crest Academies project;

- Removal of risk of lack of external investment in regeneration of borough;
- Removal of risk of inability to deliver new affordable housing in accordance with housing strategy targets;
- Removal of risk of Sudbury School Academy conversion (school seeking redress from Council for value of engineering works)
- Removal of risk of inability to deliver social housing units in line with specified targets;
- Removal of risk of temporary accommodation demand increases as a result of welfare reforms and lack of access to affordable private rented properties;
- Removal of risk of political pressure from local community / groups affecting the ability to deliver the new Willesden Green Cultural Centre on budget and on time;
- Transfer of risk of Community Access project being unsuccessful to Chief Operating Officer's department's risk register;
- Removal of risk of homelessness demand led pressures adversely impacting the temporary accommodation budget;
- Removal of risk of infill development delays and limitation on availability of further sites for next phase of development;
- Removal of risk of reduction in the number of empty property grant properties brought into use;
- Removal of risk of Employment and skills merger and START service transformation failing to achieve employment and training objectives;
- Removal of risk of current economic situation resulting in increased debt;
- Removal of risk of income decline due to loss of business share;
- Removal of risk of building failures (specifically the Civic Centre);
- Transfer of risk of accelerated roll out of Universal Credit to Chief Operating Officer's department's risk register;
- Transfer of risk of in year reductions in the collection of Council Tax and NNDR to Chief Operating Officer's risk register.

4. Legal Implications

4.1 The Accounts and Audit Regulations (England) 2011 section 4(1) require the council to "ensure that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

4.2 Further section 5 (1) (4) (i) requires that the Chief Finance Officer determines accounting control systems which include adequate measures to ensure that risk is appropriately managed.

5. Financial Implications

5.1 None

6. Diversity Implications

6.1 None

7. Contact Officer Details

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Conrad Hall

Chief Finance Officer

ADULT SOCIAL CARE RISK REGISTER AUGUST 2015

Service Area	ID1	Identification	Impact	Owner	Raw Impact	Raw Likelihood	Raw Risk Score	Existing Controls	Sources of Assurance	Net Impact	Net Likelihood	Net Risk Score	Further Actions	Deadline	Responsible Officer
Adult Social Care	ASC1	Failure to safeguard vulnerable persons (older persons; persons with physical & learning disabilities; mental health, transitional young people and other vulnerable adults) leading and resulting in resulting in abuse, death or injury of vulnerable persons (both in terms of safety and financial abuse)	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Head of Reablement and Safeguarding / Adult Social Services	6	3	18	Safeguarding Adults Teams deal with all safeguarding alerts and investigations - specialisation to improve response times and quality. Multi-agency safeguarding adults board, independent chair, Multi - Agency Policies and Procedures, and multi-agency audit of quality. Strategic and operational links, with clear oversight and audit to ensure robust adherence to safeguarding children's policies and procedures. Strategic plan for multi-agency safeguarding board and ASC service plan set out priorities for improvement within ASC and across partner agencies.	Care Quality Commission Inspections; Carers Survey; Internal Audit; Office of Protection. Children's Service, Ofsted, Internal Audit	6	2	12	None	N/A	Head of Reablement and Safeguarding
Adult Social Care	ASC4	Budget / Demand - by 2020 ageing population and more complex needs are projected to increase costs by 26%, and Care Act has introduced new legislation and responsibilities, the full effect of which are not yet known, and the Council needs to make a further £53m savings	Failure to deliver a more efficient cost effect service will result in overspending budgets, or not delivering on statutory responsibilities to service users and the new responsibilities for carers in the Care Act.	Director Adult Social Care	6	5	30	Demand, and costs are monitored on a monthly basis by DMT. All aspects of the budget (on a priority / impact basis) are reviewed to identify new and more efficient ways to deliver services and support.	Change and Improvement Board, Corporate financial reporting	6	4	20	Continue close monitoring through Change and Improvement Board to ensure connections to performance and quality are maintained. Deliver key projects (NAIL/MH Improvement project/Customer Journey Review/Rehab and Reablement). Identify and develop the next tranche of projects on a priority basis .	31/03/2016	Director Adult Social Services
Adult Social Care	ASC5	Service quality failure (CQC inspection failure, increased safeguarding), provider failure (organisation decides not to deliver or goes bankrupt) or market failure (unable to purchase the required services for people)	Poor / no service being delivered to service users, leading to potential of abuse or neglect, and not delivering statutory responsibilities. Significant reputational impact. Overspending budgets	Head of Commissioning & Quality Services Adult Social Services	6	3	18	Dedicated commissioning function to strategically manage the provider market and we are reviewing and renegotiating existing service models and contractual arrangements.	CQC / corporate procurement function / internal audit	6	2	12	Continued work with the WLA to deliver the full value of the home support framework, development of the APC2 scheme to go live in April 2016 to manage price and quality of residential and nursing homes. Core commissioning work as described in the service plan to develop new services, de-commission services and contract manage quality in the market.	01/10/2015	Head of Commissioning and Quality Adult Social Services

