



Audit and Standards Advisory Committee

Monday 26 July 2021 at 6.00 pm

Conference Hall - Brent Civic Centre, Engineers Way,
Wembley, HA9 0FJ

Please note that this meeting will be held as a socially distanced physical meeting with all Committee members required to attend in person.

Guidance on the safe delivery of face-to-face meetings is included at the end of the agenda front sheet.

Due to current restrictions and limits on the socially distanced venue capacity, any press and public wishing to attend this meeting are encouraged to do so via the live webcast. The link to attend the meeting will be made available [here](#)

Membership:

Members

David Ewart (Chair)

Substitute Members

Councillors:

Lo (Vice-Chair)
Akram
Donnelly-Jackson
Johnson
Kansagra
Long
Naheerathan

Councillors:

Afzal, S Choudhary, Colacicco, Gbajumo, Kabir and
W Mitchell Murray

Councillors:

Colwill and Maurice

Independent co-Opted Members

Javed Ansari
Mark Mills

Independent Advisor

Vineeta Manchanda

For further information contact: Abdrew Phillips, Governance Officer
Tel: 020 8937 4219; Email: Andrew.Phillips@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

www.brent.gov.uk/committees

Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

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

****Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
 - To which you are appointed by the council;
 - which exercises functions of a public nature;
 - which is directed is to charitable purposes;
 - whose principal purposes include the influence of public opinion or policy (including a political party or trade union).
- (b) The interests of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

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

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

Agenda

Introductions, if appropriate.

Item	Page
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1	Apologies for absence and clarification of alternate members	
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2	Declarations of Interest	
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Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.

3	Deputations (if any)	
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To hear any deputations received from members of the public in accordance with Standing Order 67.

4	Minutes of the previous meeting	1 - 6
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To approve the minutes of the previous meeting held on Tuesday 11 May 2021 as a correct record.

5	Matters arising (if any)	
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To consider any matters arising from the minutes of the previous meeting.

Standards Items

6	Standards Report (including quarterly update on Gifts & Hospitality and mandatory training)	7 - 12
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The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, and the attendance record for Members in relation to mandatory training sessions. The report also provides a summary of a recent case involving the Freedom of Information Act and Independent Persons.

Ward Affected:
All Wards

Contact Officer: Debra Norman
Director of Legal, HR, Audit & Investigations
Tel: 020 8937 1578
Email: Debra.Norman@brent.gov.uk

Biancia Robinson

Senior Constitutional & Governance Lawyer
Tel: 020 8937 1544
Email: Bianca.Robinson@brent.gov.uk

Audit Items

7 Draft Statement of Accounts 2020-21 13 - 198

This report presents the Council's draft 2020/21 Statement of Accounts to members of the Audit & Standards Committee for review.

Agenda republished to include this as a supplementary paper on 20/07/21.

Ward Affected:
All Wards

Contact Officer: Minesh Patel
Director of Finance
Tel: 020 8937 4043
Email: Minesh.Patel@brent.gov.uk

8 Annual Governance Statement 2020/21 199 - 214

This report sets out the draft Annual Governance Statement (AGS) for 2020/21 as required by the Accounts and Audit Regulations 2015.

The AGS is being presented to the Audit & Standards Advisory Committee for consideration, prior to formal approval by the Audit and Standards Committee.

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit and Investigations
Tel: 07920 581620
Email: Michael.Bradley@brent.gov.uk

9 CIPFA Financial Management Code 215 - 218

This report is to inform the Audit & Standards Committee of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and outline how the Council will work towards full compliance with the code in 2021/22.

Ward Affected:
All Wards

Contact Officer: Ravinder Jassar
Deputy Director of Finance
Tel: 020 8937 1487
Email: Ravinder.Jassar@brent.gov.uk

10 Emergency Preparedness Update 219 - 224

This report briefly outlines the progress made since the last emergency preparedness update provided in 2020 and includes details on the type and number of incidents in Brent along with information around initiatives

and programmes of work under way to enhance our resilience and emergency response arrangements.

Ward Affected:
All Wards

Contact Officer: Daryl Jooste
Civil Contingencies Manager
Tel: 020 8937 5415
Email: Daryl.Jooste@brent.gov.uk

11 Corporate Risk Register

225 - 238

This report provides an update on the Council's Risk Management position and includes an updated Corporate Risk Register.

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit and Investigations
Tel: 07920 581620
Email: Michael.Bradley@brent.gov.uk

12 External Audit's Enquires of Management

239 - 302

This report updates the Audit & Standards Advisory Committee on changes made by The Financial Reporting Council (FRC) in relation to its expectations for how local authorities are audited.

Ward Affected:
All Wards

Contact Officer: Benjamin Ainsworth, Head of Finance
Tel: 020 8937 1731
Email: benjamin.ainsworth@brent.gov.uk

13 External Audit Progress Report and Sector Update

303 - 316

The paper provides the Audit and Standards Advisory Committee with a report on progress in delivering Grant Thornton's responsibilities as the Council's external auditors. It also includes a summary of emerging national issues and developments that may be relevant to Brent as a local authority.

Ward Affected:
All Wards

Contact Officer: Sophia Brown
Senior Audit Manager, Grant Thornton
Tel: 020 7728 3179
Email: Sophia.y.brown@uk.gt.com

14 Audit & Standards Advisory Committee Forward Plan

317 - 318

To consider and agree the Committee's Forward Plan for 2021/22, which will continue to be reviewed and updated at each meeting.

15 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 her representative before the meeting in accordance with Standing Order 60.

Date of the next meeting: Wednesday 22 September 2021

Guidance on the delivery of safe meetings at The Drum, Brent Civic Centre

- We have revised the capacities and floor plans for event spaces to ensure they are Covid-19 compliant and meet the current social distancing guidelines.
- Attendees will need to maintain the necessary social distance at all times.
- Signage and reminders, including floor markers for social distancing and one-way flow systems are present throughout The Drum and need to be followed.
- Please note the Civic Centre visitor lifts will have reduced capacity to help with social distancing.
- The use of face coverings is encouraged with hand sanitiser dispensers located at the main entrance to The Drum and within each meeting room.
- Those attending meetings are asked to scan the coronavirus NHS QR code for The Drum upon entry. Posters of the QR code are located in front of the main Drum entrance and outside each boardroom.
- Although not required, should anyone attending wish to do book a lateral flow test in advance these are also available at the Civic Centre and can be booked via the following link:
<https://www.brent.gov.uk/yourcommunity/coronavirus/covid-19-testing/if-you-dont-have-symptoms/>

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Brent

MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE

Held in the Conference Hall, Brent Civic Centre on Tuesday 11 May 2021 at 4.00 pm.

PRESENT: David Ewart (Chair), Councillor Lo (Vice-Chair) and Councillors Kansagra, Long and Choudhary.

Independent Advisor: Vineeta Manchanda

Also Present (in remoted attendance): Councillor McLennan (Deputy Leader and Lead Member for Resources), Councillor Gbajumo and Javed Ansari (Independent Co-Opted Member)

1. Apologies for absence and clarification of alternate members

Apologies were received from Councillor Naheerathan, Councillor Johnson, Kier Hopley (Independent Person), Nigel Shock (Independent Person) and Mark Mills (Independent Co-Opted Member).

It was noted that Councillor Gbajumo was attending online as a substitute for Councillor Johnson.

2. Declarations of Interest

None.

3. Deputations (if any)

None.

4. Minutes of the previous meeting

It was **RESOLVED** that the minutes of the previous meeting held on 31 March 2021 be approved.

5. Matters arising (if any)

It was noted that departmental risk registers would be presented to the Scrutiny Committee Chairs as had been requested at previous meetings.

6. Annual Standards Report (including gifts and hospitality)

Biancia Robinson, Senior Constitutional and Governance Lawyer, introduced a report on member conduct issues and the work of the Audit and Standards Advisory Committee, the Audit and Standards Committee and the Monitoring Officer during 2020. The Committee was then invited to raise questions on the report, which are summarised below:

- Full Council would be asked to approve provisional appointments to the Independent/Co-opted member posts as per the report. Their induction training would be undertaken in the coming weeks and members would attend future meetings.
- During 2020 there had been 11 complaints against councillors, 2 of which had resulted in public apologies. There had been a decline in gifts and hospitality, with only one gift/hospitality being recorded. All committee members had attended all mandatory training with the exception of unconscious bias training. The list of members who were unable to attend training was attached as Appendix B of the report.
- It was clarified that all members were required to undertake all mandatory training, regardless of whether they were are choosing to stand in the local elections.

RESOLVED to note the contents of the report.

7. **Review of the Use of Regulation of Investigatory Powers Act 2000**

Debra Norman, Director of Legal, HR, Audit and Investigations, introduced a report on the Council's use and conduct of surveillance techniques in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 which complied with its annual reviewing obligations as set out in Brent Council's RIPA policy and procedures. The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that there had been zero RIPA Directed Surveillance or covert human intelligence sources (CHIS) authorisations for the current financial year. It was also noted that RIPA approvals in relation to communications data were dealt with by the National Anti-Fraud Network rather than the Council.

RESOLVED to note the contents of the report.

8. **Treasury Management Outturn Report**

Amanda Healy, Head of Finance, introduced a report on Treasury Management activity, confirming that the Council had complied with its prudential indicators for 2020/21. The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that the Council's average return for the year was 0.05% and there was a decrease in income and short term borrowing costs. The margin that the Council could borrow from the Public Works Loans Board (PWLb) was reduced for Councils with no plans to purchase investment assets primarily for yield. Brent did not currently have plans of this type within its Capital Programme. There had been short-term borrowing at an average rate of 0.21% and a long-term borrowing rate at 1.64%.

- In response to a question regarding internal borrowing, it was clarified that the strategy utilised cash balances on a temporary basis until the original plans for the cash falls due.
- Regarding those departments which were allocated money from reserves, it was clarified that balances were multi-year and so were necessarily going to be the same in the next financial year. Reserves such as the Community Infrastructure Levy (CIL) need to be utilised over a longer period.
- Regarding credit risk for investments, it was noted that the determining factors included liquidity, and to ensure that there was access to these funds they were held in money markets which were low-yielding at this stage. Money market funds could be used from other local authorities where available.

It was subsequently **RESOLVED** to:

- (1). Note the 2020/21 Treasury Management outturn report, in compliance with the CIPFA's Code of Practice on Treasury Management (the Code).
- (2). Note that for 2020/21 the Council had complied with its Prudential Indicators which were approved by Full Council in February 2020.

9. **Internal Audit Annual report**

Michael Bradley, Head of Audit and Investigations, introduced the report on the overall adequacy and effectiveness of the Council's internal controls and a summary of the Internal Audit work undertaken during the year. The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that the Committee would be updated on the progress of the mitigations in place to address high-risk issues at future meetings.
- A question was asked around disaster recovery relating to IT issues and platform review issues. It was questioned whether these processes were related in any way; it was noted that these processes platform review issues and disaster recovery issues were not thought to be related. In terms of resolution of these issues, it was also noted there was a responsible Officer for implementing recommendations for these issues, and the data on these findings would be circulated to Members.
- Clarification was provided in relation to a question regarding increased operational controls in relation to risk management where problems may have been identified.
- In response to a question regarding the Veolia Open Book Review, it was clarified that the review was a specific request from the Operational Director in light of extra costs on the service and for that claim to be validated. Members requested that the outcome of the review be circulated once completed.

- It was noted that a number of high risk areas had been identified during the schools audit. As a result, there would be a separate action plan to address these risks. It was noted that at the time of the audit issues had been identified in terms of consistent process/record keeping/financial reporting amongst schools. Concerns were raised regarding the effectiveness of online audits, though members were assured that online audits had been carried out effectively and efficiently.
- Regarding cooperation between external and internal audit in relation to workflows, it was noted that there were regular discussions to ensure that work was not duplicated, as well as meetings on a quarterly basis. Members were assured that the external audit would enhance this arrangement as they concluded their work on governance arrangements.

RESOLVED to note the contents of the report.

10. **Counter Fraud Annual report**

Michael Bradley, Head of Audit and Investigations, introduced a report on the counter fraud activity for 2020/21. The Committee was then invited to raise questions on the report, which are summarised below:

- It was noted that the Council was looking to pursue a more proactive approach to fraud activity to ensure fraud was not committed. It was hoped that such a policy would reduce the number of referrals.
- In response to a question from the Chair, it was noted that the proactive approach had been paused as a result of the pandemic. It was suggested that fraud awareness training should begin again soon and blue badge operations, as well as other counter fraud initiatives, should be reinstated on a quarterly basis.
- In response to a query around whether Table B on 3.7 of the report included the most up to date figures (as it referenced 2019-20) it was clarified that the team had not had to use RIPA powers during 2020-21 so there were no cases to reference.
- It was noted that the total notional and actual value of fraudulent housing cases was £1,042,300. Such information was not present across all fraud types.
- In response to a question regarding Oracle Cloud management and Digital Fraud, it was noted that Oracle had a module which could identify hard to detect virtual frauds.
- It was noted that there had not been a noticeable increase in fraud as a result of the pandemic. Any referral was taken seriously but there was also a screening approach for all referrals.

RESOLVED to note the contents of the report.

11. **Pension Fund External Audit Plan 2020/21**

Paul Dossett, Public Services Partner at Grant Thornton, introduced the report on the planned scope and timing of the statutory audit of Brent Pension Fund for those charged with governance. The Committee was then invited to raise questions on the report, which are summarised below:

- Additional information would be required regarding level 3 investments. Level three investments were hard to value and fund managers would review these based on their own judgements.
- Auditing level 3 investments was noted as challenging. For this year, there had been an updated International Standard on Auditing (ISA) on estimates which put a range of further requirements on auditors. It reflected that the Financial Reporting Council (FRC) considered estimates as an important part of the audit process. There was now a clear requirement on the basis of estimation. More work was also required on fraud arrangements.
- It was noted that there would be a subsequent report brought to the Committee on the findings of the audit and a more extensive coverage of the estimates. There was a recognition that regulatory requirements had driven prices up.
- It was noted that there was both a private equity fund and infrastructure fund within the Pension Fund and each of the managers responsible for the fund would have their own approach to valuation. It was stated that the fund manager's report would be reviewed, and, if there were any particular concerns, they would be taken to valuation experts to give an independent valuation.
- In response to a question regarding the increased need to test fraud journals and how the suspicion of fraud relates to internal audit, it was clarified that the fraud related to the financial context of the fund and not to individuals as it is an internal audit. In terms of the approach on journals, a software tool to carry out risk assessments would be utilised.

RESOLVED to note the contents of the report.

12. **Forward Plan**

RESOLVED to note the Committee's latest Forward Plan.

13. **Dates of future meetings**

The dates of future meetings were noted and agreed as follows. All to be held in person and at 6pm:

Monday 26 July 2021

Wednesday 22 September 2021

Tuesday 7 December 2021

Monday 31 January 2022


Tuesday 15 March 2022

14. **Any other urgent business**

None.

The meeting closed at 17:31.

David Ewart
Chair

	Audit and Standards Advisory Committee 26 July 2021
	Report from: Director of Legal, HR, Audit & Investigations
Standards Report (including quarterly update on Gifts & Hospitality and mandatory training)	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Debra Norman, Director of Legal, HR, Audit & Investigations Tel: 020 8937 1578 Email: debra.norman@brent.gov.uk Biancia Robinson, Senior Constitutional & Governance Lawyer Tel: 020 8937 1544 Email: Biancia.robinson@brent.gov.uk

1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the Audit and Standards Advisory Committee on gifts and hospitality registered by Members, and the attendance record for Members in relation to mandatory training sessions.
- 1.2 The report also provides a summary of a recent case involving the Freedom of Information Act and Independent Persons.

2.0 Recommendations

- 2.1 That the Committee note the contents of the report.

3.0 Detail

Gifts & Hospitality

- 3.1 Members are required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This includes a series of gifts and hospitality from the same person that add up to an estimated value of at least £50 in a municipal year.
- 3.2 Gifts and hospitality received by Members are published on the Council's website and open to inspection at the Brent Civic Centre.
- 3.3 During the first quarter (April – June 2021) no gift and hospitality has been recorded.

Member Training Attendance

- 3.4 The Committee will be pleased to note that all Members have undertaken and completed all mandatory training with exception of Data Protection/GDPR training.
- 3.5 The next period in which Members will have to undertake the mandatory training including the usual committee training, is after the 2022 local elections.
- 3.6 The following members are yet to complete e-learning Data Protection/GDPR course:

Data Protection for elected members

Councillor Rita Conneely
Councillor Harbi Farah
Councillor Erica Gbajumo
Councillor Gwen Grahl
Councillor Daniel Kennelly
Councillor Arshad Mahmood
Councillor Roxanne Mashari
Councillor Lloyd McLeish
Councillor Kana Naheerathan
Councillor Neil Nerva
Councillor Keith Perrin
Councillor Eleanor Southwood

- 3.7 The First-Tier Tribunal (FTT) has dismissed a legal challenge to a district council's decision to refuse, in response to a freedom of information request, to provide the views of two independent persons on a complaint about the conduct of a councillor. The Committee may recall that this case was first considered by it, at its meeting in 2018. At that time the appeal was considered by a differently constituted Tribunal and the decision promulgated on the 18.05.2018. The decision was set aside by the Upper Tribunal and the matter remitted for fresh consideration.

The Facts

- 3.8 Mr Bennis (the appellant) made an unsuccessful complaint of misconduct against a councillor in relation to their handling of a planning matter. The complaint was considered by Stratford's Monitoring Officer, who sought the views of the two IPs appointed under the Localism Act 2012. On 13 January 2017 the monitoring officer informed the appellant by letter that his complaint would not be investigated any further.
- 3.9 The appellant then submitted a Freedom of Information Act 2000 (FOIA) request to the Council for disclosure of all correspondence relating to his complaint, including the advice it had received from one of its Independent Persons (IPs). The council provided all relevant information but withheld disclosure of the IP's advice relying on s.36 (36(2) (b) (i) - inhibition of free and frank advice and 36(2) (c) prejudice to the effective conduct of public affairs) and s40 (2) (personal data) of the FOIA 2000. On 4 September 2017 the Information Commissioner upheld the council's decision in relation to ss. 36(2) (b) and 36(2) (c).
- 3.10 The Commissioner concluded that it was reasonable for the Stratford Monitoring Officer to have withheld information comprising the IPs' views on the complaint, on the basis that publication would be likely to inhibit the free and frank provision of future advice, and would be likely to be otherwise prejudicial to the effective conduct of public affairs. The Commissioner went on to apply the public interest test set out in s.2 (2) FOIA and decided that the public interest in the withheld information being disclosed was outweighed by the public interest in the exemption being maintained. Mr Bennis appealed but this has now been rejected by the FTT.

It was further satisfied that:

- a) the council's usual practice, was that IPs' opinions would generally be treated as confidential and would only be published when a complaint proceeds to a public hearing. "We find that, in the context of this case, the IPs provided their opinions on the merit of the complaint with a reasonable expectation that these views would not be made public," the FTT said.
- b) there was a significant risk that the candour, and therefore the quality, of the IPs' advice to the council would be diminished were it to become more

likely that it would be made public. “This is because we accept the Respondents’ submissions as to the risk of self-censorship were an IP to become concerned that their views are likely to be made public. We find in addition that this risk is particularly acute in the context of local democratic activities, where the IPs are named and are members of the local community.”