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CHIEF OPERATING OFFICER'S RISK REGISTER AUGUST 2015

Service Area	ID1	Identification	Impact	Owner	Raw Impact	Raw Likelihood	Raw Risk Scor	Existing Controls	Sources of Assurance	Net Impact	Net Likelihooc	Net Risk Sco	Further Actions	Deadline	Responsible Officer
COO	COO1	Failure to achieve 2015-16 agreed Council wide budget savings	Overspend, leading to reduced reserves and greater savings needed in future years	Chief Operating Officer	6	6	36	Budgets for 2015-16 and 2016-17 have been agreed in line with projected savings targets	1. Cabinet 2. CMT 3. Corporate Finance	2	5	10	All departments to find agreed savings to meet agreed budgets for 2015-16. All departments to manage vacancies to mitigate overspend. COO monthly Budget monitoring meeting in place.	N/A	COO DMT Members
COO	COO2	Successful Judicial Challenge against the authority by way of Judicial Review or other litigation	Reputational risk to the authority and inability to progress with strategic objectives of the organisation; potential cost to the Council if costs order made against the authority	Chief Operating Officer	6	5	30	Legal advice given at CMT, Cabinet and PCG, clear advice given on potential areas of challenge and any litigation commenced. Monitoring process of decision making to include proactive advice on issues such as equality impact analysis and considering how decisions are made, obtain expert advice on key problem issues as required.	1. Cabinet 2. CMT 3. PCG 4. Legal team	6	3	18	None	N/A	Chief Legal Officer
COO	COO3	Major or large scale incidence (accident, natural hazard, riot or act of terrorism); business interruption affecting the Council's resources and its ability to deliver critical services. Risk top safety of staff and loss of staff.	Staff do not have access to data centre equipment; staff do not have access to network and desktops Services not delivered as planned	Operational Director, Community Services	5	6	30	Secondary data centre able to deliver all ICT services. All systems can be managed remotely. All staff have access to remote desktop	Recent bomb threat proved remote access allowed the majority of staff to continue working in a reasonable manner. A more extended absence from the CC has not been tested. Lessons learnt need to be incorporated into revised business continuity plans. An action plan from the recent event will address outstanding weaknesses.	6	2	12	Lessons learnt are being incorporated into revised business continuity plans. An action plan from the recent event will address outstanding weaknesses - October 2015	16/03/2016	Operational Director Community Services
COO	COO4	Non-compliance with EU Procurement Regulations in the letting of Contracts	Financial loss from cost of Legal challenge from unsuccessful tenderers; reputational damage	Operational Director, Strategic Commissioning	4	4	16	Contract Standing Orders; Blue Book Requirement; Involvement of qualified staff within Procurement Team in the letting of all significant contracts across the Council; training provided to departments on Procurement regulations etc. Training across the Council from procurement colleagues; updated and accessible information on the intranet site covering all aspects of procurement and tendering, category managers attending department management teams on regular basis.	Internal Audits of major contracts; regular advice from legal contracts team; regular liaison between procurement and legal contracts team	3	4	12	None.	N/A	Head of Procurement

COO	COO6	Ability to attract and retain high calibre staff	Key Posts unfilled Poor service delivery Failure to have a succession plan in place can lead service failure and the council not having a talent pipeline that identifies future leaders.	HR Director	5	5	25	Existing recruitment and retention policy and procedures	HR Working Group	5	4	20	1. Implement a Workforce Strategy and Action Plan for 2015 – 2019.	16/03/2016	HR Director
COO	COO7	OC Programme Savings 2015/16 and beyond there is a risk that the delay in identifying new OC projects, will limit that amount of savings that can be delivered in 2015/16 through the OC Programme.	There could be insufficient lead-in time to agree, scope and put new projects into delivery before April 2015 to be able to realise significant savings in 2015/16.	Operational Director, Strategic Commissioning	6	4	24	1. It has been agreed that the departmental budget saving process managed by Corporate Finance will be the main mechanism for identifying new large or cross-cutting OC projects. 2. Potential 2015/16 budget savings from new OC Projects will need to be realistic given the delay in identification and validated by Corporate Finance.	1. Cabinet 2. CMT 3. Corporate Finance 4. Programme Board	3	4	12	1. Programme Board to monitor progress with confirming departmental budget savings and the number of new OC projects identified.	16/03/2016	Head of Performance and Improvement
COO	COO8	Failure to manage performance	Lack of visibility of key performance information and risks impacting service areas' ability to drive improvement and implement service changes.	Operational Director, Strategic Commissioning	4	4	16	1. Departmental scorecard monitoring. 2. Bi-monthly reporting to CMT. 3. Reporting to Cabinet three times a year. 4. Data quality strategy in place. 5. Audit of Inphase data.	1. Departmental scorecard monitoring. 2. Bi-monthly reporting to CMT. 3. Reporting to Cabinet three times a year. 4. Data quality strategy in place. 5. Audit of Inphase data.	3	4	12	Extra support is being offered to managers and heads of service to ensure consistency. Additional training is also being offered in performance management. New Performance Management framework developed - go live Sep 15	30/09/2015	Head of Performance and Improvement
COO	COO9	The Community Access programme fails to achieve its savings target because of double counting and or reviews are unsuccessful	Further savings will need to be achieved to meet the budget gap	Operational Director, Community Services	5	5	25	Proposals for a series of thematic reviews have been agreed by the CA board and funding for capacity to undertake these is being sought from OC Close liaison with OC Board to ensure savings are not double counted	1. OC Programme Board	4	3	12	None	N/A	Director of Customer Services
COO	COO10	Information Governance - Inappropriate access, corruption or loss of data	Exposure of confidential information or corruption of data Prosecution or fine for statutory breach Loss of public trust	Senior Information Risk Owner (Chief Finance Officer)	5	6	30	Audits of compliance Policies and Procedures in place Information governance forum Mandatory e-learning modules for all staff	1. Information Governance Group	5	3	15	None	N/A	Information Governance Manager
COO	COO11	Failure to manage strategic suppliers and related procurement programmes	Supplier failure means council unable to deliver projects/service to time, cost or quality	Operational Director, Strategic Commissioning	5	6	30	Dedicated in house procurement and legal teams advising on all tenders and contracts	1. CMT 2. DMT	5	3	15	None	N/A	Head of Procurement
COO	COO12	Service delivery - DWP's implementation of Universal Credit causes increased pressure on Brent and there is inadequate funding to mitigate this	Adverse impact on HB service, CSC performance and budget overspend	Director of Customer Services	5	5	25	Lobbying DWP to increase funding proposed UC mitigation plans	1. DMT 2. CMT 3. Cabinet	5	4	20	Modelling underway to identify at-risk residents. Need to link at-risk residents with advice and support through forthcoming Financial Inclusion Strategy.	16/03/2016	Head of Benefits and Customer Services