- c) it was satisfied that the ability of the IPs to provide candid and uncensored advice to the monitoring officer was an important part of the council’s complaint system. “We find that any inhibition of the IP’s advice is likely to reduce the effectiveness of the complaints system overall and to have a negative impact on the quality of decisions taken.
 - d) “We find in addition that there is a strong public interest in avoiding detriment to the Council’s process for dealing with complaints made against elected officials.”
- 3.11 Having considered all of these factors, the FTT concluded that the public interests of transparency, openness and accountability were outweighed in this case by the significant public interest in avoiding the risk of inhibition of the IPs’ candid advice, and in maintaining the effectiveness of the council’s complaint process that might otherwise be undermined.
- 3.12 On s.40(2) the tribunal considered that both Councillor A and the IPs had a legitimate expectation of privacy in relation to the withheld material. It also found that the appellant had failed to identify any consideration in favour of publication that amounted to a “pressing social need” or any other reason capable of overriding Councillor A’s right to respect for her private life.
- 3.13 The FTT was satisfied that publication would be unfair to Councillor A. “We find in addition that publication of an unsubstantiated complaint against an elected official gives rise to a risk of reputational damage.”
- 3.14 The tribunal dismissed that appeal and upheld the decision notice of 4 September 2017.

4.0 Financial Implications

- 4.1 There are no financial implications arising out of this report.

5.0 Legal Implications

- 5.1 The Council, individual Members and co-opted Members are required to promote and maintain high standards of conduct in accordance with s27 of the Localism Act 2011. The attendance at mandatory training sessions is a means to achieve this and a requirement pursuant to the Brent Members’ Code of Conduct as set out in Part 5, of the council’s Constitution.

6.0 Equality Implications

- 6.1 There are no equality implications arising out of this report.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources/Property Implications (if appropriate)


8.1 Not applicable.

Report sign off:

Debra Norman

Director of Legal, HR, Audit & Investigations

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 Brent	Audit & Standards Advisory Committee 26 July 2021
	Report from the Director of Finance
Draft Statement of Accounts 2020/21	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One Appendix 1: Draft Statement of Accounts 2020-21
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel Director of Finance Email: Minesh.Patel@brent.gov.uk Tel: 020 8937 4043 Rav Jassar Deputy Director of Finance Email: Ravinder.Jassar@brent.gov.uk Tel: 020 8937 1487

1.0 Purpose of the Report

- 1.1 This report presents the Council's draft 2020/21 Statement of Accounts to members of the Audit & Standards Committee.

2.0 Recommendation(s)

- 2.1 That the Committee notes the draft Statement of Accounts for 2020/21 submitted to external audit.

3.0 Detail

Regulation

- 3.1 The Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations that came into force on 31st March 2021. The Accounts and Audit (Amendment) Regulations 2021 which extends the statutory audit deadlines for 2020/21 and 2021/22 for all Local Authorities can be found here:

<https://www.legislation.gov.uk/ukxi/2021/263/contents/made>

- 3.2 The revised regulations requires the draft accounts to be approved by 31st July and final, audited, accounts by 30th September.
- 3.3. The Council published the approved draft accounts on Monday 19th July 2021.

Statement of Accounts

- 3.4. The draft statement of accounts have been prepared under International Financial Reporting Standards (IFRS) in accordance with the Code of Practice on Local Authority Accounting in the UK (The Code) and is comprised of a narrative statement, core statements (balance sheet, cash flow statement, comprehensive income and expenditure statement), notes to the accounts, group accounts, pension fund accounts and auditors certificate.

4.0 Financial Implications

- 4.1 The narrative statement included in the draft accounts provides a detailed commentary on the Council and its performance during the year, its main objectives and strategies and the principle risks that it faces.

5.0 Legal Implications

- 5.1 The Accounts and Audit Regulations 2021 requires that the Director of Finance must, no later than 31 July following the end of the year, sign and date the draft Statement of Accounts, and certify that it presents a true and fair view of the Council's financial position at the end of the year it relates, and of the Council's income and expenditure for that year. A public inspection period must commence on or before the first working day of August, i.e. 2nd August 2021.
- 5.3. As noted in paragraph 3.3, the draft Statement of Accounts was published on Monday 19th July and public inspection period commenced on the same day. This report and the appendices therefore fulfils the statutory requirements of the Accounts and Audit Regulations 2021.

6.0 Equality Implications

- 6.1 None.

7.0 Consultation with Ward Members and Stakeholders

7.1 None.

8.0 Human Resources

8.1 None.

Report sign off:

Minesh Patel

Director of Finance

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Brent

STATEMENT OF ACCOUNTS

2020/21

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Narrative Statement

I am very pleased to present Brent Council's Statement of Accounts for 2020/21. Whilst by their very nature the accounts can be backward looking they do provide the context of the financial position for Brent at the end of the financial year as well as the numerous challenges presently facing the local authority sector and likely to do so in the future.

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Financial Performance in 2020/21

- 2020/21 has been a challenging year dominated by the COVID-19 pandemic which has had severe impact on the local economy and many of our front line services including rents collection from housing, pressures on adult social care function, collection rates for council tax and business rates and the Council's finances.
- As set out in the table below, the Council's General Fund had a net overspend of £37.8m in the year, and £5.6m within its Dedicated Schools Grant (DSG) activity. The primary cause was COVID-19 and this was offset by additional emergency COVID-19 funding from central government. This is detailed in table 1.

Revenue Expenditure

Table 1

	Full Year Budget	Actual Expenditure	Non COVID-19 Overspend/ (Underspend)	COVID-19 Overspend/ (Underspend)	COVID-19 Related service underspends	Total Actual Overspend/ (Underspend)
	£m	£m	£m	£m	£m	£m
Assistant Chief Executive	8.1	9.1	0.0	1.1	(0.1)	1.0
Chief Executive Department	17.2	17.2	0.0	0.2	(0.2)	0.0
Children and Young People	48.7	54.0	0.0	5.5	(0.2)	5.3
Community and Well-Being	135.5	149.7	0.0	15.5	(1.3)	14.2
Customer & Digital Services	28.7	30.6	0.0	2.4	(0.5)	1.9
Regeneration & Environment	41.8	48.0	0.0	7.2	(1.0)	6.2
Subtotal Service Area Budgets / Outturn	280.0	308.6	0.0	31.9	(3.3)	28.6
Central items	(280.0)	(270.8)	0.0	9.2	0.0	9.2
COVID-19 Funding utilised	0.0	(37.8)		(37.8)	0.0	(37.8)
General Fund (GF) Budgets / Outturn	0.0	0.0	(0.0)	3.3	(3.3)	0.0
DSG Funded Activity	0.0	5.6	5.0	0.6	0.0	5.6
Housing Revenue Account (HRA)	0.0	0.0	(0.3)	0.3	0.0	0.0
Total (GF, HRA, DSG)	0.0	5.6	4.7	4.2	(3.3)	5.6

3. Table 1 above sets out the total pressures for the year (non-COVID-19 and COVID-19) of £46.7m which was offset by underspends of £3.3m within the services.
 - Non-COVID-19: The Council overspent by £4.7m. £5.0m relates to the Dedicated Schools Grant (DSG), offset by a £0.3m underspend on the Housing Revenue Account (HRA)
 - COVID-19: The COVID-19 related overspend by the Council was £42m comprising of £29.1m of additional expenditure and £12.9m of income losses to services. The COVID-19 pressures are shared between General Fund: £41.1m, DSG: £0.6m and the HRA: £0.3m.
4. Overall, the combination of additional expenditure and increased funding meant that both the General Fund and the Housing Revenue Account (HRA) spent to their budget. The DSG total overspend of £5.6m was transferred to an unusable reserve as required by statutory regulation.
5. This emergency funding from the Ministry of Housing, Communities and Local Government (MHCLG) and other government agencies has been used to offset the in-year COVID-19 pressures of £37.8m. The remainder of the overspend in the General Fund (£3.3m) was offset by compensatory COVID-19 related underspends totalling £3.3m. These COVID-19 related underspends were a deliberate management intervention in order to take a proactive approach to managing the financial impact of COVID-19 in-year.
6. Total COVID-19 funding of £51.1m was received by the Council during 2020/21. This funding comprised of targeted grants of £22.3m, non-ringfenced grants of £22.0m and compensation for sales, fees and charges of £6.8m.
7. £13.2m of the remaining £13.3m of COVID-19 funding (combination of ring-fenced and non-ringfenced) received has been transferred to reserves to address any unbudgeted additional costs of COVID-19 in 2021/22 and £0.1m as deferred income. The table below provides a summary of the COVID-19 funding receipt and utilisation.

Table 2

COVID-19 Grant Receipt and Utilisation Summary during 2020/21				
	Targeted Grant	General	Sales, Fees & Charges Compensation	Total
	£m	£m	£m	£m
Grant Received	22.3	22.0	6.8	51.1
Amount Used	(18.5)	(12.5)	(6.8)	(37.8)
Balances held in Reserves and Creditors	(3.8)	(9.5)	0.0	(13.3)

General Fund

8. The Corporate departments, **Assistant Chief Executive, Chief Executive Department and Customer & Digital Services** had a net overspend of £2.9m due to COVID-19. The financial pressures have arisen as a result of lost income from services such as venue hire, cancellation of events and additional costs

incurred in providing services due to the national lockdowns and restrictions which forced many businesses and local amenities to close for a large part of the year.

9. The **Children and Young People (CYP)** department had a net overspend of £5.3m due to COVID-19 related pressures. The COVID-19 related pressures are due to additional costs and loss of income totalled £5.5m and were offset by (£0.2m) COVID-19 related underspends.
10. The £5.5m COVID-19 related pressures included:
 - £2.8m increases in the demand for parent and baby placements; delays in stepdown arrangements from residential placements to foster placements and/or semi-independent placements; additional placement costs for care leavers, where the lockdown has caused a delay in bidding for and moving into their own tenancies; Supporting families and care leavers in need of emergency payments for food, utilities or other hardship issues;
 - £0.9m temporary staffing cost pressures across the social work teams to deal with increased capacity and caseloads as a result of the pandemic.
 - £0.8m slippage in the delivery of the 2020/21 savings target because of the pandemic; and
 - £1m loss of income from traded services with schools; loss of nursery income from fee paying families; loss of revenue in issuing Education Penalty notices, training income and reduced income from other local authorities utilising the borough's Short Break Centre.
11. This department continues to face pressures in to 2021/22 from two main cost drivers namely; the national challenge of recruitment and retention of social workers; and demand for placements. A shortage of social workers and other case holding staff is an acknowledged regional issue, which requires a coordinated regional approach over the medium term. CYP management will continue to take steps to improve recruitment and retention of social workers. Also, although placement numbers in Brent are relatively low, a challenge remains that these children that are in care are older, have needs that are more complex and are being placed in higher cost placements.
12. **Community Well Being** overspent by £14.2m. This overspend is fully attributable to the financial pressures that have arisen as a result of the COVID-19 outbreak.
13. The majority of the COVID-19 related pressures amounting to £8.6m were experienced by the Adult Social Care service and were associated with supporting vulnerable residents and care providers. The additional expenditure was necessary to support care providers throughout the pandemic, including providing Personal Protective Equipment (PPE) and increasing hourly rates for providers who were taking COVID-19 positive clients. Whilst the demand for Residential and Nursing placements reduced, the level of homecare provision increased as the day centres were closed and additional care was required for clients where families were unable to support them.
14. The Housing service's finances were also impacted by the pandemic due to the need to accommodate the increased demand in temporary accommodation for homeless people whilst the rent collection rates decreased resulting in increased arrears. The total impact on Housing budgets was £1.3m.
15. The Council was providing financial support to assist leisure centre contractors throughout the pandemic whilst some leisure services and libraries related income was lost as the facilities were operating at a reduced capacity. This resulted in a 1.4m pressure on Culture budgets.

16. The Public Health service incurred expenditure of £2.9m associated with activities related to test and trace, for which the Council received specific grant funding.
17. The department's finances have already been significantly affected by the COVID-19 outbreak and even though we are entering the recovery phase with government restrictions being gradually lifted, some risks remain for 2021/22. The main risk areas are the volatility of rent collection rates, continuous high demand for temporary accommodation for homeless people, as well as permanent effects of the prolonged pandemic on mental health and the increased complexity of care needs.
18. **Regeneration and Environment's** position is a net overspend of £6.2m. This is made up of £7.2m financial pressures due to COVID-19 offset by £1.0m underspends achieved by the service in order to offset the financial impact of COVID-19. The financial pressure due to COVID-19 included £5.2m reduction in income for parking due to reduced motoring activity during 2020/21 and £1.3m relating to costs incurred on the overflow mortuary at Marsh Road and additional pan London Mortuary costs.

Schools and DSG

19. Dedicated schools grant (DSG) funds local authority schools' budgets, and this is the main source of income for schools. In 2020/21 Maintained school balances have increased by £4.1m from £13.7m to £17.8m. Prior to the COVID-19 pandemic, the trend was a reduction in school balances mainly attributed to inflationary cost pressures. However, of the 56 maintained schools, 43 increased their balances and 13 decreased their balances. Also included in this total are 6 schools in deficit. This increase in balances is partly due to the partial closures of schools during the pandemic, and the carrying forward of catch up premium funding received. This funding is to support children and young people to catch up on missed learning caused by the pandemic (COVID-19) and schools are able to carry forward the funding to future academic years as stipulated by the DfE guidance.
20. At the end of 2020/21, the overall DSG deficit has increased to £10.5m following an in-year deficit of £5.6m and a 2019/20 carried forward deficit of £4.9m. The deficit is against the High Needs Block (HN), which has come under increased pressure in supporting children with special educational needs. The HN block has been impacted by the increasing number of children with Education, Health and Care plans (EHCP). Nationally the growth in 2020/21 was a 10% increase while locally in Brent, there has been a 16% growth in the number of EHCPs. This has led to spend which is significantly higher than the funding provided by the Department for Education (DfE).
21. This deficit will be disclosed as an earmarked unusable reserve in line with DfE regulations (the School and Early Years Finance (England) Regulations 2020). The regulations make clear the requirement for any DSG deficit balance to be held within the local authority's overall DSG and carried forward to be funded from future year's funding and/or recovery plans agreed with the DfE. This also means that authorities cannot fund a deficit from the general fund without the secretary of state's approval.
22. In light of this, the deficit of £10.5m will be carried forward to 2021/22. Longer-term actions will be required to recover the deficit and a task group has been set up by the council to coordinate and monitor these actions. Some of these actions to reduce costs include developing Alternative Provision education in the borough, increasing the amount of special provision within the borough, particularly for secondary phase pupils and 16-25 year old SEND students and utilising the West London Alliance (WLA) of Local Authorities to develop its commissioning arrangements to address cost pressures for the High Needs block. A combination of these longer-term recovery actions and anticipated funding increases will reduce the deficit. Further details on the DSG performance during the year have been disclosed in note 22.

Housing Revenue Account (HRA)

23. The Housing Revenue Account is a ring-fenced account, which manages income and expenditure in relation to 7,912 units of Council owned housing stock. Stock levels have increased by 118 units overall, when compared to the previous year, as a result of ongoing investment in the affordable housing programme.
24. The HRA reported a break-even position for 2020/21. The HRA operating reserve balance remains unchanged from last year at £1.4m.
25. The HRA finances have also been impacted by the COVID-19 outbreak that resulted in additional budget pressures of £0.3m. These pressures included losses of rental income due to delays to new build completions arising from stoppages on site during the first lockdown and subsequently causing delays in letting new properties out to tenants, as well as employing additional temporary staffing in caretaking services to provide cover for colleagues staying in isolation.
26. The in-year budgetary pressures were mitigated by deferring major works and re-profiling the planned maintenance programme
27. Whilst there was no material impact on the 2020/21 collection rates of rent and service charges as a result of the COVID-19 outbreak, looking ahead, a potential prolonged recession and the longer-term impact of the pandemic on rent and service charge collection remains a key risk area for the HRA. This will be continuously monitored with an updated position reported in the Medium Term Financial Strategy (MTFS). Despite the pressures experienced by the HRA in 2020/21 as a result of the COVID-19 outbreak, the HRA received no emergency government funding, as was the case for the General Fund and DSG.

Capital Expenditure

28. The Council has an ambitious five-year capital investment programme totalling £672.7m which is financed from a combination of capital receipts, grants, contributions, reserves and external borrowing.
29. For 2020/21 the Council spent £171.8m which equates to 76% of the approved capital programme budget and was under spent compared to budget by £53.1m or 24% as shown in Table 3 below. A separate report will be brought to Cabinet to review the underspends available that can be re-profiled and repurposed in future years.

Table 3

Directorate	Full year Budget £m	Expenditure £m	Over / (Under) spend £m
Corporate Landlord	12.6	10.2	(2.4)
Regeneration	8.1	6.9	(1.2)
St. Raphael's Estate Regeneration	0.7	0.5	(0.2)
Housing Care Investment	155.1	116.5	(38.6)
Schools	14.8	9.4	(5.4)
South Kilburn	8.1	6.7	(1.4)

Public Realm	25.5	21.6	(3.9)
Grand Total	224.9	171.8	(53.1)

Corporate Landlord

30. Corporate Landlord is reporting a £2.4m underspend. A number of projects within the programme have not progressed as anticipated. The Oracle Cloud Programme delivery profile changed since the budget was set driven by changes in the scope of the project and the availability of the contractor resource due to COVID-19, resulting in slippage of £0.9m into the next financial year. The Energy Programme has been impacted by delays in procuring a delivery contractor causing slippage of £0.6m.

Regeneration

31. Regeneration is reporting a £1.2m underspend. The Morland Gardens project incurred delays in the materials procurement and commencement of works due to COVID-19 resulting in slippage of £0.1m. The Housing Zones programme has been delayed whilst the Council awaits the outcome of a de-designation of land from Central Government. Delays in the operator procurement for Picture Palace have caused delays in the refurbishment works, and delays in commencing the consultation on Design Works resulted in slippage for the Harlesden Regeneration Programme of £0.8m.

St Raphael's

32. The slippage of £0.2m is due to a delay in procurement of the Design Team for Phase 1 of the programme.

Housing, Care and Investment

33. The £38.6m underspend in housing is due to several projects. The Private Rented Sector Programme through i4B (the Council's wholly owned subsidiary company) had been working on purchasing a new build opportunity which did not materialise, resulting in slippage of £19m for use on future opportunities. An underspend of £14.7m within the New Council Homes Programme was due to site delays (such as new planning permission being required to move the site boundary and site activity delays due to COVID-19), delays in agreeing Heads of Terms for our Community Centres, and unused contingency. There was an underspend of £3.9m on the major repairs and works scheme due to changes in the programme following full surveys and consultation with leaseholders. COVID-19 also caused delays in the delivery of materials, with some suppliers experiencing a 16 week delay in manufacturing lead times.

Schools

34. The £5.4m underspend is caused by slippage on a number of projects within the annual maintenance programme and schools expansion programme now planned to be carried forward and completed in 2021/22. The Uxendon Manor project experienced delays in its completion as additional works were identified which will be completed early in the new financial year. There was also an underspend on the schools asset management programme, the Council's Ark Elvin contribution and devolved formula capital works, owing to delays in the scheduling of the work caused by COVID-19.

South Kilburn

35. There is an underspend of £1.4m on the Neville and Winterlys project due to property acquisitions expected to complete in March being delayed until the new financial year. This was partially offset by overspends in Austen & Blake Court and Carlton & Granville of £0.7m with the schemes having progressed further than expected, requiring the use of future year's budget.

Public Realm

36. There is a £3.9m underspend across a number of infrastructure improvement programmes. There is an underspend of £2.2m in the highways programme primarily on the footways project due to delays

in delivery. The remaining budget is projected to be spent in the new financial year. The highways S106 projects also have a £0.7m underspend, these projects are being reviewed to ensure any funding that is not required will be reallocated. There are additional underspends in other areas including £0.5m in parking and street lighting and £0.4m in landscaping due to delays caused by COVID-19. These are forecast to be spent in 2021/22.