COO	COO13	Non-compliance with Health & Safety legislation	Death or injury to public or staff Criminal prosecution or civil litigation Service stopped Loss of public trust	Chief Operating Officer	6	4	24	H&S Policies and procedures in place Regular testing of procedures Mandatory H&S training programme Implement new Occupational Health policy and procedures Recruit an Occupational Health Advisor	1. Health and Safety Committee 2. CMT	6	3	18	None	N/A	ALL COO DMT Members
COO	COO14	Failure to respond to high risk media enquiry from high profile media outlet by their deadline due to lack of timely support from departmental contacts in providing accurate information that allows communications to respond to media enquiry.	Impacts of not responding to a national journalist's deadline on high risk issues is likely to lead to significant reputational damage.	Chief Operating Officer	5	3	15	Good relationships being built by new staff in the communications team with senior officers and members.	1. Media monitoring reports	5	2	10	1. Communications to be added into induction for new starters 2. Internal promotion of the role and importance of the Communications functions.	16/03/2016	Head of Communications
COO	COO16	Failure of the Public Realm contract . The contract includes universal services such as refuse collections, streets cleansing, grounds maintenance and cemeteries	Failure to deliver services. Negative impact on health & wellbeing of residents as a result of refuse not collected , dirty streets and open space and delays in burials. Environmental, regulations and reputational risks.	Chief Operating Officer	5	3	15	Effective Contract Management procedures & arrangements ; regular meetings with contractor; performance monitoring; action plans to address underperformance	Internal Audit	4	3	12	None	N/A	Operational Director, Community Services
COO	COO18	Risk of not meeting income targets set for new Library at Willesden Green	Not meeting targets could lead to extra financial pressures on revenue budget	Operational Director, Community Services	4	5	20	Careful planning of revenue business case especially on rental spaces. Events and activities clearly linked to income generation	Internal Audit	4	3	12	None	16/03/2016	Head of Culture