Capital Programme Review

37. The Council continues to review the capital programme to assess the financial and delivery implications of the crisis on programmes and projects planned to be completed within the next financial year. Most of our capital programmes and projects have been progressing albeit within the social distancing constraints. Other than some of the savings targets (linked to securing rental income) now being delayed, there are no material impacts anticipated from the recent review undertaken.

Other significant financial results and information

Staffing

38. During the year the number of school staff and council officers paid over £50,000 in 2020/21 has increased by 113 compared to 2019/20. The increase of 51 in the number of council officers compared to 2019/20 in the main was due to reduced turnover of employees in 2020/21. The majority of these were where employees had joined the organisation part way in 2019/20 and their part year YTD salary was under £50k, however their full year annual salary was over £50k.

Borrowing

39. The Council's external borrowing increased to £659.1m (2019/20: £598.8m), an increase of £60.3m to fund the Council's growing Capital Programme. The breakdown of the Council's borrowing is detailed below and includes borrowing from the PWLB (Public Works Loan Board), LOBO and Fixed Rate loans, and short term loans with other Councils.

Table 4

Loans		2020/21 £m	2019/20 £m
Long-term	PWLB	367.0	296.6
	LOBO	70.5	70.5
	Other Fixed Rate	95.0	95.0
	Local Authority	5.0	-
Short-term	PWLB	9.6	3.7
	Local Authority	112.0	133.0
Grand Total		659.1	598.8

40. The Council's external borrowing rose significantly over the year to fund the growing capital programme not already funded through grants, contributions, receipts or reserves. This included the New Council Homes Programme which is supporting the commitment to provide 1,000 homes and works on the Borough's footways to ensure they are safe for residents.
41. The Council's MTFs provides for regular reviews of the capital financing budget and the minimum revenue provision to ensure that capital investment remains sustainable and affordable. In the past the Council has always minimised its interest costs by utilising internal cash resources over the short-term instead of undertaking more expensive external borrowing. However due to the reduction of cash reserves combined with the need for additional borrowing to finance the council's capital programme, and the availability of cheap borrowing, new borrowing has been undertaken this financial year.

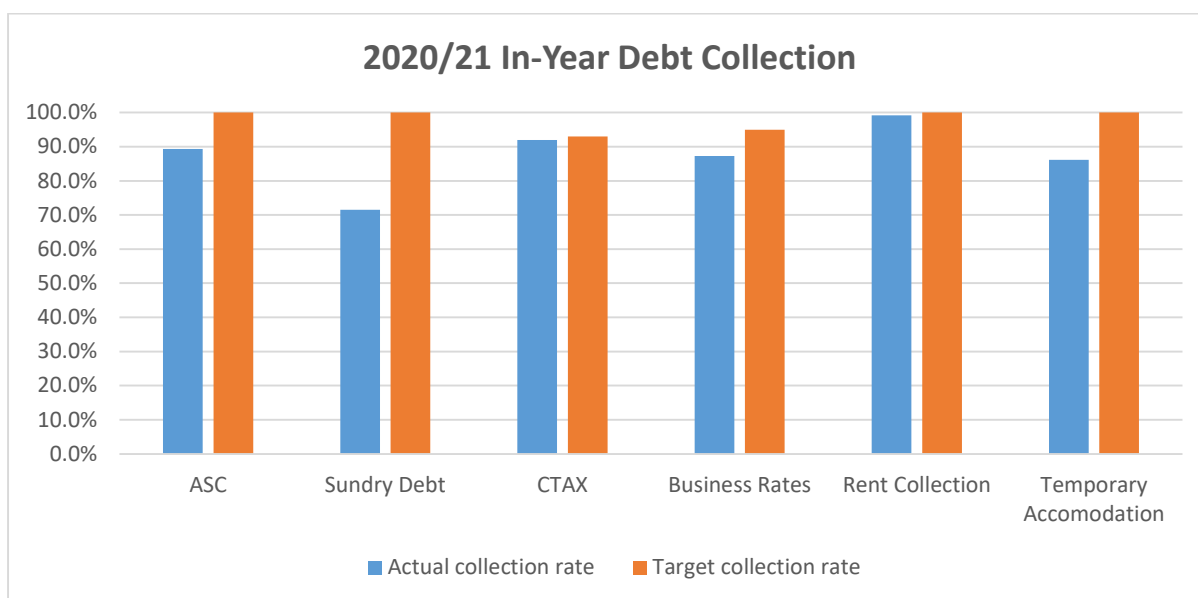
Pension Fund

42. The Pension Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.
43. Brent Council's net pension liability increased by £203m on an IAS 19 basis. This is due to changes in financial assumptions, in particular assumptions concerning pension increase rates and salary increases have increased and consequently has increased the liability. These assumptions are formally reviewed at each valuation to compare expectations against actual experience and they will be reviewed as part of the 2022 valuation.
44. Since March 2019, the investments of the pension fund have generated a return higher than the returns assumed by the fund actuary as part of the valuation. During 2020/21, the value of the Pension Fund's investments increased to £1,032m (2019/20 £835m). This is due to strong returns in some markets (particularly global and emerging equity markets) over the last 12 months. The Fund holds a well-diversified portfolio, which has been invested in line with its investment strategy, therefore some assets are held defensively in order to mitigate impact of market falls. This increase in investment value has helped to reduce the increase in net liability this financial year.
45. Total contributions received from employers and employees was £61m for the year, an increase from the previous year. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £42m, a decrease on the previous year's £48m. As in 2019/20, the Pension Fund is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.
46. The Brent Pension Fund is revalued every three years by an independent actuary. This is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities and set employer contribution rates. It was agreed in the 2019 valuation that the employer contribution rate would remain stable at 35% for the next 3 years. This is consistent with the Fund's deficit recovery plan to clear its deficit within 19 years of the balance sheet date.
47. The 2019 Triennial Valuation revealed that the Fund's assets, at 31 March 2019, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 55% funding level as at the March 2016 valuation.

In Year Debt Collection

48. The Council collected 92% of the 2020/21 council tax due during the year, a 3.1% reduction in collection rate from last year. Business rates has seen a drop to 87.3% in performance respectively compared to 98.2% collection rate last year and below the target of 95.0%. Housing rents collection has risen to 99.2% from 98.6% last year against a target of 100%. Performance in the collection of sundry debts remains low at 71.5%, an increase from the 69.5% achieved last year, compared to a target collection rate of 100% and 80% respectively. The table below reflects actual performance against targets set for in year collection.

Table 5



	ASC	Sundry Debt	CTAX	Business Rates	Rent Collection	Temporary Accommodation
Actual collection rate	89.4%	71.5%	92.0%	87.3%	99.2%	86.2%
Target collection rate	100.0%	100.0%	93.0%	95.0%	100.0%	100.0%

Outstanding debt			
Debt Categories	Debts as at 31st Mar 2020 £m	Debts as at 31st Mar 2021 £m	Increase/ (Reduction) £m
Council Tax	44	49	5
Housing Benefits overpayments	24	50	26
Business Rates	7	11	4
Sundry Debt	3	5	2

49. For 2020/21 the provision for debt was uplifted by 10% to reflect emerging issues arising from the pandemic. As part of the Council's rapid response debt enforcement action was paused in line with the government's Debt Respite Scheme (Breathing Space) and in some cases payment holidays were allowed so it is not expected that payment performance will be comparable to previous years for a variety of debtors. This measure was to provide support during the pandemic outbreak and lockdowns. It will gradually be scaled down as situation improves. It is not known to what extent the debt will be collectible due to conditions not improving in the future. Additional information on the provision can be found in the Key Judgements and Material Estimates disclosure.

COVID-19 Pandemic

50. This financial year has been a challenging year for local government with the outbreak of the COVID-19 pandemic causing significant disruption to the local and national economy and public finances.

51. The pandemic affected operations for the full 2020/21 financial year as the first lockdown commenced in March 2020 and lasted well into 2020/21, with a subsequent lockdown over the autumn and winter carrying on into 2021/22. COVID-19 has impacted the Council's ability to generate income from a variety of services and created financial pressures due to the lockdowns, restrictions imposed by the government and social distancing measures introduced. The additional costs and reductions in income have had a significant impact on the financial outturn for 2020/21. The Council experienced substantial losses across many of its largest income streams such as car parks and leisure centres.
52. Prior to the pandemic outbreak, the Council was already dealing with a decade of austerity measures, Business Rate reforms, a re-setting of government funding with the Fair Funding Review, Adult Social Care pressures and the impact of Brexit. The pandemic is unprecedented and the current situation is exceptional. The Council has had to make critical decisions quickly, often in response to specific and constantly evolving Government direction and guidance.
53. The Council's initial response to the pandemic was to follow government guidance with regard to the scientific evidence and whilst services were reduced and staff began working from home we did not shut down all services. All through 2020/21, the Council's stand was to ensure that it responded to the emerging needs of residents and businesses.
54. Despite the fact that the majority of staff are now home based the Council has been able to continue to deliver the majority of services without disruption by enhancing access to services using the internet and telephones. Although some services by the nature of the public interface had to be temporarily closed down e.g. Libraries and sports centres, recycling centre, whilst other services experienced increased activities as a result of the lockdowns, for example registrations, mortuaries. Additional services were also required in response to the pandemic outbreak such as COVID compliant monitoring, enhanced cleaning around the borough and within council buildings, and ensuring social distancing.
55. The main areas of increased Council activities have been:
- Social Care and PPE - maintaining sufficient supply of PPE to services, supporting with infection control measures including rapid testing for front line staff, monitoring of vaccination uptake, providing support to care homes, supported living and domiciliary care settings with risk assessing and implementation of latest government guidelines.
 - Parks, Open Spaces & Mortuaries – provided advice and enforcement of social distancing in parks, open spaces and high streets; kept our parks maintained and free of litter during periods of much heavier than normal usage; provided effective monitoring and enforcement of which shops should and should not be open; operated an additional temporary mortuary for part of the year; increased workload relating to waste collection given the higher levels of domestic waste.
 - Staff redeployment - redeployed staff to ensure that increased benefits and council tax enquiries are efficiently expedited and all calls answered, contacting all NHS shielded residents and others referred to us as vulnerable and providing food and medicines to those who are in need.
 - Grants to businesses and residents – provided direct financial support to both businesses and residents to reduce the financial impact of COVID-19. Over £107m has been paid out to businesses across the borough to cover costs during lockdown, support jobs and help them through re-opening. A range of payments and increased benefits have been made available to support residents during shielding, self-isolation and reduced income periods such as furlough or redundancy. In April 2020 there were 17,510 accounts of working age customers in receipt of Council Tax Support, by the end of May 2021 that had risen to 19,338 an increase of 10.5%.

- Voluntary Sector & Partnerships - the Council has worked with the voluntary and community sector to provide support and indeed food and transport to foodbanks, advice and support Voluntary Sector & Partnerships foodbanks, advice and support to residents and communications media, answering enquiries and ensuring information is given to residents in the Borough through the web and other social media channels.
- Rough Sleepers - provided additional temporary accommodation following the government's relaxation of the eligibility criteria under the 'Everyone In' scheme. This led to an additional 350 individuals being accommodated at short notice in block booked accommodation.
- Educational Settings - worked very closely with schools in the borough to support with PPE distribution and provide guidance and helped co-ordinate in relation to the childcare commitment for key workers and those children identified as vulnerable.
- Communications - information has constantly needed to be updated and sent to residents, staff, businesses and members.

COVID-19 Funding and Expenditure Tracker

56. In response to the pandemic outbreak, central government made a number of announcements during the year releasing additional funds, in the form of grants, which have been made available to Councils to support the response, these are:
- COVID-19 Fund - A £4.6 billion fund for local authorities to help in the response to coronavirus (COVID-19) pressures across all the services they deliver. Brent's share of this fund was £31.3m of which £9.3m was received at the end of 2019/20;
 - Sales Fees & Charges Compensation Grant – To compensate local authorities for a proportion of their lost income chargeable to customers for goods and services provided. Brent's share anticipated is £6.8m;
 - Targeted Grants – A range of targeted grants were made available to enable local authorities to provide specific or additional services to the community to contain the COVID-19 pandemic spread and keep the community safe. Brent's share of this was £22.8m; and
 - Grants to support businesses and the community – A number of grants have been given to local authorities to provide practical financial support to businesses and residents to overcome the financial impact they incurred due to; enforced closure or restrictions on businesses, loss of income and hardship suffered by residents due to COVID-19. Brent's share of this was £204.9m and these grants were, and continue to be, paid out in line with government regulations.
57. The ongoing impact of COVID-19 is expected to have a lasting effect on businesses, residents and the Council beyond 2020/21. Additional funds have already been made available by central government, which, together with funds released from council reserves, have been built into the Council's budget to contain departmental pressures and provide additional support to the community. The magnitude of these pressures will depend on the severity of the pandemic, how long it lasts and the speed of recovery. Brent continues to monitor the financial impact on departments, based on the government's evolving roadmap, and will be reported to the Council's Cabinet in quarterly forecast reports.
58. The COVID pressures and risks are routinely tracked and monitored through the various internal governance boards and committees.

Treasury Management

59. The government provided a series of additional funding measures in response to the challenges caused by COVID-19 during 2020/21. This resulted in large investment balances which declined throughout the year as the funding was utilised.

60. The Council's Treasury Management Strategy articulates the Council's policies for managing this cash and gives priority to the security and liquidity over that of return. During this period of increased financial risk the Council worked within this approved framework and to cope with this inflow whilst also ensuring large sums were not exposed to undue credit risk through diversifying investments across money market funds, short-term local authority loans and the DMADF (Debt Management Account Deposit Facility operated by central government).
61. The future funding landscape as we progress through the pandemic provides uncertainty for the Council's cash flow throughout 2021/22. The Council will continue to monitor the cash flow position closely and ensure there are sufficient funds available when required.

Managing the financial Impact of COVID-19 pressures

62. At this stage although the full financial impact for 2021/22 cannot be determined with any degree of certainty, the Government has consistently announced that it is committed to supporting local authorities to play their part in the national response and recovery plan. However, it must be stressed that these forecasts and estimates are based on a number of assumptions which are subject to constant change. It is incredibly difficult to predict the implications of the changes to the furlough scheme, how business will recover as grants to businesses and business rates reliefs begin to wind down and how the general economy will recover after COVID-19. In addition, while the easing of restrictions announced in the government's roadmap on 22 February and the pace of the vaccine rollout provided reasons to be optimistic, the government's recent announcement that the final stage of the COVID-19 roadmap has been delayed demonstrates the constantly changing nature of the situation, making financial planning and management exceptionally challenging.
63. While the additional emergency funding from Government is welcome, it is unknown if further funding will be forthcoming. In the event that there is a shortfall, contingency plans are in place to keep the Council on a sound financial footing. The Council has set aside £13.2m from the COVID-19 funding received this year towards any unbudgeted COVID-19 pressures in 2021/22. These plans will be encapsulated in a more detailed report to Council later in the year. However the Council will use the full range of options available, including (but not limited to) taking steps to reduce demand for services, implementing further efficiency savings, streamlining processes wherever possible and as a last resort the re-diverting of earmarked cash reserves as a one-off measure.

Impact on 2021/22 savings and MTFS

64. The budget agreed by Council in February 2021 included savings of £8.5m in 2021/22, in order to deliver a balanced budget. Assuming the baseline assumption that the current lockdown measures do not continue beyond July 2021 and a further three months will be required to return to a form of normality, the impact on the savings planned for delivery in 2021/22 have been reviewed.
65. The initial analysis shows that of the £8.5m planned savings in 2021/22, £0.4m are at risk of not being delivered, £7.9m are on track to being delivered (either delivered early or not affected by the impact of COVID-19) and £0.2m will not be delivered in 2021/22.
66. Further analysis is underway to determine whether (i) the savings at risk will not be delivered at all, (ii) the savings at risk will be delivered but there may be some degree of slippage and/or (iii) mitigating actions can be implemented in the short term. It is envisaged that this outlook will become clearer in the coming months. Along with the review and tracking of COVID-19 cost pressures throughout the period of the pandemic, the position is being monitored on a regular basis and a detailed report along with a refreshed Medium Term Financial Plan (MTFS) including revised proposals will be reported to Cabinet in July 2021.

Going Concern

67. As with all local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2020/21. In accordance with the Code the Council's Statement of Accounts is prepared on the basis that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. It therefore naturally follows that the Council expects to realise its assets and settle its obligations in the normal course of business. There are several themes worth discussing when considering the "going concern" question.

Statute and regulations

68. The Council cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. It is also extremely likely that, as in the case of other councils, central government would step in to provide support and assistance if any council ran into financial difficulties.

Current financial position

69. The financial outturn position 2020/21 shows a balanced position and as at the 31 March 21 the Council held general revenue reserves of £15.1m. In addition, the Council held £358.2m of earmarked reserves. On the face of it this would appear to be a high figure, but the following analysis shows that in practice the figure for all practical purposes is substantially lower. £54.7m (15%) of these reserves are for the funding of the Council's ambitious capital programme. £154.9m (43%) is legally ring fenced for bodies such as our maintained schools, the Housing Revenue Account and Public Health. This also includes Community Infrastructure Levy (CIL) and Section 106 funds. £114.6m (32%) are committed reserves that have been earmarked for a specific purpose or future expenditure commitment. This includes reserves managed by departments (for example unspent government grants with ring fenced commitments set aside to meet expenditure pressures) and reserves used to smooth out expenditure that by its nature will vary considerably from year to year and avoid uncontrollable under and over spends, for example insurance claims, PFI contracts, redundancy and pension costs. Finally £34.1m (10%) are reserves that are earmarked to manage any future funding risks. Of this, and prior to COVID-19, £11.4m was previously earmarked to manage any unexpected disruptions to funding and service pressures as a result of changes to the local government finance system such as the Fair Funding Review and reforms to business rates. This has now increased by £22m as a result of emergency COVID-19 government grants and is expected to be utilised to address any unbudgeted additional costs of COVID-19 in 2021/22.
70. General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the Council. As part of the Medium Term Financial Strategy the Director of Finance has assessed that the optimum level of general reserves to be held by the Council is between 5-10% of net expenditure. At 31 March 2021 general reserves were at 5.4% of the net revenue budget for 2020/21. Overall, the Council recognises the importance of holding adequate reserves to meet the net financial impact of risks facing the Council to ensure it continues to operate in a financially resilient and sustainable manner.

Projected financial position

71. Despite the unprecedented financial situation, the Council set a balanced budget in 2021/22. The budget included £26m of growth and technical adjustments and £8.5m of efficiency savings, all of which have been identified and were subject to an extensive process of consultation, scrutiny and equality analyses. The local government sector has faced significant reductions in central government grant funding and the Council has successfully achieved budget savings of £185m over the last 10 years, demonstrating a good track record of strong financial management.

72. The COVID-19 pandemic which has had a significant impact on the Council's finances and front line services is expected to continue beyond the 2020/21 financial year. The progress of the savings targets along with the ongoing impact of the pandemic will be carefully monitored over the Medium Term Financial period and reported back to Cabinet periodically. In the event that the COVID-19 costs are not funded by central government the Council has the option of utilising general reserves as a one-off measure. However, in this event, the Council would need to find additional savings in the short-term to replenish these reserves to required levels.
73. The Council has a well-established process for the development of its Capital Strategy. As with the revenue budget it is reported to Cabinet each year along with the Treasury and Investment Strategy which ensures that the Council maintains a capital programme which is prudent, sustainable and affordable. The Council has an ambitious capital programme for 2021/22 to 2025/26 totalling £638m.

The Council's balance sheet

74. The balance sheet shows a net worth of £1,736m (excluding the pension liability of £863m). Accounting standards require the pension liability to be calculated using actuarial assumptions which will vary from year to year in line with market conditions. The actuary estimates the discounted value of benefits by making various assumptions about the future regarding investment returns, pay growth, pension increases, life expectancy and so on, based on market conditions at the accounting date. It is therefore treated as a provision in the financial statements, although this does not need to be paid immediately, nor does it affect the cash contributions paid by the Council. Therefore, excluding the pensions liability, the Council's balance sheet position remains healthy.

The Council's governance arrangements

75. The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements. An overview of this governance framework is provided within the Annual Governance Statement for 2020/21. This includes a detailed review of the effectiveness of the Council's governance arrangements, including arrangements put in place during the period of the COVID-19 pandemic.
76. Despite the challenges faced by COVID-19 which are captured throughout this statement, it is considered that whilst having regard to the Council's arrangements summarised above and other such factors as highlighted in this report that the Council remains a going concern.

Governance

77. The urgency of the pandemic outbreak has required decisions to be taken at speed and sometimes without the degree of consultation and debate that is usually considered desirable, because it is not currently practicable. As the COVID-19 outbreak and crisis is clearly an exceptional one, interim arrangements were enacted that authorised the Chief Executive under the Constitution to exercise any executive or non-executive functions where the matter is urgent, unless this is prohibited by law.
78. These steps were necessary in order to protect critical and essential services, comply with the government and Public Health England guidance or to implement Government schemes and provisions of the Coronavirus Act 2020 and other new legislation. As part of the governance arrangements for these emergency powers, the decisions taken under emergency powers were reported to the Audit and Standards Advisory Committee on 29 July 2020, together with lessons learnt.
79. Further details of the emergency governance procedures implemented following the outbreak of the pandemic can be found in the Annual Governance Statement 2020/21.

Financial Governance

80. The maintenance of financial control and stewardship of public funds will remain critical during the response to COVID-19. We have stressed that officers must continue to comply with their legal responsibilities and have regard to their duties as set out in Managing Public Money and other related guidance. Any financial mismanagement during this period will be dealt with in exactly the same way as at any other time. We have also highlighted officers to the dangers of fraud and put in place mitigations.
81. The Finance Department undertakes periodic reviews of our financial governance arrangements to ensure decisions to commit resources in response to COVID-19 are robust. We have also tested the resilience of the finance functions and business continuity plans to make sure that the most important elements (running payroll, paying suppliers, core reporting) can continue even with significant staff absences.

Recovery

82. Prior to the outbreak of COVID-19, local government continued to face an extremely challenging financial outlook following a prolonged period of austerity as well as disproportionate growth in demand for services. Since 2010 the Council has delivered savings of £185m, and agreed a further £11.2m to 2022/23 (£8.5m in 2021/22 and £2.7m in 2022/23). This has been delivered through a combination of effective financial management, cost control and more innovative approaches to investment and demand management. As government funding has been cut the population has grown. This population growth has been particularly pronounced in the very oldest and very youngest age groups, which are statistically most likely to require services from the Council, thus adding to the cost pressures. Coupled with the impact of legislative change and uncertainty on the outcome of proposed reforms to local government funding, this has created substantial financial pressures.
83. Therefore, the Council was already operating in a significantly challenging financial environment prior to the outbreak of COVID-19.
84. While the funding measures announced in the last Spending Review were welcome, it is clear the pandemic will continue to have a huge impact on local government finances throughout 2021/22. It will be essential that councils are adequately resourced to be able to continue playing their vital role in the management of the community and the economic effects of the health crisis. Many of the roles local councils have been asked to undertake, including distributing emergency grants to business and vulnerable families, shielding the vulnerable, local test and trace and marshalling social distancing measures, are effectively 'new burdens' that will need to be recognised in the foreseeable future.
85. In addition to the uncertainty, there is also the potential for significant spending pressures from demand-led services, specifically in Children's and Adult Social Care, new burdens which impact on the budget and new pressures as a result of COVID-19. Although growth has been built into the MTFS to help alleviate some of these pressures, they continue to present a significant budget risk, particularly in respect of the demographic and contractual pressures. For example:
- The impacts of the new COVID-19 variant is not fully known or how the pandemic will play out for the remainder of the year. The public health impact of lifting restrictions is uncertain and could see spending forecasts increase (especially if a third wave occurs). It is expected that the costs of new variants and ongoing costs of test and trace will continue for the remainder of the year.
 - The new income loss compensation scheme announced for Council Tax and Business Rates does not fully cover the losses the Council is estimating and only applies to losses incurred in 2020/21. The ending of the furlough scheme in September, the tapering of

business rates reliefs and the ending of business support grants are likely to have a continuing impact on business rates income. Other income losses will be dependent on the pace at which the economy recovers. Overall, income losses can pose a considerable budget pressure.

- The level of ‘scarring’ that has occurred, for example pent up demand in Children’s Social Care, long COVIDs and the mental health impact on Adult Social Care. In addition, the extent to which current circumstances will become the ‘new normal’, for example greater domestic waste if more people continue to work from home and a larger role for Public Health.

86. As a result, it must be recognised that the situation remains ongoing and it is extremely difficult to make a full, definitive and comprehensive assessment of the ongoing financial impact of the pandemic. In any case, the costs are highly likely to be significant over the next few years. However, the significance of the financial challenge cannot be underestimated and over time, the Council will need to develop a response that continues to maintain a commitment to strong financial resilience and sustainability. Likewise, the impact of COVID-19 will require the Council to review its medium term financial strategy on a more regular basis to ensure that it is still able to deliver its strategic priorities and maintain financial resilience. Though the precise financial impact of COVID-19 remains difficult to predict, officers will continue to report on the Council’s financial position to Cabinet at regular intervals in line with its existing governance arrangements. The MTFS will be refreshed as part of the draft 2022/23 budget that will be presented to the Cabinet later this year. Adopting a long term and forward looking approach should leave the Council in a relatively strong financial position, with long term plans in place to give certainty to residents about future levels of service provision.
87. Furthermore, and of significant concern, is the sustainability of the local government finance system and lack of detail regarding how the Government’s plans to ensure councils can continue to deliver services to residents over the longer term. For example, the two single-year Spending Reviews have had a detrimental impact on the ability of councils to plan for the future. In addition, council tax and business rates account for increasing amounts of local government funding. The pandemic has exposed these flaws, with revenues from both falling substantially due to increases in council tax support claims and business rates reliefs through lockdowns and beyond.
88. The events due in later this year (the multi-year Spending Review, the outcome of the fundamental review of business rates, the long-awaited reforms to adult social care and the conclusion of the Fair Funding Review) present an opportunity for the Government to ensure Local Government finance is put on a sustainable path. If these events are viewed in isolation without broad consideration of how they impact on local government, the continued delivery of vital local public services that will be essential to support the economy and help communities recover from the pandemic will be put at risk.
89. At the last update of the MTFS the Council’s budget approach has been very much on delivering efficiencies in order to deliver a balanced budget in the face of government funding reductions. As part of this, the Council has been successful in delivering a savings programme without significant reductions in service provision or adversely impacting on the most vulnerable. The MTFS has also been successful in providing a framework that has allowed the Council to adequately fund growth pressures resulting from both demographic pressures and the changing needs of its vulnerable residents, and investing in the local recovery.
90. Finally, it is within this overall financial context that the Council plans to further invest in the recovery from COVID-19. At the Full Council meeting of July 2021, a report will be presented that sets out how the Council intends to utilise its reserves to invest in programmes that build on the success of our

immediate response to the pandemic and take Brent forward to a sustainable, inclusive recovery, which also fully aligns to our Borough Plan priorities. These programmes are themed around supporting communities, supporting businesses, reducing health inequalities and the green recovery. Financial investment is an important driver for local recovery. Approaches to investment have been carefully considered, while understanding that a failure to invest in recovery could well be a risk in itself. In addition, an important factor will be to ensure the approach to investing in the recovery supports broader ambitions and long term priorities of the Council, such as the Borough Plan.

Minesh Patel

Director of Finance

Core Statements

The Council's accounts are presented in 4 main statements in line with statutory requirements and supported by additional notes.

Balance Sheet

Restated 31-Mar 2020 £m		Notes	31-Mar 2021 £m	
1,963.8	Property, Plant & Equipment	1	2,084.2	Non Current Assets
0.5	Heritage Assets		0.5	
6.4	Intangible Assets		14.1	
62.4	Long Term Investments	25	76.3	
132.3	Long Term Debtors	25	152.9	
2,165.4	Long Term Assets		2,328.0	
0.0	Short Term Investments	25	0.9	Current Assets
156.8	Short Term Debtors	2	163.2	
125.2	Cash and Cash Equivalents	3	142.1	
282.0	Current Assets		306.2	
(140.9)	Short Term Borrowing	25	(125.5)	Liabilities
(125.0)	Short Term Creditors	7	(131.5)	
(8.3)	Grant Receipts in Advance- Revenue	20	(24.6)	
(2.2)	Provisions	9	(2.2)	
(276.4)	Current Liabilities		(283.8)	
(30.0)	Long Term Creditors	25	(26.9)	
(14.5)	Provisions	9	(37.9)	
(462.1)	Long Term Borrowing	25	(537.6)	
(674.3)	Other Long Term Liabilities	8	(875.1)	
(1,180.9)	Long Term Liabilities		(1,477.5)	
990.1	Net Assets		872.9	
	Reserves			Reserves
(386.8)	Usable Reserves		(443.4)	
(603.3)	Unusable Reserves		(429.5)	
(990.1)	Total Reserves		(872.9)	

The Movement in Reserves Statement

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2020	(15.1)	(8.5)	(270.2)	(1.4)	(4.4)	(11.7)	0.0	(75.5)	(386.8)	(603.3)	(990.1)
Movement in reserves during 2020/21											
(Surplus) or deficit on the provision of services	(39.7)	0.0	0.0	42.7	0.0	0.0	0.0	0.0	3.0	0.0	3.0
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	114.2	114.2
Total comprehensive income & expenditure	(39.7)	0.0	0.0	42.7	0.0	0.0	0.0	0.0	3.0	114.2	117.2
Adjustments between accounting basis & funding basis under regulations	(38.1)	0.0	0.0	(40.0)	0.0	4.6	(0.6)	14.5	(59.6)	59.6	0.0
Net (increase)/decrease before transfers to earmarked reserves	(77.8)	0.0	0.0	2.7	0.0	4.6	(0.6)	14.5	(56.6)	173.8	117.2
Transfers (to)/from earmarked reserves	77.8	(9.3)	(68.5)	(2.7)	2.7	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2020/21	0.0	(9.3)	(68.5)	0.0	2.7	4.6	(0.6)	14.5	(56.6)	173.8	117.2
Balance as at 31 March 2021	(15.1)	(17.8)	(338.7)	(1.4)	(1.7)	(7.1)	(0.6)	(61.0)	(443.4)	(429.5)	(872.9)

Restated 2019/20	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2019	(15.1)	(18.6)	(233.7)	(1.3)	(1.7)	(25.5)	0.0	(72.5)	(368.4)	(124.9)	(493.3)
Movement in reserves during 2019/20											
(Surplus) or deficit on the provision of services	(10.0)	0.0	0.0	10.4	0.0	0.0	0.0	0.0	0.4	0.0	0.4
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(497.2)	(497.2)
Total comprehensive income & expenditure	(10.0)	0.0	0.0	10.4	0.0	0.0	0.0	0.0	0.4	(497.2)	(496.8)
Adjustments between accounting basis & funding basis under regulations	(16.4)	0.0	0.0	(13.2)	0.0	13.8	0.0	(3.0)	(18.8)	18.8	0.0
Net (increase)/decrease before transfers to earmarked reserves	(26.4)	0.0	0.0	(2.8)	0.0	13.8	0.0	(3.0)	(18.4)	(478.4)	(496.8)
Transfers (to)/from earmarked reserves	26.4	10.1	(36.5)	2.7	(2.7)	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2019/20	0.0	10.1	(36.5)	(0.1)	(2.7)	13.8	0.0	(3.0)	(18.4)	(478.4)	(496.8)
Balance as at 31 March 2020	(15.1)	(8.5)	(270.2)	(1.4)	(4.4)	(11.7)	0.0	(75.5)	(386.8)	(603.3)	(990.1)

Further detail is included in Note 10 – Transfers to/from Earmarked Reserves, in the HRA statement and notes, and in the Movement in Reserves Detail in the Additional Reconciliation disclosures.

Comprehensive Income and Expenditure Statement

Restated 2019/20			2020/21			Notes
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£m	£m	£m	£m	£m	£m	
11.8	(2.2)	9.6	13.8	(1.1)	12.7	
20.1	(0.9)	19.2	19.4	(1.3)	18.1	
80.6	(30.2)	50.4	85.2	(32.2)	53.0	
233.8	(202.3)	31.5	215.4	(211.6)	3.8	
232.4	(79.8)	152.6	260.0	(96.4)	163.6	
59	(55.6)	3.4	94.1	(56.5)	37.6	
38.8	(17.9)	20.9	59.6	(29.5)	30.1	
90.9	(48.1)	42.8	95.7	(36.2)	59.5	
317.0	(358.8)	(41.8)	272.3	(330.6)	(58.3)	
1,084.40	(795.8)	288.6	1,115.5	(795.4)	320.1	
		3.2			(3.5)	11
		38.1			30.9	12
		(329.5)			(344.5)	13
		0.4			3.0	
		(208.5)			(80.0)	
		(288.6)			194.2	
		(497.1)			114.2	
		(496.7)			117.2	

Assistant Chief Executive
 Chief Executive Department
 Children & Young People (GF)
 Children & Young People (DSG)
 Community Wellbeing (GF)
 Community Wellbeing (HRA)
 Customer & Digital Services
 Regeneration & Environment
 Central Items
Cost of Services
 Other operating expenditure
 Financing and investment income & expenditure
 Taxation and non-specific grant income
(Surplus) or Deficit on Provision of Services
 (Surplus) or deficit on revaluation of Property, Plant and Equipment assets
 Actuarial (gains)/losses on pension assets and liabilities
Other Comprehensive Income and Expenditure
Total Comprehensive Income and Expenditure

Cash Flow Statement

Restated

2019/20		2020/21	
£m		Notes	£m
(0.4)	Net surplus or (deficit) on the provision of services		(3.0)
22.5	Adjustment to surplus or deficit on the provision of services for noncash movements	4	124.0
(78.0)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4	(55.9)
(55.9)	Net cash inflows/(outflows) from Operating Activities		65.1
(67.8)	Net cash inflows/(outflow) from Investing activities	5	(102.0)
195.6	Net cash inflows/(outflow) from Financing activities	6	53.8
71.9	Net increase/(decrease) in cash and cash equivalents		16.9
53.3	Cash and cash equivalents at the beginning of the reporting period		125.2
125.2	Cash and cash equivalents at the end of the reporting period	3	142.1

Notes and Disclosures to the Core Statements

Physical Assets

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

Movements in 2020/21	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus Assets	Asset under Construction	Total	*PFI Assets
	£m	£m	£m	£m	£m	£m	£m	£m

Cost or Valuation

At 1 April 2020	626.0	1,007.7	55.2	291.5	8.2	121.9	2,110.5	129.6
Additions	26.0	16.6	0.9	28.0	0.0	63.2	134.7	0.9
Depreciation written out	(7.9)	(15.5)	0.0	0.0	0.0	0.0	(23.4)	(2.2)
Revaluation increases (decreases) in the Revaluation Reserve	41.2	32.7	0.0	0.0	6.1	0.0	80.0	6.1
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(44.6)	(1.2)	0.0	0.0	(4.3)	0.0	(50.1)	0.0
Derecognition - Disposals	(1.9)	(2.8)	0.0	0.0	0.0	(7.4)	(12.1)	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in Cost or Valuations	39.4	(10.2)	0.0	0.1	0.2	(29.5)	0.0	0.0
At 31 March 2021	678.2	1,027.3	56.1	319.6	10.2	148.2	2,239.6	134.4

Depreciation and Impairments

At 1 April 2020	(7.5)	(18.6)	(36.0)	(84.6)	0.0	0.0	(146.7)	(8.9)
Charge for 2020/21	(7.9)	(13.5)	(3.2)	(7.0)	0.0	0.0	(31.6)	(2.6)
Depreciation written out	7.9	15.5	0.0	0.0	0.0	0.0	23.4	2.2
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(0.6)	0.0	0.0	0.0	0.0	0.0	(0.6)	0.0
Derecognition – Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2021	(8.1)	(16.6)	(39.2)	(91.6)	0.0	0.0	(155.5)	(9.3)

Balance Sheet Net Book Values (NBV)

Balance Sheet NBV at 31 March 2021	670.1	1,010.7	16.9	228.0	10.2	148.2	2,084.1	125.1
Balance Sheet NBV at 1 April 2020	618.5	989.1	19.2	206.9	8.2	121.9	1,963.8	120.7

*Note: PFI Assets included within Land & Buildings, VP&E, intangibles and infrastructure are also presented in a separate memorandum column to show their total value within the Council's overall PP&E. Intangible assets are shown in a separate asset classification within the Council's Balance Sheet

Movements in 2019/20	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus Assets	Asset under Construction	Total	*PFI Assets
	£m	£m	£m	£m	£m	£m	£m	£m

Cost or Valuation

At 1 April 2019	609.3	824.4	54.1	273.4	8.2	44.1	1,813.5	126.0
Additions	33.7	20.4	1.1	18.1	0.1	89.8	163.2	0.9
Depreciation written out	(7.5)	(23.6)	0.0	0.0	0.0	0.0	(31.1)	(5.3)
Revaluation increases (decreases) in the Revaluation Reserve	3.0	205.7	0.0	0.0	(0.1)	0.0	208.6	8.0
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(20.8)	(20.8)	0.0	0.0	0.0	0.0	(41.6)	0.0
Derecognition - Disposals	(1.7)	(0.3)	0.0	0.0	0.0	(0.1)	(2.1)	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in Cost or Valuations	10.0	1.9	0.0	0.0	0.0	(11.9)	0.0	0.0
At 31 March 2020	626.0	1,007.7	55.2	291.5	8.2	121.9	2,110.5	129.6

Depreciation and Impairments

At 1 April 2019	(7.1)	(25.8)	(32.6)	(77.9)	0.0	0.0	(143.4)	(11.7)
Charge for 2019/20	(7.6)	(16.2)	(3.5)	(6.8)	0.0	0.0	(34.1)	(2.5)
Depreciation written out	7.4	23.4	0.1	0.1	0.0	0.0	31.0	5.3
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.1)	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0
Derecognition - Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	(0.1)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2020	(7.5)	(18.6)	(36.0)	(84.6)	0.0	0.0	(146.7)	(8.9)

Balance Sheet Net Book Values (NBV)

Balance Sheet NBV at 31 March 2020	618.5	989.1	19.2	206.9	8.2	121.9	1,963.8	120.7
Balance Sheet NBV at 1 April 2019	602.2	798.6	21.5	195.5	8.2	44.1	1,670.1	114.4

Capital Commitment

At 31 March 2021, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment. The major commitments are:

- Stonebridge Development- £19.1m
- Grand Union- £14.7m
- Honeypot Lane- £12.7m

Valuation breakdown

	Council Dwellings	Land and Building*	Surplus Assets
Valuation in 2020/21	14.4	409.1	6.1
Valuation in 2019/20	6.2	176.7	1.4
Valuation in 2018/19	4.0	147.6	0.1
Valuation in 2017/18	4.5	58.5	2.4
Valuation in 2016/17	641.0	218.2	0.2
	670.1	1,010.1	10.2

*Land and building under Note 1- significant movements on balances of property, plant and equipment contains £0.6m of Community assets which is excluded from this table as Community assets are held at depreciated historical cost.