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ID1	Borough Plan obj.	Identification	Impact	Owner	Raw risk	Raw likelihood	Raw Risk Score	Controls	Assurance	Net risk	Net likelihood	Net risk score	Movement Indicator	Further Actions	Deadline	Responsible
ASC 1		Failure to safeguard vulnerable persons (older persons; persons with physical & learning disabilities; mental health, transitional young people and other vulnerable adults) leading and resulting in resulting in abuse, death or injury of vulnerable persons (both in terms of safety and financial abuse).	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Strategic Director, Adult Social Care	6	3	18	Safeguarding of Adults Teams deal with safeguarding adults issues. Safer Recruitment; training; Multi - Agency Policies and Procedures for Adults; ASC Transformation Programme; Reablement. Appointeeships/Deputyship arrangements in place after client needs have been assessed. Good links with Children & Families and Legal to ensure robust adherence to safeguarding children's policies and procedures.	Care Quality Commission Inspections; Carers Survey; Internal Audit; Office of Protection. Children's Service, Ofsted, Internal Audit On-going training for staff in relation to safeguarding and regular review of procedures and policies.	6	2	12		None	N/A	Head of Reablement and Safeguarding
C & YP 1		Failure to meet demand for school places.	Council unable to discharge statutory duty to provide education. Reputation damage, legal challenge, increased health and safety risks.	Strategic Director, Children and Young People	6	6	36	New School Place PLanning Strategy approved October 2014 to be updated October 15. Funding for basic need secured from central govt to provide additional school places; strengthen partnership working with EFA to maximise influence over Free Schools programme and reduce costs to Council; strenghten partnership working with Regional Schoosl Commissioner to maximise influence over secondary expansion, use of Fair Access Protocol to place pupils above published numbers; Temporary expansions and Projects established to address shortfall; Regular reports to CMT & Executive to agree prioritisation of use of capital funding; Strategy Board meets on a regular basis. Work between R & G Children & Young Peoples Dept. to plan and deliver requirements for school places and identify alternative education solutions where required. Scope to identify future funding/grant funding options. Work with EFA on establishment of new schools and with EFA/Officers on identification and acquisition of suitable sites.	Regular monitoring by CMT & Executive. Lobbying and work with London Councils, Education Funding Agency, Department for Education and Schools	6	4	24	None	Annual review of School Place Planning Strategy (due in October 2015) to identify a strategic approach to delivery of sufficient secondary school places.	31 October 2015	Strategic Director, Children and Young People
C & YP 2		Vulnerable children not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Strategic Director, Children & Young People	6	4	24	Safeguarding of Children Teams deal with child protection and safeguarding issues; Brent Local Safeguarding Children's Board; Safer Recruitment & Training; Whistleblowing; publicity; raising of awareness at schools & community in general; Children & Young People Plans; Child Protection Arrangements; Strong partnership working with relevant agencies; High level monitoring meetings with Chief Executive; Corporate Parenting Committee; Auditing arrangements; Range of monitoring arrangements to track progress; Overview & Scrutiny; Performance Information (quarterly scorecards); Timely reviews of Looked After Children.	Ofsted Inspection deemed that children were safe. Internal Service User Surveys; Internal Audit. Continuous Monitoring & Development; Safeguarding & Looked After Children Inspection Action Plan; Continued collaboration with relevant agencies.	6	2	12	None	None.	N/A	Strategic Director, Children & Young People
CMT1		Budget savings of 20-40% have significant consequences for service delivery which have not been predicted as part of the budget process and staff.	Unforeseen service delivery failure.	Chief Finance Officer	6	6	36	Budget monitoring system to identify issues and prioritise mitigatng actions CMT and DMTs focused on high risk proposals to identify issues One Council project management discipline in place to ensure successful delivery	Governance system reviewed annually to ensure meeting challenges. External audit opinion. Service inspections as appropriate.	5	5	25	Down	Review of Q1 financial and performance information to re assess approach as necessary.	31 July 2015	Chief Finance Officer
CMT2		Failure to achieve required budget savings of between 20-40% resulting in overspend	Budget overspend requires draw down on reserves, impacts upon ability to meet other unforeseen pressures, council unable to fund statutory services	Chief Finance Officer	6	6	36	Budget monitoring system to identify issues and prioritise mitigating actions, CMT and DMTs focus on high risk proposals to identify issues. One council project management discipline in place to ensure succesful delivery. Projects at risk flagged via PMO	Governance system reviewed annually to ensure meeting challenges, minutes of Strategic Finance Group meetings and PMO board meetings. External AUdit opinion. Service inspections as appropriate	5	5	25		Review of Q1 financial and performance information to re assess approach as necessary	31 July 2015	Chief Finance Officer
CMT3		Non compliance with Health and Safety legislation.	Death or injury to public or staff; criminal prosecution or civil litigation; Service stopped; Loss of public trust.	Strategic Director of Regeneration & Growth	5	4	20	H&S Policies and procedures in place Regular testing of procedures Mandatory H&S training programme Regular H&S review meetings with Property & Projects and Corporate H&S Board	1. Health & Safety Board 2. Regular Monitoring	4	3	12	None	None	N/A	Operational Director, Regulatory Services
CMT4		Major or large scale incidence (accident, natural harzard, riot or act of terrorism); business interruption affecting the Council's resources and its ability to deliver critical services. Risk top safety of staff and loss of staff.	Service delivery disruption and impact on the Council's ability to deliver critical services. Reputational damage to the borough should perpetrator of terrorism be living or radicalised within the borough.	Chief Operating Officer	6	5	30	Secondary data centre able to deliver all ICT services. All systems can be managed remotely. All staff have access to remote desktop.	Emergency Planning and Business Continuity Planning. Regular review and assessment of robustness of plans.	6	2	12	None	Lessons learnt are being incorporated into revised business continuity plans. An action plan from the recent event will address outstanding weaknesses.	October 2015	Operational Director, Community Services
COO2		Successful Judicial Challenge against the authority by way of Judicial Review and other litigation.	Reputational risk to the authority and inability to progress with strategic objectives of the organisation; potential cost to the Council if costs order made against the authority.	Chief Operating Officer	6	5	30	Legal advice given at CMT, Cabinet and PCG, clear advice given on potential areas of challenge and any litigation commenced. Monitoring process of decision making to include proactive advice on issues such as equality impact analysis and considering how decisions are made, obtain expert advice on key problem issues as required.	1. Cabinet 2. CMT 3. PCG 4. Legal team"	6	3	18	None	None.	N/A	Chief Legal Officer