Current Assets

Note 2 – Debtors

31-Mar-2020		31-Mar-2021	
£m		£m	
67.7	Trade receivables Outstanding	74.7	
(19.5)	Less impairments	(23.3)	
48.2	Net Trade receivables	51.4	
6.4	Prepayments	3.8	
48.5	Local Taxation receivables Outstanding	51.4	
(19.7)	Less impairments	(25.8)	
28.8	Net Local Taxation receivables	25.6	
110.9	Other receivables amounts Outstanding	121.6	
(37.5)	Less impairments	(39.2)	
73.4	Net Other receivable amounts	82.4	
156.8	Total	163.2	

Breakdown of non-impaired Local Taxation Debtors

31-Mar-2020		
£m		
	Local Taxation receivable amounts Outstanding	
1.1	Due in less than three months	
1.3	Three to six months	
3.0	Six months to one year	
23.4	More than one year	
28.8		

31-Mar-2021	
£m	
1.0	
1.1	
2.7	
20.8	
25.6	

Note 3 – Cash and Cash Equivalents

Restated

31-Mar-2020

£m	
4.2	Bank current accounts
11.3	School bank accounts
109.7	Short-term deposits
125.2	Total

31-Mar-2021

£m	
14.0	
25.4	
102.7	
142.1	

Cash Flow Notes

Note 4 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2019/20

£m	
7.0	Interest received-cash inflow
(23.0)	Interest paid-cash (outflow)

2020/21

£m	
7.2	
(23.0)	

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2019/20

£m	
34.3	Depreciation
41.6	Impairment and downward valuations
0.7	Amortisation
(8.6)	Increase/(decrease) in creditors
(75.3)	(Increase)/decrease in debtors
23.1	Movement in pension liability
2.1	Carrying amount of non-current assets and non-current assets
4.5	Other non-cash items charged to the net surplus or deficit on the provision of services
22.4	

2020/21

£m	
31.6	
50.6	
1.1	
23.9	
(39.1)	
8.7	
12.1	
35.1	
124.0	

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2019/20 £m		2020/21 £m
0.0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0.0
(6.0)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(20.1)
(72.0)	Any other items for which the cash effects are investing or financing cash flows	(35.8)
(78.0)		(55.9)

Note 5 – Cash Flow Statement - Investing Activities

2019/20 £m		2020/21 £m
(166.7)	Purchase of property, plant and equipment, investment property and intangible assets	(143.5)
(40.1)	Purchase of short-term and long-term investments	(14.4)
0.0	Other payments for investing activities	0.0
6.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20.1
61.0	Proceeds of sale of short and long term investments	0.0
72.0	Other receipts from investing activities	35.8
(67.8)	Net cash flows from investing activities	(102.0)

Note 6 – Cash Flow Statement - Financing Activities

2019/20 £m		2020/21 £m
213.0	Cash receipts of short and long term borrowing	64.0
(2.9)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(2.3)
(14.4)	Repayments of short and long term borrowing	(7.9)
0.0	Other payments for financing activities	0.0
195.7	Total	53.8

Liabilities

Note 7 – Short Term Creditors

31-Mar-2020

£m

(78.0)	Trade payables
(47.0)	Other payables
(125.0)	Total

31-Mar-2021

£m

(70.3)
(61.2)
(131.5)

Note 8 – Long-Term Liabilities

31-Mar-2020

£m

(660.2)	Pension Fund Liability
(14.1)	Deferred Income
(674.3)	Total

31-Mar-2021

£m

(863.0)
(12.1)
(875.1)

	Outstanding Legal Cases	Compensation Claims	Other Provisions	Total
	£m	£m	£m	£m
<u>Short Term Provisions</u>				
Balance at 1 April 2020	0.0	(2.2)	0.0	(2.2)
Net (additions) reductions to provisions made in 2020/21	0.0	0.0	0.0	0.0
Balance at 31 March 2021	0.0	(2.2)	0.0	(2.2)
<u>Long Term Provisions</u>				
Balance at 1 April 2020	(1.0)	(3.7)	(9.8)	(14.5)
Net (additions) reductions to provisions made in 2020/21	(1.6)	0.0	(21.8)	(23.4)
Balance at 31 March 2021	(2.6)	(3.7)	(31.6)	(37.9)

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

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

The £21.8m increase in long term other provision consist of:

- £13.1m relating to Housing PFI provisions. In 2018/19, the Council took the decision to convert tenancies under this PFI to Discounted Market Rent units. This tenancies conversion was slower than initially anticipated and exacerbated by the COVID-19 outbreak that is having a significant impact on Brent residents and the Council tenants. These factors have created a need to review the original financial model and reassess the level of provision required. The financial model has been updated, which resulted in a requirement to increase the provision that was originally set aside.
- £7.2m estimated financial exposure associated with the HRA water rates refunds. In prior years, £2.7m was set aside in reserves for this purpose that has now been re-classified as a provision. Based on improved knowledge and further legal guidance, the provision has also been increased by £4.5m.
- £1.5m relating to NDR appeals due to an increase in outstanding cases being raised with few cases being resolved during the year, and additional provision to contain the impact of COVID-19 on business premises.

Earmarked Reserves

Note 10 – Transfers to/from Earmarked Reserves

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

		Restated Balance at 31-03-2020 £m	Transfer to/from reserves £m	Balance at 31-03-2021 £m
Capital and other statutorily ring-fenced reserves				
S106/CIL		(128.5)	0.3	(128.2)
Ring-fenced	HMO Licensing	(3.7)	1.4	(2.3)
	HRA	(4.4)	2.7	(1.7)
	Public Health	(3.0)	(1.3)	(4.3)
	Schools and other DSG	(8.5)	(9.3)	(17.8)
	Migration related	(0.4)	(0.0)	(0.4)
	Edward Harvist Trust	(0.1)	(0.1)	(0.2)
Total		(20.1)	(6.6)	(26.7)
Capital Finance Related	South Kilburn	(5.3)	(0.1)	(5.4)
	CWB	(0.1)	0.0	(0.1)
	General Fund Capital funding	(41.5)	(7.7)	(49.2)
Total		(46.9)	(7.8)	(54.7)
Total		(195.5)	(14.1)	(209.6)

Committed Reserve

Investment reserve		(11.4)	0.0	(11.4)
Sinking fund and other smoothing reserves	PFI	(5.3)	0.0	(5.3)
	UC staffing	(2.1)	0.6	(1.5)
	Redundancy	(3.2)	0.0	(3.2)
	Insurance	(4.9)	(0.7)	(5.6)
	Pensions	(7.2)	(0.1)	(7.3)
	CYP	(0.2)	0.0	(0.2)

Other Central	(14.1)	(37.1)	(51.2)
Temporary Accommodation HB	(5.9)	0.3	(5.6)
Total	(42.9)	(37.0)	(79.9)
Total	(54.3)	(37.0)	(91.3)

		Balance at 31-03-2020 £m	Transfer to/from reserves £m	Balance at 31-03-2021 £m
Other earmarked reserves				
Service reserves	CWB	(2.0)	(8.1)	(10.1)
	CYP	(1.1)	(0.2)	(1.3)
	R&E	(6.4)	(2.5)	(8.9)
	CDS	(1.3)	0.3	(1.0)
	ACE	(0.6)	(0.6)	(1.2)
	LHRAI	(0.8)	0.1	(0.7)
Total		(12.2)	(11.0)	(23.2)
Transformation/service pressures reserves	Service pressures	(2.0)	0.0	(2.0)
	Future funding risks	(9.4)	0.0	(9.4)
	Transformation	(0.2)	0.2	0.0
Total		(11.6)	0.2	(11.4)
COVID-19 reserves		(9.5)	(13.2)	(22.7)
Total		(33.3)	(24.0)	(57.3)
Grand Total		(283.1)	(75.1)	(358.2)

Descriptions of Earmarked Reserves

- **Capital and other statutory ring-fenced reserves** -These are monies received under specific powers, such as Section 106 of the Town and Country Planning Act 1990 and Community Infrastructure levy, for ring-fenced activities, such as the Dedicated Schools Grant, the Housing Revenue Account and the Public Health grant, and funds identified to smooth the impact of capital financing costs and represents revenue contributions set aside to meet commitments included in the Capital Programme.

- **Committed reserves** - These reserves are held to cover specific known or predicted financial liabilities. They mainly arise as a result of differences in timing between the reserve being established and the expenditure being incurred and are therefore, in effect, committed reserves. Most of these are long term and spread costs over a number of years, such as the PFI sinking fund that equalises the costs of the annual unitary charge over the 25 years of the contract. This also includes the insurance fund, redundancy and pension costs. There is also a reserve to manage volatility in business rates income. These reserves “smooths” expenditure that by its nature will vary considerably year to year, avoiding uncontrollable under and over spends.
- **Other Earmarked Reserves** - This contains reserves managed by departments, for example unspent government grants with ring fenced commitments set aside to meet expenditure pressures. It also includes reserves that are earmarked to manage any unexpected service pressures, unforeseen emergencies or future funding risks. This is primarily in place to manage any unexpected disruptions to funding as a result of changes to the local government finance system such as the Fair Funding Review and reforms to business rates. In addition, this includes reserves to manage the financial impact of COVID-19 that are made up of emergency COVID-19 government grants received in 2019/20 and 2020/21.

Movement in the unusable reserves are detailed in the Additional Reconciliation section on pages 132-136.

Comprehensive Income and Expenditure Notes

Note 11 – Other Operating Expenditure

2019/20		2020/21
£m		£m
2.9	Levies	3.0
4.2	Payments to the Government Housing Capital Receipts Pool	1.5
(3.9)	(Gains)/losses on the disposal of non-current assets	(8.0)
3.2	Total	(3.5)

Note 12 – Financing and Investment Income and Expenditure

2019/20		2020/21
£m		£m
23.0	Interest payable and similar charges	23.0
22.3	Pensions interest cost and expected return on pensions assets	15.1
(7.2)	Interest receivable and similar income	(7.2)
38.1	Total	30.9

Note 13 – Taxation and non-Specific Grant Incomes

2019/20		2020/21	
£m		£m	
(122.8)	Council tax income	(121.1)	
(115.9)	Business Rates	(65.9)	
(18.8)	Other government grants & taxation	(121.7)	
(72.0)	Capital grants and contributions	(35.8)	
(329.5)	Total	(344.5)	

Expenditure and Funding Analysis Notes

Note 14 – Expenditure and Funding Analysis

2020-21	Comprehensive Income and Expenditure Statement				Movement in Reserves					Position on HRA and General Fund (£m)
	Total expenditure (£m)	Total income (£m)	Below cost of services on CIES (£m)	Subtotal (£m)	Adjustments for capital purposes (£m)	Net change for Pension Adjustments (£m)	Other Statutory Adjustments (£m)	Transfers to/from reserves (£m)	Subtotal (£m)	
(DSG) Children And Young People	215.4	(211.6)	0.0	3.8	(3.6)	1.7	(11.2)	9.3	(3.8)	(0.0)
(GF) Children And Young People	85.2	(32.2)	0.0	53.0	(0.7)	1.5	0.0	0.2	1.0	54.0
(GF) Community Wellbeing	260.0	(96.4)	12.2	175.8	(24.6)	1.1	0.0	(2.6)	(26.1)	149.7
(HRA) Community Wellbeing	94.1	(56.5)	5.1	42.7	(40.4)	0.3	0.1	(2.7)	(42.7)	(0.0)
Assistant Chief Executive	13.8	(1.1)	0.0	12.7	(1.2)	0.9	0.0	(3.3)	(3.6)	9.1
Central Items	272.3	(330.6)	(311.8)	(370.1)	43.5	(15.5)	(30.7)	64.2	61.5	(308.6)
Customer And Digital Services	59.6	(29.5)	0.0	30.1	0.0	0.0	0.0	0.5	0.5	30.6
Chief Executive's Department	19.4	(1.3)	0.0	18.1	(0.9)	0.4	0.0	(0.4)	(0.9)	17.2
Regeneration & Environment	95.7	(36.2)	(22.6)	36.9	0.3	0.9	0.0	9.9	11.1	48.0
Total	1,115.5	(795.4)	(317.1)	3.0	(27.6)	(8.7)	(41.8)	75.1	(3.0)	0.0

2019-20	Comprehensive Income and Expenditure Statement				Movement in Reserves					Position on HRA and General Fund (£m)
	Total expenditure (£m)	Total income (£m)	Below cost of services on CIES (£m)	Subtotal (£m)	Adjustments for capital purposes (£m)	Net change for Pension Adjustments (£m)	Other Statutory Adjustments (£m)	Transfers to/from reserves (£m)	Subtotal (£m)	
(DSG) Children And Young People	233.7	(202.3)	0.0	31.4	(18.6)	0.1	(2.9)	(10.3)	(31.7)	(0.3)
(GF) Children And Young People	80.6	(30.2)	0.3	50.7	(1.0)	0.1	0.0	0.8	(0.1)	50.6
(GF) Community Wellbeing	232.5	(79.8)	2.2	154.9	(22.0)	0.1	0.0	4.2	(17.7)	137.2
(HRA) Community Wellbeing	59.4	(55.6)	7.1	10.9	(13.5)	0.0	0.3	2.4	(10.8)	0.1
Assistant Chief Executive	11.7	(2.2)	0.0	9.5	0.0	0.1	0.0	(1.8)	(1.7)	7.8
Central Items	317.0	(358.7)	(297.8)	(339.5)	57.8	(23.6)	(5.7)	10.6	39.1	(300.4)
Customer And Digital Services	38.4	(17.9)	0.0	20.5	0.0	0.0	0.0	0.2	0.2	20.7
Chief Executive's Department	20.1	(0.9)	0.0	19.2	(1.9)	0.0	0.0	(0.7)	(2.6)	16.6
Regeneration & Environment	90.9	(48.1)	0.0	42.8	0.9	0.1	0.0	23.9	24.9	67.7
Total	1,084.3	(795.7)	(288.2)	0.4	1.7	(23.1)	(8.3)	29.3	(0.4)	0.0

2019-20					2020-21			
Opening Balance (£m)	Transfers to/from Earmarked Reserves (£m)	Movement on HRA and General Fund after transfers to/from Earmarked Reserves (£m)	Closing Balance (£m)		Opening Balance (£m)	Transfers to/from Earmarked Reserves (£m)	Movement on HRA and General Fund after transfers to/from Earmarked Reserves (£m)	Closing Balance (£m)

(1.3)	0.0	(0.1)	(1.4)	Housing Revenue Account	(1.4)	0.0	0.0	(1.4)
(1.7)	(2.7)	0.0	(4.4)	Housing Revenue Account Earmarked Reserves	(4.4)	2.7	0.0	(1.7)
(3.0)	(2.7)	(0.1)	(5.8)	HRA Subtotal	(5.8)	2.7	0.0	(3.1)
(15.1)	0.0	0.0	(15.1)	General Fund	(15.1)	0.0	0.0	(15.1)
(252.3)	(26.4)	0.0	(278.7)	General Fund Earmarked Reserves and Schools Balances	(278.7)	(77.8)	0.0	(356.5)
(267.4)	(26.4)	0.0	(293.8)	General Fund Subtotal	(293.8)	(77.8)	0.0	(371.6)
(270.4)	(29.1)	(0.1)	(299.6)	TOTAL HRA and General Fund	(299.6)	(75.1)	0.0	(374.7)

Additional Disclosures

Note 15 – Acquired and Discontinued Operations

The Council has no transactions to disclose.

Note 16 – Pooled Budgets

The Council has entered into two partnership agreements under Section 31 of the Health Act 1999, one with NHS Brent CCG for provision of occupational therapy equipment and the other with the Central and North West London NHS Foundation Trust (CNWLNT) for provision of mental health services.

Additionally there is a pooled fund agreement under section 75 of the National Health Service Act 2006 between the Council and the CCG to administer the Government's Better Care Fund to support the integration of health and social care.

Additionally, there is a pooled budget arrangement between London Borough of Brent and LNWUNT for the Integrated Rehabilitation & Reablement Service

Partnership income and expenditure for 2020/21 is shown in the table below:

	Mental Health	Occupational Therapy	The Better Care Fund	Integrated Rehabilitation & Reablement Service
	£m	£m	£m	£m
Funding: LB of Brent	(0.2)	(0.4)	(18.3)	(0.7)
NHS Brent CCG	0.0	(0.7)	(23.2)	0.0
LNWUNT	0.0	0.0	0.0	(1.3)
CNWLNT	(0.2)	0.0	0.0	0.0
Total Funding	(0.4)	(1.1)	(41.5)	(2.0)
Expenditure	0.4	1.4	41.5	1.7
2020/21 Net Overspend/(Underspend)	0.0	0.3	0.0	(0.3)
2019/20 Net Overspend/(Underspend)	0.0	0.3	0.0	(0.3)

For 2020/21, for Occupational Therapy, the share of overspend attributed to Brent CCG is £0.2m (£0.2m in 2019/20) and £0.1m to Brent Council (£0.1m in 2019/20).

For 2020/21 the Integrated Rehabilitation & Reablement Service underspend attributed to LNWUNHT is £0.3m (£0.1m in 2019/20) and £0.0m to Brent Council (£0.2m in 2019/20).

Note 17 – Members’ Allowances

Total payments including National Insurance costs in 2020/21 were £1.2m (£1.16m in 2019/20). Details of the Members' Allowances scheme are available on Brent's website.

Note 18 – External Audit Costs

The Council’s external auditor for 2019/20 and 2020/21 is Grant Thornton.

2019/20		2020/21
£'000		£'000
184.0	External audit services for in-year	227.2
34.0	Certification of grant claims and returns for in- year	27.0
218.0	Total	254.2

Note 19 – Contingent Liabilities

The Council has a number of contingent liabilities. The best estimate of the liability for all the issues is in the region of £3.1m (estimated at £6.4m in 2019/20), but due to the nature of the contingent liabilities this is subject to significant change. Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

Note 20 – Grant Income – Applied

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement either as part of the services direct gross income or within the Council’s Taxation and non-specific grant income:

2019/20		2020/21
£m	Revenue Grants	£m
	Housing Benefit:	
(254.5)	Mandatory Rent Allowances: subsidy	(226.3)
(15.4)	Mandatory Rent Rebates outside HRA	(15.8)
(23.2)	Rent Rebates Granted to HRA Tenants: subsidy	(21.4)
(2.2)	Housing Benefit Administration	(1.7)
(295.3)		(265.2)
	Schools:	
(190.0)	Dedicated Schools Grant (DSG)	(193.5)
(5.9)	Pupil Premium Grants	(5.5)
(3.8)	Sixth forms funding from Learning and Skills Council (LSC)	(3.8)
(3.1)	Universal Infant School Meal	(3.0)
(2.7)	Teachers’ Pension Employer Contribution Grant	(5.0)
(1.4)	Teachers’ Pay grant	(1.6)
(206.9)		(212.4)
	Other:	
(1.2)	Adult and Community Learning	0.0
(9.3)	Covid-19 Grants	(84.0)
(2.1)	Discretionary Housing payments	(2.8)

2019/20		2020/21	
£m	Revenue Grants	£m	
(5.5)	Private Finance Initiative	(5.5)	
(20.8)	Public Health	(21.8)	
(1.5)	Troubled Families	(0.4)	
(1.0)	Revenue Support Grant	(24.9)	
(9.4)	Section 31	(37.3)	
(8.8)	New Homes Bonus	(7.4)	
(3.2)	Asylum Leaving Care (Post 18) Grant	(3.2)	
(2.3)	Adults Social Care Support Grant	(8.1)	
(11.6)	Adults Social Care Improved Better Care Fund	(11.6)	
(5.2)	Flexible Homeless Grant	(5.2)	
(0.6)	Business Rates Reconciliation Grant	0.0	
(1.3)	Winter Pressure	(1.3)	
0.0	Homelessness Reduction Grant	(1.2)	
(0.4)	Rough Sleeping Initiative Grant	(0.9)	
(0.2)	Adult Education	(3.0)	
(8.7)	Other Miscellaneous Grants & Contributions	(12.5)	
(93.1)		(231.1)	
(595.3)	Total Revenue Grants	(708.7)	
	Capital Grants & Contributions		
(4.2)	Basic Safety Needs	(0.0)	
(1.9)	School Condition Grant	(2.8)	
(3.1)	Transport for London	(3.2)	
(4.7)	Disabled Facilities	(5.4)	
(0.5)	Other Grants	(1.0)	
(1.8)	Education Funding	(0.6)	
(26.2)	Greater London Authority - Outer London Fund	(0.3)	
(29.6)	Section 106 & Construction Infrastructure Levy	(22.6)	
(72.0)	Total	(35.9)	

The authority has received a grant that have yet to be recognized as income as they have conditions attached to them that will require the monies to be returned to the giver. The balance at the year-end are as follows:

2019/20		2020/21	
£m	Current Liabilities	£m	
	Grant receipts in advance (Revenue grant):		
(8.3)	Section 31	(0.0)	
(0.0)	Local Restrictions Support Grant	(24.6)	
(8.3)		(24.6)	

Note 21 – Capital Grants Unapplied

2019/20		2020/21	
£m	Capital Grants Unapplied	£m	
(35.7)	Basic Needs- Primary schools	(32.2)	
(5.7)	School Condition Grant	(4.4)	
(12.8)	Greater London Authority - Outer London Fund	(3.9)	
(2.6)	Disabled Facilities	(2.0)	
0.0	Transport for London	(0.2)	
(3.6)	Adult Personal Social Services	(3.6)	
(1.6)	Early Education	(1.6)	
(0.7)	Devolved Formula Capital	(0.7)	
(5.1)	Other Education grant	(5.4)	
(7.6)	Other Grant	(7.0)	
(75.4)	Total	(61.0)	

Note 22 – Deployment of Dedicated Schools Grant

Primarily the Dedicated Schools Grant (DSG) from the Department of Education (DfE) funds the Council's expenditure on schools. The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2011 and deployed in accordance with the requirements of the Accounts and Audit Regulations 2015, as amended (Regulation 7 (4)). In 2019/20 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 range of educational services provided on an authority-wide basis and for the Individual School Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG received for 2020/21 are as follows:

Dedicated Schools Grant (DSG)	Central Expenditure £m	Schools Budget £m	Total £m
Final DSG for 2020-21 before academy recoupment	n/a	n/a	320.4
Academy recoupment figure for 2020-21	n/a	n/a	(126.9)
Total DSG after recoupment for 2020-21	n/a	n/a	193.5
Plus Brought Forward from 2019-20	n/a	n/a	(4.9)
Less Carry Forward to 2020-21 agreed in advance	n/a	n/a	0.0
Agreed initial budgeted distribution in 2020-21	41.3	147.3	188.6
In year adjustments			
Final budgeted distribution for 2020-21	41.3	147.3	188.6
Less Actual Central Expenditure	(51.0)		(51.0)
Less Actual ISB deployed to schools		(148.1)	(148.1)
Plus Local Authority contribution for 2020-21	0.0	0.0	0.0
Carry Forward to 2021-22	(9.7)	(0.8)	(10.5)

At the end of 2020/21, the DSG has a deficit of £10.5m, which will be carried forward into 2021/22 in line with the Department for Education (DfE) regulations (The School and Early Years Finance (England) Regulations 2020). The regulations requires that where the DSG is in deficit at the end of the preceding year, an authority must carry forward the deficit into the next funding period.

Note 23 – 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.

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

A number of voluntary organisations which received grants from the London Borough of Brent in 2020/21 have Brent Members as Directors, Trustees or employees.

There were no material transactions disclosed in the Declarations of Related Party Transactions for 2020/21 obtained from Members.

London Borough of Brent Pension Fund - administrative support is provided to the Fund. The Pension Fund's accounts are shown separately in this document. The Council charged the Pension Fund £1.12m for administering the fund in 2020/21 (£0.997m was charged in 2019/20).

Pooled Budgets - Details of partnerships with NHS Brent CCG and the North West London Mental Health Trust are shown in Note 16 to the Core Financial Statements.

Subsidiary Companies - Brent has a number of subsidiaries including First Wave Housing (FWH) (formerly Brent Housing Partnership (BHP)), LGA Digital and I4B Holdings Limited (formerly Investing 4 Brent Limited (I4B)).

FWH

First Wave Housing (FWH) is a registered provider of housing in Brent and is wholly owned by Brent Council. FWH was set up to manage properties previously owned by Brent Housing Partnership (BHP). Total expenditure transactions with the Council this year were £1.4m, of which £0.7m was charged as part of the current SLA agreement and £0.7m for costs paid by the Council on behalf of FWH and recharged back. The Council also received £1.1m in interest for loans to FWH in 2020/21 (£2.04m in 2019/20). As of 31st March 2021, there were outstanding loans to Brent Council totalling £36.0m (£36.8m in 2019/20), which are secured against the company's 329 properties. The board of directors for FWH housing include the Strategic Director for Children and Young People, Strategic Director for Customer and Digital Services and Councillor Saqib Butt.

I4B

I4B Holdings Limited is a company wholly owned by Brent Council that was incorporated on the 16 December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As of 31st March 2021, Brent Council had provided loans totalling £126.0m to I4B (£107.4m in 2019/20), which are secured against the company's 471 properties. The board of directors for I4B includes the Strategic Director for Children and Young People and Councillor Saqib Butt.

LGA digital

The council entered into an agreement to partner with the Local Government Association for the provision of ICT services, including the implementation of new infrastructure for their offices, the hosting of their ICT services at the Brent Data Centres, and the ongoing provision of ICT support services on the 27 January 2016.

The council established a company that is 50% owned by the council and 50% by the Local Government Association to facilitate this arrangement. The board of directors for this organisation includes the Strategic Director for Customer and Digital Services and Director for Finance.

Barham Park

Barham Park Trust is a charity 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 £0.5m on behalf of the Barham Park Trust.

The Group Accounts can be found later in this document and combine the accounts of Brent, FWH, I4B, Barham Park Trust and LGA Digital Services.

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.

Capital Letters

Brent, in partnership with 15 other London boroughs, is a member of Capital Letters. This is a non-profit company, which secures accommodation to alleviate homelessness by financially incentivising landlords to rent their properties to eligible tenants suggested by the members.

The Board is accountable to a Borough Representative Body, comprised of a representative from each member Council.

Capital Letters is a company limited by guarantee, not having share capital. Consequentially the liability of members is limited and upon a winding up would not exceed £1.

Capital Letters' accounts have not been consolidated into Brent's group accounts because Brent has limited influence on the company (less than 20% voting rights).

Note 24 – Capital Expenditure and Capital Financing

2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£m	£m	£m		£m	£m	£m
HRA	GF	Total	Capital Investment	HRA	GF	Total
159.9	528.9	688.8	Opening Capital Financing Requirement	230.1	591.8	821.9
			Capital Investment:			
110.5	55.3	165.8	Property, Plant & Equipment	59.8	82.8	142.6
0.0	7.7	7.7	REFCUS	0.0	7.2	7.2
0.0	1.0	1.0	Non-Enhancing	0.0	0.9	0.9
0.0	57.5	57.5	Loans to Third Parties	0.0	20.9	20.9
0.0	(10.6)	(10.6)	Minimum Revenue Provision	0.0	(5.0)	(5.0)
			Sources of Finance:			
(6.9)	(8.7)	(15.6)	Capital Receipts	(8.5)	0.0	(8.5)
(15.4)	(24.0)	(39.4)	Grants	(0.7)	(27.0)	(27.7)
(0.4)	(6.3)	(6.7)	S106 & CIL	(0.8)	(10.1)	(10.9)
			Direct Revenue Contribution	0.0	(4.3)	(4.3)
(15.6)	0.0	(15.6)	Major Repairs Reserve	(10.4)	0.0	(10.4)
(2.0)	(9.0)	(11.0)	Earmarked Reserves	(4.5)	(1.7)	(6.2)
230.1	591.8	821.9	Closing Capital Financing Requirement	265.0	655.5	920.5
			Explanation of movements in year:			
70.2	62.9	133.1	(Decrease) / Increase in the underlying need to borrow	34.9	63.7	98.6

Financial Instruments

Note 25 – Financial Instruments Categories

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value of a financial asset is the price that would be received if it were sold.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders;
- Short-term loans from other local authorities;
- Overdraft with NatWest Bank;
- Lease payables detailed in note 28;
- Private Finance Initiative contracts detailed in note 29; and
- Trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications under the Code of Practice:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- cash in hand;
- bank current and deposit accounts with NatWest bank;
- loans to small companies and housing associations;
- lease receivables detailed in note 28; and
- Trade receivables for goods and services provided.

- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category). The Council does not currently hold any financial assets with this category.

- Trade receivables for goods and services provided that may be sold to a debt collection agency.

- Fair value through profit and loss (all other financial assets) comprising:

- Money market funds

Financial Liabilities - The financial liabilities disclosed on the balance sheet are analysed across the following categories:

Financial Liabilities	Long term		Short Term	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	£m	£m	£m	£m
Loans at amortised cost:				
- Principal sum borrowed	537.6	462.1	121.5	136.7
- Accrued Interest	-	-	4.0	4.2
Total Borrowing*	537.6	462.1	125.5	140.9
Liabilities at Amortised Cost:	-	-	-	-
- Finance Leases	1.2	2.4	-	-
- PFI Arrangements	22.6	23.5	-	-
- Other	3.1	4.0	-	-
Total Other Long Term Liabilities	26.9	29.9	-	-
Liabilities at Amortised Cost	-	-	-	-
Trade Payables	-	-	131.5	125.0
Finance Leases	-	-	1.2	1.1
PFI Arrangements	-	-	0.9	1.2
Included in Creditors**	-	-	133.6	127.3
At amortised cost:				
- Bank current account overdraft			16.5	13.8
Total Financial Liabilities	564.5	492.0	275.6	282.0

* The total short-term borrowing includes £13.5m (2019/20: £7.9m) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

Financial Assets – The financial assets disclosed on the balance sheet are analysed across the following categories:

Financial Assets	Long term		Short Term	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	£m	£m	£m	£m
At amortised cost:				
- Investments in Subsidiaries	76.0	62.1	0.3	-
- Loans	-	-	-	-
- Other Investments	0.3	0.3	-	-
- Accrued Interest	-	-	0.0	0.0
Total Investments*	76.3	62.4	0.3	0.0
At amortised cost:	-	-	-	-
- Cash in Hand	-	-	30.5	28.0
- School Bank Accounts	-	-	25.4	11.4
- Bank Current Accounts Overdraft	-	-	-	-
- Short-term deposit	-	-	20.0	104.7
At fair value through profit & loss:	-	-	-	-
- Money Market Funds	-	-	82.7	5.0
Total Cash and Cash Equivalents	-	-	158.6	149.1
At amortised cost:	-	-	-	-
- Loans made for service purposes	134.0	128.1	0.4	1.4
- Trade Receivables	-	-	163.2	155.2
- PFI	0.9	0.9	-	-
- Lease Receivables	17.9	3.2	-	-
- Accrued Interest	-	-	0.2	0.2
Included in Debtors**	152.8	132.2	163.8	156.8
Total Financial Assets	229.1	194.6	322.7	305.9

Note 26 - Material Soft Loans made by the Council

Soft loans are those advanced at below market rates in support of the Council's service priorities.

In 2020/21 the Council recognised a soft loan to FWH, formerly known as BHP after a change to the loan terms. FWH is registered provider of social housing (RP) and its primary purpose is to manage, maintain and improve its stock and contribute to Brent's Housing Strategy. The movements on material soft loan balance for FWH are as follows:

	2020/21	2019/20
	£m	£m
Balance at start of year:		
Opening balance	0.0	0.0
Nominal value of new loans granted in the year	30.9	0.0
Fair value adjustment on initial recognition	0.0	0.0
Loans repaid	(0.6)	0.0
Impairment losses	0.0	0.0
Increase in discounted Amount	0.0	0.0
Other changes	0.0	0.0
Closing balance at end of year	30.3	0.0
Nominal value at 31 March	36.0	0.0

The loan to I4B to acquire properties to support the Council's homelessness agenda is deemed a material soft loan.

The movements on material soft loan balance for I4B are as follows:

	2020/21	2019/20
	£m	£m
Balance at start of year:		
Opening balance	75.2	56.3
Nominal value of new loans granted in the year	18.7	28.0
Fair value adjustment on initial recognition	(7.1)	(10.2)
Loans repaid	0.0	0.0
Impairment losses	0.0	0.0
Increase in discounted Amount	0.0	0.0
Other changes	1.0	1.1
Closing balance at end of year	87.8	75.2
Nominal value at 31 March	126.0	107.4

The interest rate used to calculate the fair value of the soft loan is with reference to the methodology laid out in the EU document - Communication from the Commission on the revision of the method for setting the reference and discount rates (2008/C14/02).

I4B Holdings Limited is a company wholly owned by Brent Council that was incorporated on the 16 December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As at 31st March 2021, Brent Council had provided funding of £158.3m to I4B (£137.3m in 2019/20), comprised of a number of soft loans* and equity. The loans are secured against the company's 471 properties.

	£m	£m
	2020/21	2019/20
Soft Loan		
Loan	87.8	75.2

Investment	38.2	32.2
	126.00	107.4
Equity		
Cash Equity	32.3	29.9
	32.3	29.9
Total	158.3	137.3

The board of directors for I4B includes the Strategic Director for Children and Young People and the Strategic Director for Customer and Digital Services as well as Councillor Saqib Butt.

*The loan to I4B is classed as a soft loan as it is set at a below-market rate of interest. As this loan is made to a company that is a subsidiary for group account purposes, the loss represented by the undercharge of interest remains in the group and the Council is deemed to be making an additional investment in the subsidiary. The loss on the initial investment of the loan is posted to the balance sheet as an investment, then over the life of the loan the Comprehensive Income and Expenditure Statement (CI&ES) is credited with the contractual interest receivable for the year, with the difference between that amount and the market rate used to write down the investment.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to sell off and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Table – Gains and Losses of Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2020/21				2019/20			
	Financial Liabilities	Financial Assets		Total £m	Financial Liabilities	Financial Assets		Total £m
	Amortised Cost £m	Amortised Cost £m	Fair Value through Profit & Loss £m		Amortised Cost £m	Amortised Cost £m	Fair Value through Profit & Loss £m	
Interest Expense	23.0	-	-	23.0	23.1	-	-	23.1
Interest payable and similar charges	23.0	-	-	23.0	23.1	-	-	23.1
Interest income	-	(7.0)	-	(7.0)	-	(6.8)	-	(6.8)
Dividend income	-	-	0.0	0.0	-	-	(0.5)	(0.5)
Interest & Investment Income	-	(7.0)	0.0	(7.0)	-	(6.8)	(0.5)	(7.3)
Net Impact on surplus/deficit on provision on services	23.0	(7.0)	0.0	16.0	23.1	(6.8)	(0.5)	15.8
Impact on other comprehensive income	-	-	-	-	-	-	-	-
Net (Gain)/loss for the year	23.0	(7.0)	0.0	16.0	23.1	(6.8)	(0.5)	15.8

Note 27 – Fair Values of Assets and Liabilities

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Financial Liabilities

	Fair Value Level	Balance sheet 31/03/2021	Fair Value 31/03/2021	Balance Sheet 31/03/2020	Fair Value 31/03/2020
		£m	£m	£m	£m
Financial Liabilities held at amortised cost:					
Loans from the PWLB	2	376.6	563.3	300.3	490.9
LOBO loans	2	70.5	132.8	70.5	139.8
Other long-term loans	2	95.0	102.4	95.0	101.6
Lease payables and PFI liabilities	2	26.0	26.0	31.1	31.1
Loans from Local Authorities	2	112.0	112.0	137.2	137.2
Short-term creditors	N/A	131.4	131.4	124.3	124.3
Total		811.5	1,067.9	758.4	1,024.9

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

	Fair Value Level	Balance sheet 31/03/2021	Fair Value 31/03/2021	Balance Sheet 31/03/2020	Fair Value 31/03/2020
		£m	£m	£m	£m
Financial Assets held at fair value:					
Money Market Funds	1	82.7	82.7	5.0	5.0
Financial Assets held at amortised cost:					
Lease receivables	2	0.0	0.0	0.0	0.0
Long-term investments	N/A	76.3	76.3	62.4	62.4
Long-term debtors	N/A	152.9	152.9	132.3	132.3
Short-term investments	N/A	0.3	0.3	0.0	0.0

Short-term debtors	N/A	163.9	163.9	160.0	160.0
Cash and cash equivalents	N/A	75.9	75.9	144.0	144.0
Total		552.0	552.0	503.7	503.7

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with 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 Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government 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 seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

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

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury 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, housing associations

and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

- Up to £20m can be invested with a single pre-selected UK banking group (or individually rated banks within that group).
- Up to £20m can be invested with pre-selected overseas banks.
- Up to £20m can be invested with money market funds with a minimum long-term credit rating of A-.
- Up to £20m can be invested with other individual local authorities, housing associations or UK government bodies.
- The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise. The Council's direct exposure to banks and building societies on 31 March 2021 was limited to with Heritable Bank and a marginal net amount with the Royal Bank of Scotland.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	Short Term	
	31-Mar-21	31-Mar-20
	£m	£m
AAA	0.0	5.0
AA-	20.0	0.0
A+	62.6	0.0
A	0.1	0.0
Unrated Local Authorities	20.0	0.0
Debt Management Office	0.0	104.7
Residual Iceland Banks	0.0	0.2
Total Investments	102.7	109.9

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.

Loss allowance on treasury investments have been calculated by reference to historic default data published by credit ratings. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. The Council does not expect any losses from non-performance by other counterparties.

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. During the year, the Council received its final distribution concluding the investment in Heritable Bank. The Council recovered 98% of the original £10m deposit.

Credit Risk: Trade Receivables

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.

The following analysis summarises the Authority’s potential maximum exposure to credit risk. 21.46% is the element which has not been provided for, based on historical experience of default.

	Amount at 31 March 2021	Historical experience of default	Estimated maximum exposure to default
	£m	%	£m
	(a)	(b)	
Deposits with banks and financial institutions	0.0	21.46%	0.0
Trade debtors	97.6		20.9
	97.6		20.9

The Council’s credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract. Loss allowances for receivables have been calculated based on historic information. Debts are deemed to be overdue when they are at least 30 days past their due date.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities and private investors, 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 loans mature at different times.

The maturity analysis of principal sums borrowed is as follows:

	£m
Less than one year	121.6
Between one and two years	16.2
Between two and five years	16.5
Between five and ten years	24.5
Between ten and twenty years	94.3
Between 20 and 30 years	101.9
Between 30 and 40 years	223.6
More than 40 years	60.5
	659.1

The Council has £70.5m (2019/20: £70.5m) 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 to repay these loans hence the final maturity date is used in the maturity analysis rather than the next option date.