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Service Area	ID1	Identification	Impact	Owner	Raw Impact	Raw Likelihoo	Raw Risk Sco	Existing Controls	Sources of Assurance	Net Impact	Net Likelihood	Net Risk Scor	Further Actions	Deadline	Responsible Officer
Children and Young People	C&YP 8	Failure to recruit sufficient numbers of permanent social workers and the related higher level of social work turn-over	Inconsistency in case analysis and planning. Instability for the family.	Operational Director, Children and Young People	5	5	25	Range of recruitment activity in place. Consistency of management Longer term agency staff Audit and QA mechanisms	Auditing and quality assurance programmes. Robust management oversight	4	5	20	Wider range of recruitment activities being pursued. Recent successful recruitment.	30 November 2015	Operational Director, Children and Young People
Children and Young People	C&YP1	Failure to meet demand for school places	Council unable to discharge statutory duty to provide education. Reputation damage, legal challenge, increased health and safety risks	Interim Operational Director Early Help & Education Division Children and Young People	6	6	36	New School Place Planning Strategy approved October 2014 to be updated October 15. Funding for basic need secured from central govt to provide additional school places; strengthen partnership working with EFA to maximise influence over Free Schools programme and reduce costs to Council; strengthen partnership working with Regional Schools Commissioner to maximise influence over secondary expansion, use of Fair Access Protocol to place pupils above published numbers; Temporary expansions and Projects established to address shortfall; Regular reports to CMT & Executive to agree prioritisation of use of capital funding; Strategy Board meets on a regular basis. Lobbying and work with London Councils, Education Funding Agency, Department for Education and Schools	Regular monitoring by CMT & Executive.	6	4	24	None	N/A	Interim Operational Director Early Help and Education Division
Children and Young People	C&YP2	Vulnerable children not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Operational Director, Children Social Care	6	4	24	Safeguarding of Children Teams deal with child protection and safeguarding issues; Brent Local Safeguarding Children's Board; Safer Recruitment & Training; Whistleblowing; publicity; raising of awareness at schools & community in general; Children & Young People Plans; Child Protection Arrangements; Strong partnership working with relevant agencies; High level monitoring meetings with Chief Executive; Corporate Parenting Committee; Auditing arrangements; Range of monitoring arrangements to track progress; Overview & Scrutiny; Performance Information (quarterly scorecards); Timely reviews of Looked After Children. Continuous Monitoring & Development; Safeguarding & Looked After Children Inspection Action Plan; Continuing collaboration with relevant agencies.	Ofsted Inspection deemed that children were safe. Internal Service User Surveys; Internal Audit.	6	2	12	None	N/A	Operational Director, Children Social Care

Children and Young People	C&YP3	Increase in demand for social care services resulting from welfare reforms(more families with no recourse to public funds, Children Act, more children looked after)	Increase in number of looked after children or greater demand for services for vulnerable children and young people. Pressures translate into increased financial pressures.	Operational Director, Children Social Care	5	6	30	Improved budgetary controls; robust budget monitoring; improved commissioning arrangement. Children being are being supported to remain at home where safe. Services will be re-prioritised to meet the needs of the most vulnerable. Improved commissioning arrangements including cross borough work with WLA. Early help services are targeting vulnerable and disadvantaged families and showing success in preventing escalation of problems. NRPF and homelessness pressures being monitored	Management information reports track activity and identify trends, to which management are able to respond	4	5	20	None	N/A	Operational Director, Children Social Care
Children and Young People	C&YP5	Disproportionate reduction to Council's general fund arising from academy conversions.	Impact on Council's ability to improve attainment of children & young people.	Interim Operational Director Early Help & Education Division Children and Young People	6	5	30	Participated in joint action with several other local authorities to challenge General Fund top slicing by Central government. Work underway to remodel services to schools to ensure fulfilment of statutory duties within smaller financial envelope. Continue to take robust approach to leasing issues to minimise risk from transfer of liabilities on academisation. Modelling of schools budgets based on proposed new funding formula and continuing to make 'pessimistic' assumptions about an increased number of academies. Improving approach to negotiating transfers.		6	4	24	None	N/A	interim Operational Director Early Help and Education Division
Children and Young People	C&YP7	Major fraud or financial mismanagement in schools.	Reputational damage; removal of financial delegation; increase resources required from LA to support school.	Interim Operational Director Early Help & Education Division Children and Young People	6	4	24	There is a rolling-programme of school audits in place which is thorough and robust. Where significant financial issues and risks are identified then the Council has and will continue to take robust action. When issues are identified all schools are informed of major learning points and are offered support to put in place an action plan to address any major issues.	Internal Audit.	6	3	18	Although the audit function is robust - work is being undertaken to ensure that measures are being implemented within schools to ensure financial issues and risks are being addressed. Several cases have been forwarded to the internal fraud team to investigate any suspicions or fraudulent behaviour and this is sending a strong message out to all schools.	30 September 2015	Interim Operational Director Early Help and Education Division

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ID1	Identification	Impact	Owner	Raw Impact	Raw Likelihood	Raw Risk Score	Existing Controls	Sources of Assurance	Net Impact	Net Likelihood	Net Risk Score	Further Actions	Deadline	Responsible Officer
R&G 01	Inability to deliver new affordable housing in accordance with housing strategy targets	Risk to council's reputation due to residents having to wait longer to be rehoused. Increased temporary accommodation levels and costs and increased unmet housing need.	Operational Director Housing & Employment	4	5	20	Performance monitored quarterly at corporate level. Housing Partnerships service area and Housing Investment Board established to maximise housing investment planning and resources and promote direct and partnership affordable housing development. Regular liaison with GLA over grant-funding opportunities. Housing Zones designated.	Regular Monitoring	4	3	16	Housing Zones Governance arrangements to be established. Submit second infill phase bid to GLA. Commence procurement of delivery partners for RTB receipts and Wembley Housing Zone	31 October 2015	Head of Housing Partnerships
R&G 02	Inability to deliver enough primary school capacity through the Schools Capital Programme (including SEN provision in that phase)	Council in breach of its statutory duty. Increasing numbers of children having to be educated out of Borough or without a school place.	Operational Director Property & Projects	5	6	30	Work with Children & Young Peoples Dept. to plan and deliver requirements for school places and identify alternative education solutions where required. Scope to identify future funding/grant funding options	Schools Place Planning Strategy approved by Cabinet in October 2014. Annual review due October 2015.	4	4	16	None	October 2015	Operational Director Property & Projects
R&G 03	Inability to meet government set Carbon & Efficiency savings targets with funding/fines attached. Target is 2,024 tCO2 reduction by 2018.	Council having a reduced services budget	Operational Director Planning & Regeneration	5	3	15	Ensure works with Carbon Management Group ensuring data is captured and is of good quality, but that other Departments co-operate, share skills an k knowledge and communicate effectively	Regular Monitoring, seeking new opportunities	4	3	12	None	N/A	Energy Manager
R&G 04	Increase in demand from homeless households due to further government welfare reforms and overheated Private Rented Sector market in London	Increased use of emergency and expensive temporary accommodation such as B&B; Council unable to manage budget within agreed limits, and increased impact on children within homeless families	Operational Director Housing & Employment	6	6	36	PRSO team established. New TA procurement arrangements established. Continue to focus resources on prevention of homelessness wherever possible. TA Reform Board established. BHP Lettings Agency proceeding.	Regular Monitoring	5	4	20	Production and adoption of TA Reform Plan. Implementation of first phase of 'find your own' service. Housing Options service restructure to mainstream new model from April 2016.	30 September 2015	Head of Housing Needs
R&G 05	Assualts on staff/customers due to the open nature of the Civic Centre Foyer	Possible extensive injury to staff or customers. Reputational risk of Civic Centre being seen as an unsafe place to visit. Financial impact on ability to hire out event spaces.	Operational Director Property & Projects	5	3	15	A - extensive security presence in public areas. B- extensive security camera surveillance of public areas. C- Non confrontational/pleasant environment D- proactive communications between service teams and security team about known customers who may present a risk when visiting the civic centre	Continual monitoring by FM Team and security sub group of the cc Stakeholder Group	5	3	15	A- Periodic review of communications between service teams and security B- Change surveillance camera position in service corridor under grand staircase C- review door locking arrangements for rooms off service corridor.	30 March 2016	Operational Director Property & Projects