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. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise

- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall

100% of the Council's long term borrowing is at fixed rates so the risk would arise when the need to refinance arises or on occasions when short term borrowing is required, which are small in relation to the Council's scale of operation. A rise in interest rates would lead to a fall in the fair value of borrowings but this would have no impact on the Income and Expenditure Account.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and 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 an upper limit of £5m on the 12-month revenue impact of a 1% fall and rise in interest rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Increase in interest receivable on variable rate investments

Impact on Comprehensive Income and Expenditure

Decrease in fair value of fixed rate borrowings / liabilities*

(0.9)
(0.9)
137.8

*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. However, it would lead to a negative interest rate on our investments. The Council has £70.5m (2019: £70.5m) of "Lender's option, borrower's option" (LOBO) loans with maturity dates between 2048 and 2077 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. In the current low interest rate environment, the likelihood of the lender increasing the rate is low; however, the likelihood will increase in later years should market interest rates rise.

Note 28 – Leases

A lease is an agreement whereby the lessor (person giving the asset) conveys to the lessee (person taking the asset), in return for a payment or series of payments for an agreed period of time, examples include, leasing of vehicles for waste services, property rentals, rental of equipment (i.e. photocopiers, machinery).

Authority as Lessee

Finance Leases

The current lease for Brent Councils waste collection services with an external contractor began in 2018/19, with assets worth £5.7m. Public Realm Service (PRS) oversees the commercial waste collection, household and recycling collection and cleaning services for the Council. Brent Council has recognised this as a Finance lease under IAS 17. The waste service assets are included under Plant, Vehicle and Equipment in the balance sheet.

31-Mar-20		31-Mar-21
£m		£m
3.4	Plant, Furniture, Vehicles and Equipment	2.3

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

31-Mar-20		31-Mar-21
£m		£m
	Finance lease liabilities	
1.3	- Current	1.3
2.6	- Non-current	1.3
0.0	Finance costs payable in future years	0.0
3.9	Minimum lease payments	2.6

These minimum lease payments are payable over the following periods

	Total Minimum Lease Payments		Present Value of Minimum Lease Payments Repayable	
	2019-20 £m	2020-21 £m	2019-20 £m	2020-21 £m
Not Later than one year	1.3	1.3	1.2	1.2
Later than one year and not later than five years	2.6	1.3	2.4	1.2
	3.9	2.6	3.6	2.4

Operating Leases (Authority as Lessee)

An operating lease is an agreement to use and operate an asset without ownership. 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:

2019-20 £m		2020-21 £m
1.5	Not later than one year	1.5
4.9	Later than one year and not later than five years	5.4
11.6	Later than five years	10.7
18.0	Total	17.6

The following future sublease payments are receivable:

£m		£m
4.4	Future Minimum Sublease Payments Receivable	4.8

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

2019-20		2020-21	
£m		£m	
0.6	Minimum Lease payments	0.6	
(0.2)	(Sublease payments receivable)	(0.2)	
0.4	Total	0.4	

Authority as Lessor

Finance Leases

Brent Council leases Northwick Park Golf course to a commercial operator on a finance lease with a remaining term of 84 years. In addition, there are five residential properties leases with an average minimum contractual duration of 999 years.

During 2020/21, the Council entered into a lease agreement for the phase 2 & 3 development of the Peel site within the South Kilburn redevelopment. This stage of the project will involve the construction of 68 affordable homes.

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

31-Mar-19		31-Mar-20	
£m		£m	
	Finance lease debtor		
3.2	Non-Current	17.9	
3.2	Gross Investment in Lease	17.9	

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	
	2019-20	2020-21	2019-20	2020-21
	£m	£m	£m	£m
Later than one year and not later than five years	0	14.7	0	14.7
Later than five years	3.2	3.2	3.2	3.2
	3.2	17.9	3.2	17.9

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.

Operating Leases (Authority as Lessor)

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

Future minimum lease payments expected under these contracts are:

2019-20		2020-21	
£m		£m	
1.5	Not later than one year	1.5	
5.1	Later than one year and not later than five years	5.2	
42.5	Later than five years	42.3	
49.1	Total	49.0	

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

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

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

- In 2005/06 a 32 year agreement was made to provide and maintain social housing within Stonebridge. Whether or not a block of flats or house paid for by this contract appears on Brent’s balance sheet was determined by a tenant’s vote at the start of the contract. The PFI operator manages and maintains these properties on behalf of Brent.

A provision of £5.7m is maintained to reflect changes in the PFI schemes agreed in prior years. An additional provision of £13.1m has been added, relating to the conversation of tenancies to Discounted Market Rent units. Please refer to note 9.

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

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

2019-20		2020-21	
£m		£m	
26.6	Balance outstanding at start of year	24.7	
(1.8)	Payments during the year	(1.2)	

24.8 Balance outstanding at end of year

23.5

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

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2021/22	3.1	0.9	2.5	6.5
Payable with two to five years	15.1	5.0	8.7	28.8
Payable within 6 to 10 years	19.9	7.5	8.7	36.1
Payable within 11 to 15 years	10.2	6.1	8.2	24.5
Payable within 16 to 20 years	1.4	1.0	1.2	3.6
Total	49.7	20.5	29.3	99.5

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

2019-20

2020-21

£m	
(16.1)	Deferred Income opening balance
2.0	Amortisation
(14.1)	Deferred Income closing balance

£m
(14.1)
2.0
(12.1)

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

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

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

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

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

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

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

Employee Benefits

Note 30 – Senior Employees' Remuneration

Senior employees are Brent's Chief Executive and direct reports (other than administration staff) and statutory chief officers. No bonuses and Compensation for loss of office were paid during 2020/21 and 2019/20.

	2020/21		
	Salary (including fees and allowances)	Employers pension contributions	Total remuneration including pension contributions
	£	£	£
Chief Executive – Carolyn Downs	208,459	-	208,459
Assistant Chief Executive - Shazia Hussain	126,465	44,239	170,704
Strategic Director Children and Young People- Gail Tolley	158,160	55,356	213,516
Strategic Director of Community & Well-being- Philip Porter	158,144	55,356	213,500
Strategic Director Regeneration & Environment- Amar Dave (Left 30th Sep 2020)	118,620	27,678	146,298
Strategic Director Regeneration & Environment- Alan Lunt (Started on 3rd Aug 2020)	104,590	36,606	141,196
Strategic Director Customer and Digital services- Peter Gadsdon	146,060	51,098	197,158
Director of Finance (section 151 officer)- Minesh Patel	105,041	37,285	142,326
Director of Public Health- Melanie Smith	126,272	42,582	168,854
Director of Legal, HR and Audit- Debra Norman	133,118	46,568	179,686
Total	1,384,929	396,768	1,781,697

2019/20

	Salary (including fees and allowances)	Employers pension contributions	Total remuneration including pension contributions
	£	£	£
Chief Executive – Carolyn Downs*	217,080	-	217,080
Assistant Chief Executive (joined 7th January 2020) – Shazia Hussain	31,078	10,599	41,677
Strategic Director Children and Young People – Gail Tolley	153,927	53,874	207,801
Strategic Director of Community & Well-being – Philip Porter	154,341	53,874	208,215
Strategic Director Regeneration & Environment – Amar Dave	156,487	53,380	209,867
Strategic Director Customer and Digital services – Peter Gadsdon	146,826	48,765	195,591
Strategic Director Resources (left 14th April 2019) – Althea Loderick	10,709	2,095	12,804
Chief Finance Officer (section 151 officer, left 23rd June 2019) – Conrad Hall	30,777	-	30,777
Director of Finance (section 151 officer, started 3rd June 2019) – Minesh Patel	95,802	33,762	129,564
Director of Public Health – Melanie Smith	121,505	41,442	162,947
Director of Legal, HR and Audit – Debra Norman	136,738	45,321	182,059

Total	1,255,270	343,112	1,598,382
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* Within this salary there is £4,550 relating to Returning Officer fees which the Chief Executive has redistributed to other staff who helped with the elections.

Note 31 – Officers' Remuneration

The number of employees whose remuneration in 2020/21 and 2019/20, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2019/20			Remuneration band £	2020/21		
Schools				Schools		
Staff	Officers	Total		Staff	Officers	Total
83	107	190	50,000 - 54,999	129	99	228
85	73	158	55,000 - 59,999	84	91	175
56	26	82	60,000 - 64,999	52	49	101
26	15	41	65,000 - 69,999	36	21	57
17	7	24	70,000 - 74,999	20	11	31
14	10	24	75,000 - 79,999	18	13	31
12	3	15	80,000 - 84,999	11	6	17
6	5	11	85,000 - 89,999	11	5	16
8	15	23	90,000 - 94,999	6	5	11
3	5	8	95,000 - 99,999	5	14	19
3	3	6	100,000 - 104,999	4	4	8
1	0	1	105,000 - 109,999	1	2	3
1	0	1	110,000 - 114,999	0	0	0
1	3	4	115,000 - 119,999	1	0	1
0	3	3	120,000 - 124,999	1	3	4
1	0	1	125,000 - 129,999	0	3	3
0	1	1	130,000 - 134,999	0	3	3
1	1	2	135,000 - 139,999	0	0	0
0	0	0	140,000 - 144,999	1	0	1
0	1	1	145,000 - 149,999	0	1	1
0	2	2	150,000 -154,999	0	0	0
0	1	1	155,000 -159,999	0	2	2
0	0	0	160,000 - 214,999	0	0	0
0	0	0	205,000 – 209,999	0	1	1
0	1	1	215,000 - 229,999	0	0	0
318	282	600	Total	380	333	713

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

Note 32 – Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2019/20 (Restated)	2020/21	2019/20 (Restated)	2020/21	2019/20 (Restated)	2020/21	2019/20 (Restated)	2020/21
£0 - £20,000	5	7	32	32	37	39	403	356
£20,001 - £40,000	3	2	27	25	30	27	728	765
£40,001 - £60,000	1	3	16	12	17	15	849	744
£60,001 - £80,000	0	1	11	7	11	8	728	589
£80,001- £100,000	0	0	10	6	10	6	873	554
£100,00+	0	2	12	8	12	10	2,362	1,638
Total cost included in bandings	9	15	108	90	117	105	5,943	4,645
ADD: amounts provided for in CIES not included in bandings							0	0
TOTAL cost included in CIES							5,943	4,645
Average cost of exit packages							£51	£44

Pension Notes

Note 33 – Pension Schemes Accounted for as Defined Contribution Schemes

In 2020/21, the Council paid £11.3m to Teachers' Pensions (£9.8m in 2019/20) in respect of teachers' retirement benefits, representing 23.68% (20.68% 2019/20) of pensionable pay. The Authority is responsible for the cost of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

Note 34 – Defined Benefit Pension Schemes

Participation in Pension Schemes

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

Transactions Relating to Post-employment Benefits

We recognize 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		31 March
2020	Comprehensive Income and Expenditure Statement	2021
£m		£m
	Cost of Services:	
39.8	Current service cost	37.2
1.3	Past service costs (including curtailments)	1.0
0	Effects of business combinations and disposals	0
	Financing and investment Income and Expenditure:	
40.4	Interest cost	31.8
(18.1)	Expected return on scheme assets	(16.7)
63.4	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	53.3
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	

(29.9)	Changes in demographic assumptions	18.9
(119.6)	Changes in financial assumptions	332.5
(184.7)	Other experience	(14.7)
45.6	Return on assets excluding amounts in net interest	(142.5)
(225.2)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	247.5

31 March 2020	Movement in Reserves Statement	31 March 2021
£m		£m
36.0	Employers' contributions payable to the scheme	40.5
4.3	Contributions in respect of unfunded benefits	4.2
40.3	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	44.7
(63.4)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(53.3)
(23.1)		(8.6)

Statements Pensions Assets and Liabilities Recognized in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

31 March		31 March
2020		2021
£m		£m
1,383	Present value of the defined benefit obligation	1,751
(723)	Fair value of plan assets	(888)
660	Net liability arising from defined benefit obligation	863

Note 35 – Reconciliation of Assets and Liabilities in Relation to Post-Employment Benefits

2019/20			2020/21		
Scheme Assets	Pensions Obligations	Net Pensions Liability	Scheme Assets	Pensions Obligations	Net Pensions Liability
£m	£m	£m	£m	£m	£m
757.8	(1,683.5)	(925.7)	723.4	(1,383.5)	(660.1)
Opening Balance at 1 April					
Service Costs					
0	(39.8)	(39.8)	0	(37.2)	(37.2)
0	(1.3)	(1.3)	0	(1.0)	(1.0)
18.1	(40.4)	(22.3)	16.7	(31.8)	(15.1)
Re-measurements					
(45.6)	0	(45.6)	142.5	0	142.5
0	184.7	184.7	0	14.7	14.7

0	29.9	29.9	Actuarial Gains and Losses arising from changes in demographic assumptions	0	(18.9)	(18.9)
0	119.6	119.6	Actuarial Gains and Losses from changes in Financial Assumptions	0	(332.5)	(332.5)
			Contributions			
40.4	0	40.4	The Council	44.6	0	44.6
6.3	(6.3)	0	Employees	7.3	(7.3)	0
			Payments			
(53.6)	53.6	0	Retirement Grants and Pensions	(46.9)	46.9	0
0	0	0	Effects of business combinations and disposals	0	0	0
723.4	(1,383.5)	(660.1)	Closing Balance at 31 March	887.6	(1,750.6)	(863.0)

Note 36 – Sensitivity Analysis

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£m
0.5% decrease in Real Discount Rate	9%	160.8
1 year increase in member life expectancy	4%	70.0
0.5% increase in the Salary Increase Rate	0%	8.4
0.5% increase in the Pension Increase Rate	9%	149.6

Note 37 – Explanation of Change in Net Pension Liability

The Net Pension Liability has increased by £202.8m in 2020/21 (decreased by £265.5m in 2019/20).

Following the 2019 Triennial Valuation, the Employer's contributions for the period to 31 March 2021 are estimated to be approximately £31.6m. The deficit recovery period is 19 years. Contributions remained at 35.0% of pensionable pay in 2020/21. As at the date of the most recent valuation, the duration of Employer's funded liabilities is 19 years.

	Liability split (£m) as at 31 March 2021	Liability split (%) as at 31 March 2021
Active Members	522.8	30.7%
Deferred Members	568.2	33.4%
Pensioner Members	610.2	35.9%
Total Members	1,701.2	100%

Note 38 – Basis for Estimating Assets and Liabilities

The latest full actuarial valuation of the London Borough of Brent's liabilities took place as at 31 March 2019. 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:

2019-20		2020-21
	Actuarial Assumptions:	
22.1	Longevity at 65 for current pensioners: Men	22.3
24.3	Women	24.7
23.0	Longevity at 65 for future pensioners: Men	23.5
25.5	Women	26.2
2.2%	Rate of increase in salaries	3.2%
1.9%	Rate of increase in pensions	2.9%
2.3%	Rate for discounting scheme liabilities	2.0%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2008 service)	75.0%

Derivation of financial assumptions

Discount rate

The Accounting Standards state that the discount rate used to place a value on the obligations should be determined by reference to market yields on high quality corporate bonds at the reporting date. In addition, the currency and term of the high quality corporate bonds used to set the discount rate should be consistent with the currency and term of the obligations.

Corporate bond yield curve

Government bond yield curves are updated and available on a daily basis from the Bank of England. It is therefore relatively easy to identify a spot yield on Government bonds at any duration and at any date. Unfortunately, a similarly accessible corporate bond yield curve is not so readily available. We have adopted an approach to setting the discount rate whereby a “Hymans Robertson” corporate bond yield curve is constructed based on the constituents of the iBoxx AA corporate bond index. The complex construction details of the yield curve are beyond the scope of this report but further details are available on request if necessary.

Weighted average duration

The discount rate should reflect the ‘term’ of the benefit obligation. We have interpreted ‘term’ to be the weighted average duration of the benefit obligation.

Our standard assumption setting approach relies upon the calculation of the weighted average duration for each employer. There are a number of different ways to calculate an employer’s duration and our default approach is to use the calculated duration figure on an accounting basis from the most recent actuarial valuation. This duration figure is then categorised as either short, medium or long and the employer is assigned the short, medium or long standard assumptions as below:

Weighted average duration at most recent actuarial valuation	Duration category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

Retail Price Inflation (RPI)

This assumption is typically derived from yields available on fixed interest and index linked government bonds and should be consistent with the derivation of the discount rate. We use a market implied inflation curve over a range of maturities. Cashflow weighted single RPI rates are derived from the market implied inflation curve that recognise the weighted average duration of each corresponding duration category defined above.

The inflation assumption derivations have changed since the previous year’s Accounting Date as a result of RPI reform announcements.

Our RPI assumption allows for an Inflation Risk Premium (IRP) of 0bps pre-2030 and a post-2030 IRP of 30bps, giving an average IRP of 15bps over short durations; and 20bps over medium and long durations.

Consumer Price Inflation (CPI) – Pension Increases

The pension increases assumption is set in line with our default Consumer Prices Index (CPI) assumption. As a market in CPI linked bonds does not exist, we need to estimate the long-term wedge between RPI and CPI to derive a CPI assumption for accounting purposes. Our estimate is based on analysis of past and emerging future trends in the gap between these indices.

Our CPI assumption allows for a wedge of 100bps pre-2030 and a wedge of 10bps post-2030 relative to RPI. The former reflects differences between RPI and CPI and the latter reflects differences between CPI and CPIH. The resulting average RPI/CPI gap is 0.50% over short durations, 0.45% over medium durations and 0.40% over long durations.

Salary Increases

Our standard proposed assumption for salary growth is set relative to the derived CPI assumption at the Accounting Date using the same methodology as the Fund's most recent funding valuation. Further details on the salary growth assumption can be found in the Fund's formal valuation report.

Proposed financial assumptions for the Accounting Date

The financial assumptions used to calculate the components of the pension expense (service cost and net interest) for the period to the Accounting Date were those from the beginning of the period (as set out in Section 2 of the Results Schedule) and have not been changed during the period. The standard proposed assumptions for disclosure of the funded status under the Accounting Standard as at the Accounting Date are summarised below.

Accounting Date – 31 March 2021	Weighted average duration at most recent Actuarial Valuation		
	Short	Medium	Long
	%p.a.	%p.a.	%p.a.
Discount Rate	1.95%	2.00%	2.05%
Retail Price Inflation (RPI)	3.35%	3.30%	3.20%
Consumer Price Inflation (CPI) – Pension Increase Rate	2.85%	2.85%	2.80%

Demographic assumptions

Longevity - baseline

The baseline longevity assumption is based on analysis carried out by longevity experts Club Vita and will be consistent with the assumptions used at the Fund's recent formal Funding valuation.

Longevity – future improvements

Our standard proposed assumption is for future longevity improvements to be line with the latest Continuous Mortality Investigation (CMI) results, namely the CMI 2020 model with a 0% weighting of 2020 data, smoothing parameter $S_k = 7$, initial adjustment $A_0 = 0.5$ and a long-term rate of 1.5% p.a. for both females and males.

Other demographic assumptions

The other default demographic assumptions which we recommend are adopted (e.g. commutation, withdrawal, ill-health early retirements etc.) are the same as those used for the latest formal funding valuation. These other demographic assumptions were considered to be best estimate when assessed at the funding valuation. Full details of these assumptions are set out in the Fund's formal valuation report.

Reasonableness of assumptions

There is a range of actuarial assumptions which are acceptable under the requirements of the Accounting Standard. We consider that the assumptions above are within the acceptable range and are thus consistent with the requirements of the Accounting Standard. Where we have been instructed by the Employer to use different assumptions, these are shown in the Results Schedule: it is possible that these fall outside the range which we consider to be acceptable, in which case we will have noted this on the Results Schedule.