R&G 06	Deficits in employment & Skills service quality and delivery	Reduced and/or less effective vocational training and employment outcomes for Brent residents. SFA grant-funding for START service is not maintained. OFSTED grading is not maintained.	Operational Director Housing & Employment	3	6	18	Detailed improvement plan in place with external peer challenge. Dedicated Quality Manager position established.	Regular monitoring	3	4	12	Mock OFSTED inspection scheduled for next term	31 October 2015	Head of Employment & Skills
R&G 07	Income decline in Building Control due to loss of business share	This will prevent/delay Planning & Regeneration 's ability to becoem self financing .A greater call upon the Councils revenue budgets	Operational Director Planning & Regeneration	4	5	20	Significant relationship based marketing LABC partnering agreement in placeNew work strands introduced - e.g. party wall	Regular monitoring	4	4	16	Plan to win back business, also more flexible recruitment allowing speedy downsizing e.g. use of partnering, agency staff and consultants	31 October 2015	Head of Planning and Head of Building Control
R&G 08	Health and safety – failure of compliance.	Risk of prosecutions and fines from HSERisk of serious injury to staff and subsequent insurance claims	Operational Director Property and Asset Management	5	4	20	Regular H&S review meetings with Property & Projects and Corporate H&S Board	Regular monitoring	4	3	12	Processes and training in place. Looking at capital projects and buildings. Responsibility clearly set out. Clearly setting out the areas of H&S we should be focusing on.	30 Sept 2015	Operational Director Property & Projects
R&G 12	Inability to deliver enough secondary school capacity through the Schools Capital Programme (including SEN provision in that phase)	Council in breach of its statutory duty. Increasing numbers of children having to be educated out of Borough or without a school place.	Operational Director Property & Projects	5	6	30	Work with Children & Young Peoples Dept. to plan and deliver requirements for school places and identify alternative education solutions where required. Scope to identify future funding/grant funding options. Work with EFA on establishment of new schools and with EFA/Officers on identification and acquisition of suitable sites.	Schools Place Planning Strategy approved by Cabinet in October 2014. Annual review due October 2015.	4	5	20	Annual review of School Place Planning Strategy (due in October 2015) to identify a strategic approach to delivery of sufficient secondary school places.	31 October 2015	Operational Director Property & Projects
R&G 13	Crest Academies - risk of substantial contractor claim in respect of delay to completion of project.	Significant financial cost to council for which no budget exists.	Operational Director Property & Projects	5	6	30	Obtain appropriate legal advice in advance of a contractual claim being made and in the event that a claim is made, act according to that legal advice.	Legal advice obtained to date indicates that the anticipated claim is largely unsubstantiated and not the council's liability.	4	5	20	Awaiting formal claim. Anticipated to be served post-PC which is expected to be achieved by end of August	31 August 2016	Operational Director Property & Projects

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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