Sensitivity to assumptions

Under accounting guidance, employers are expected to disclose the sensitivity of the accounting valuation to key assumptions. Details of the effect on the obligations of changes to the key assumptions are displayed in the Sensitivity Analysis section of the Results Schedule.

The assumptions under the Accounting Standard are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries/deferred pension revaluation/pension increases in payment), can have a significant effect on the value of the obligations reported.

- A reduction in the net discount rate will increase the assessed value of obligations, as a higher value is placed on benefits paid in the future.
- A rise in the net discount rate will have an opposite effect of similar magnitude.

There is also uncertainty around life expectancy, and the value of current and future pension benefits will depend on how long pensions are assumed to be in payment. The disclosures have been prepared using the longevity assumptions stated in the Results Schedule. Using these longevity assumptions, average life expectancies at Whole Fund level (in years from age 65) are also stated in the Results Schedule.

Details of the effect on the obligations of changes to the above assumptions are displayed in the Results Schedule in the Sensitivity Analysis section.

Risks and uncertainties in relation to the assumptions

There are risks and uncertainties associated with all assumptions that are adopted. The assumptions are in effect projections of future investment returns and demographic experience many years into the future; there is inevitably a great deal of uncertainty inherent in what constitutes 'best estimate' with such projections.

It is important to note that the Accounting Standard requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As such, the figures illustrated in the Results Schedule are unlikely to reflect either the actual eventual cost of providing the benefits or the likely level of cash contributions required to fund the Employer's obligations to the Fund.

A major risk to the Employer is that it determines assumptions that are more prudent (for example a lower net discount rate or higher longevity) than its peers, leading to a relatively poorer reported financial position. The Employer therefore needs to take into account both the requirement for a 'best estimate' set of assumptions and the commercial need not to overstate the pension obligations.

Conversely, there is also the risk that the Employer determines assumptions which are less prudent than its peers. Analysts and other users of the accounts may take a view that the Employer is understating its pension obligations if it uses weaker assumptions and this may have adverse consequences.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years from April 2019. Funding levels are monitored on an annual basis.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Note 39 – Fair value of employers assets (bid value)

Brent's share of the Pension Fund Assets as estimated within the statutory IAS 19 report is shown below: -

31-Mar-20					31-Mar-21				
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Asset Category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	
£m	£m	£m	%		£m	£m	£m	%	
0	36.3	36.3	5.0%	Private Equity	0	35.3	35.3	4.0%	
				All					
				Real Estate					
0	0	0	0.0%	UK Property	0	0	0	0.0%	
0.1	0	0.1	0.0%	Overseas Property	0	0	0	0.0%	
				Investment Funds & Unit Trusts					
388.2	0	388.2	53.7%	Equities	478.7	0	478.7	53.9%	
92.9	0	92.9	12.8%	Bonds	120.1	0	120.1	13.5%	
0	26.0	26.0	3.6%	Infrastructure	0	35.3	35.3	4.0%	
139.4	0	139.4	19.3%	Other	176.7	0	176.7	19.9%	
				Cash and cash equivalents					
40.5	0	40.5	5.6%	All	41.5	0	41.5	4.7%	
661.1	62.3	723.4	100.0%	Totals	817.0	70.6	887.6	100.0%	

Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2021

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.

2019/20		2020/21
£m		£m
	Income	
(45.7)	Dwelling rents	(46.9)
(0.2)	Non-dwelling rents	(0.4)
(2.9)	Tenants charges for services and facilities	(3.0)
(1.7)	Contribution towards expenditure	(1.9)
(2.8)	Leaseholders charges for services and facilities	(2.6)
(2.3)	Other income	(1.7)
(55.6)	Total Income	(56.5)
	Expenditure	
12.1	Repairs and maintenance	15.0
12.0	Supervision and management	10.6
4.1	Special services	5.3
2.1	Rents, rates, taxes and others charges	2.3
7.8	Depreciation of non-current assets	8.2
0.1	Movement in the allowance for bad or doubtful debts	0.4
20.8	Impairments and revaluation losses to non-current assets	45.1
0.0	Exceptional items- water billing provision	7.2
59.0	Total Expenditure	94.1
3.4	Net Cost of Services included in the Council's Income and Expenditure Account	37.6
	HRA share of the operating income and expenditure included in the Council's income and expenditure	
4.2	Payment to capital receipts pool	1.5
(3.8)	(Gain) or loss on sale of HRA non-current assets	(3.3)
6.6	Interest payable and similar charges	6.8
0.1	Amortised payment and discount	0.2

(0.1)	Interest and investment income	(0.1)
10.4	(Surplus) or Deficit for the Year on HRA Services	42.7

2019/20	Movement on the HRA Statement	2020/21
£m		£m
(1.4)	Housing Revenue Account balance brought forward	(1.4)
10.4	(Surplus) or deficit on the provision of services	42.7
(13.1)	Adjustment between accounting basis and funding basis under regulations	(40.0)
(2.7)	Net (increase) or decrease before transfers to or from reserves	2.7
2.7	Transfers to/(from) Earmarked Reserves	(2.7)
0.0	(Increase) or decrease in year on the HRA	(0.0)
(1.4)	Balance as at 31 March carried forward	(1.4)

HRA adjustments between accounting basis and funding basis under regulations

2019/20		2020/21
£m		£m
3.7	Gain or loss on sale of HRA non-current assets	3.3
7.3	Capital expenditure funded by HRA	2.8
0.3	Amortised payment and discount	0.2
(20.8)	Downward revaluation of non-current assets	(45.1)
(4.2)	Payments to the capital receipts pool	(1.5)
0.0	Pooled capital receipts -contribution to administration costs	0.0
0.0	Pension interest cost and expected return on pension costs	0.3
8.4	Transfers to major repairs reserve	8.2
(7.8)	Transfers to capital adjustment account	(8.2)
0.0	Revenue expenditure funded from capital under statute (REFCUS)	0.0
(13.1)	Total adjustments between accounting basis and funding basis under Regulations	(40.0)

Notes to the Housing Revenue Account

Note 1 – Housing Stock

The Council's stock of dwellings increased during the year from 7,794 to 7,912, a net increase of 118 dwellings. In addition to the units listed below, the Council also owns the freehold on 3,781 properties with leaseholders paying service charges and contributing towards the cost of major works to the block.

The number of dwelling units at the end of the year was made up as follows:

Stock Type	31-Mar-2020	31-Mar-2021		
	Dwellings Units	Disposals	Additions	Dwellings Units
Flats	5,731	(19)	123	5835
Houses	2,063	(7)	21	2077
Total Dwellings Units	7,794	(26)	144	7,912

Note 2 – Rent Arrears

The level of service charge and rent arrears at 31st March 2021 was £4.6m. Movement on the arrears and related provisions are shown below.

31-Mar-2020		31-Mar-2021	
	£m		£m
4.8	Arrears from tenants	5.2	
6.6	Arrears from Right to Buy Leaseholders	7.0	
(7.2)	Provision	(7.6)	
4.2	Total Arrears	4.6	

Note 3 – Non-current Assets

2019/20		2020/21		
Total Non-Current Assets		Council Dwellings	Non-Dwellings	Total Non-Current Assets
£m		£m	£m	£m
617.2	Opening Net Book Value at 1 April	618.5	15.1	633.6
(17.5)	Revaluations	(3.4)	(0.2)	(3.6)
(0.2)	Impairment	(0.6)	0.0	(0.6)
33.8	Capital Expenditure	26.0	0.7	26.7
(1.7)	Disposals	(1.9)	(0.7)	(2.6)
(7.9)	Depreciation for the year	(7.9)	(0.2)	(8.1)
9.9	Other Movements	39.4	(0.6)	38.8
633.6	Closing Net Book Value at 31 March	670.1	14.1	684.2

The £39.4m other movements within Council Dwellings represents prior year's Assets Under Construction completed in this financial year, resulting in a movement from Asset Under Construction to Council Dwellings. Detail of all Assets Under Construction can be found in Note 1 Property, Plant and Equipment.

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

The vacant possession value of dwellings within the HRA at 31 March 2021 was £2.680 billion (£2.470 billion at 31 March 2020). 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.

The £3.6m downward revaluation shown on the table above is the net movement of revaluation consisting of £40.9m upward revaluations to the Revaluation Reserve and £44.5m downward revaluation charged to the surplus/deficit on the provision of service. The Impairment and Revaluation losses to Non-current assets as stated on the HRA Income and Expenditure statement of £45.1m (2019/20: £20.8m) consist of the £44.5m downward revaluation and £0.6m impairment. The main reason for the £24.3m increase in revaluation loss to non-current asset compared to 2019/20 is due to more Assets Under Construction being completed in this financial year. In accordance to the beacon principle of revaluation for Council Dwellings, as set out in the Accounting policies, once Council Dwellings are completed they are valued at 25% of their Open Market Value (OMV). As per the table above £39.4m of assets were completed in 2020/21 compared to £9.9m in

2019/20, the application of downward revaluation such that these assets are valued at 25% of their OMV resulted in a downward revaluation of £29.6m and £7.4m respectively.

Note 4 – HRA Capital Receipts

2019/20		2020/21	
£m		£m	
(4.7)	Dwellings	(4.1)	
(4.7)	Total Receipts	(4.1)	

Note 5 – Net Interest Charged to the HRA

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

2019/20		2020/21	
£m		£m	
6.6	Interest on HRA mid-year Capital Financing Requirement	6.8	
6.6	Total Interest	6.8	

Note 6 – Major Repairs Reserve (MRR)

The MRR is a specific capital reserve held to fund the HRA capital programme or make repayments on amounts borrowed on historic HRA capital expenditure.

2019/20		2020/21	
£m		£m	
0.0	Balance at beginning of the year	0.0	
(7.8)	Depreciation charge on HRA Assets	(8.2)	
(7.9)	Other transfers to/(from) HRA	(2.8)	
15.7	Reserve applied to fund the HRA capital programme	10.4	
0.0	Balance at end of year	(0.6)	

Collection Fund

Collection Fund Account for the Year ended 31 March 2021

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 for Council Tax are borne by the General Fund.

2019/20			2020/21		
Council Tax	Business Rates	Total Collection Fund	Council Tax	Business Rates	Total Collection Fund
£m	£m	£m	£m	£m	£m
Statutory collections					
(152.1)	(123.5)	(275.6)	(158.5)	(64.8)	(223.3)
	(3.0)	(3.0)		(1.5)	(1.5)
	(1.3)	(1.3)	(2.3)	1.5	(0.8)
(152.1)	(127.8)	(279.9)	(160.8)	(64.8)	(225.6)
Total Income					
Precepts, demands & shares					
122.0	62.4	184.4	128.1	38.3	166.4
31.0	35.1	66.1	32.4	47.2	79.6
	32.5	32.5		42.1	42.1
	3.0	3.0		1.5	1.5
Share of surplus/(deficit)					
0.8	3.3	4.1	0.0	(3.5)	(3.5)
0.2	0.7	0.9	0.0	(1.9)	(1.9)
	(2.0)	(2.0)		(0.3)	(0.3)
Charges to the fund					
0.5	(3.0)	(2.5)	1.8	28.2	30.0
0.0	0.0	0.0	7.4	0.0	7.4
	0.4	0.4		0.4	0.4

154.5	132.4	286.9	Total Expenditure	169.7	152.0	321.7
2.4	4.6	7.0	(Surplus)/Deficit in year	8.9	87.2	96.1

Movements on Balances

(3.6)	2.5	(1.1)	(Surplus)/Deficit brought forward	(1.2)	7.1	5.9
2.4	4.6	7.0	(Surplus)/Deficit in year	8.9	87.2	96.1
(1.2)	7.1	5.9	(Surplus)/Deficit carried forward	7.7	94.3	102.0

Allocation of Collection Fund Balances

(0.9)	4.2	3.3	LB Brent	6.1	28.6	34.7
(0.3)	2.3	2.0	GLA	1.6	34.7	36.3
	0.6	0.6	Central Government		31.0	31.0
(1.2)	7.1	5.9	Total (Surplus)/Deficit	7.7	94.3	102.0

Notes to the Collection Fund

Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, classified into 8 valuation bands estimating 1 April 1991 values. 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) to produce a standard Band D charge. For 2020/21 the standard Band D charge was £1,644.81 (£1,582.85 in 2019/20).

The standard Band D charge is multiplied by the proportion specified for each property to produce an individual amount due for every residential property.

Council Tax bills were based on the following proportions for Bands A to H, including the GLA share:

Proportion of Band D Charge		Number of Band D Equivalent properties
Band A	6/9	3,090
Band B	7/9	8,121
Band C	8/9	26,480
Band D	9/9	28,466
Band E	11/9	21,610
Band F	13/9	7,321
Band G	15/9	4,496
Band H	18/9	391

The total number of Band D equivalent properties is then multiplied by a percentage to allow for collection loss (97.63%) to give a tax base for budget setting purposes 97,605. When multiplied by the Band D charge the total budgeted income is £160.5m, of which £128.1m is attributable to Brent and £32.4m to the GLA.

Note 2 – Non-Domestic Rate

The total Non-Domestic Rateable Value for 2020/21 was £316.4m (£319.4m in 2019/20). The NDR rate multiplier for 2020/21 was £0.49, (unchanged from 2019/20).

Note 3 – Collection

For Council Tax, 92.0% of the debit relating to the 2020/21 financial year had been collected by 31 March 2021. This is down from the 95.9% achieved in 2019/20. For Non Domestic Rates the in-year collection rate decreased from 98.23% to 87.3%.

Group Accounts

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

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

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

The following group financial statements have been prepared:

- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Account
- 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 in this document.

Group Accounting Policies

The group accounts have been prepared using the same accounting policies as the Brent council Statement of Accounts. Further detail on how this is done is included in the Accounting Policies section below.

Group Statements

Group Balance Sheet

Restated		31-Mar
31-Mar		2021
2020		2021
£m		£m
2,137.6	Property, Plant & Equipment	2,296.4
0.5	Heritage Assets	0.5
12.4	Investment Property	12.6
6.4	Intangible Assets	14.1
0.3	Long Term Investments	5.7
21.1	Long Term Debtors	30.0
2,178.3	Long Term Assets	2,359.3
0.0	Short Term Investments	0.9
0.0	Assets Held for Sale	0.0
159.1	Short Term Debtors	157.8
127.9	Cash and Cash Equivalents	146.8
287.0	Current Assets	305.5
(140.9)	Short Term Borrowing	(125.5)
(130.0)	Short Term Creditors	(129.2)
(8.3)	Grants Receipt in Advance- Revenue	(24.6)
(2.2)	Provisions	(20.7)
(281.4)	Current Liabilities	(300.0)
(29.5)	Long Term Creditors	(27.8)
(14.5)	Provisions	(37.9)
(462.1)	Long Term Borrowing	(537.6)
(675.2)	Other Long Term Liabilities	(875.1)
(1,181.3)	Long Term Liabilities	(1,478.4)
1,002.6	Net Assets	886.4
	Reserves	
(382.9)	Usable Reserves	(439.6)
(619.7)	Unusable Reserves	(446.8)
(1,002.6)	Total Reserves	(886.4)

Group Consolidated Income & Expenditure Statement

Restated 2019/20

2020/21

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
11.8	(2.2)	9.6	Assistant Chief Executive	13.8	(1.1)	12.7
20.1	(0.9)	19.2	Chief Executive Department	19.4	(1.3)	18.1
80.6	(30.2)	50.4	Children & Young People (GF)	85.1	(32.2)	52.9
233.8	(202.3)	31.5	Children & Young People (DSG)	215.4	(211.6)	3.8
235.0	(84.2)	150.8	Community Wellbeing (GF)	261.1	(96.4)	164.7
65.2	(59.2)	6.0	Community Wellbeing (HRA)	97.2	(63.6)	33.6
40.1	(19.3)	20.8	Customer & Digital Services	60.8	(30.7)	30.1
90.9	(48.1)	42.8	Regeneration & Environment	95.8	(36.3)	59.5
317.0	(358.8)	(41.8)	Central Items	271.5	(330.8)	(59.3)
1,094.5	(805.2)	289.3	Cost of Services	1,120.1	(804.0)	316.1
		3.2	Other operating expenditure			(3.5)
		43.3	Financing and investment income & expenditure			35.4
		(329.4)	Taxation and non-specific grant income			(344.5)
		6.4	(Surplus) or Deficit on Provision of Services			3.5
		(210.1)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(80.0)
		(288.6)	Actuarial (gains)/losses on pension assets and liabilities			192.8
		(498.7)	Other Comprehensive Income and Expenditure			112.8
		(492.3)	Total Comprehensive Income and Expenditure			116.3

Group Cashflow Statement

Restated 2019/20		2020/21
£m		£m
(6.4)	Net surplus or (deficit) on the provision of services	(3.5)
29.4	Adjustments for non-cash movements	129.2
(76.9)	Adjustments for investing and financing activities	(55.8)
(53.9)	Net cash inflows/(outflows) from Operating Activities	69.9
(10.6)	Net cash inflows/(outflow) from Investing activities	(104.8)
136.8	Net cash inflows/(outflow) from Financing activities	53.8
72.3	Net increase/(decrease) in cash and cash equivalents	18.9
55.6	Cash and cash equivalents at the beginning of the reporting period	127.9
127.9	Cash and cash equivalents at the end of the reporting period	146.8

Group Movement In Reserves

	General Fund Balance	School Balances	Earmarked Reserves General Fund	HRA Balance	Earmarked Reserves HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries, Associated and Joint Ventures	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Restated Balance as at 1 April 2020	(15.1)	(8.5)	(270.2)	(1.4)	(4.4)	(11.7)	0.0	(75.5)	(386.8)	(603.3)	(990.1)	(12.5)	(1,002.6)
Movement in reserves during 2020/21													
(Surplus) or deficit on the provision of services	(39.7)	0.0	0.0	42.7	0.0	0.0	0.0	0.0	3.0	0.0	3.0	0.5	3.5
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	114.2	114.2	(1.4)	112.8
Total Comprehensive income & expenditure	(39.7)	0.0	0.0	42.7	0.0	0.0	0.0	0.0	3.0	114.2	117.2	(0.9)	116.3
Adjustments between accounting basis & funding basis under regulations	(38.1)	0.0	0.0	(40.0)	0.0	4.6	(0.6)	14.5	(59.6)	59.6	0.0	0.0	0.0
Net (increase)/decrease before transfers to earmarked reserves	(77.8)	0.0	0.0	2.7	0.0	4.6	(0.6)	14.5	(56.6)	173.8	117.2	(0.9)	116.3
Transfers (to)/from earmarked reserves	77.8	(9.3)	(68.5)	(2.7)	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2020/21	0.0	(9.3)	(68.5)	0.0	2.7	4.6	(0.6)	14.5	(56.6)	173.8	117.2	(0.9)	116.3
Balance as at 31 March 2021	(15.1)	(17.8)	(338.7)	(1.4)	(1.7)	(7.1)	(0.6)	(61.0)	(443.4)	(429.5)	(872.9)	(13.4)	(886.3)

Restated	General Fund Balance	School Balances	Earmarked Reserves General Fund	HRA Balance	Earmarked Reserves HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries, Associated and Joint Ventures	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 April 2019	(15.1)	(18.6)	(233.8)	(1.4)	(1.7)	(25.4)	0.0	(72.4)	(368.4)	(124.9)	(493.3)	(16.9)	(510.2)
Movement in reserves during 2019/20													
(Surplus) or deficit on the provision of services	(10.0)	0.0	0.0	10.4	0.0	0.0	0.0	0.0	0.4	0.0	0.4	6.0	6.4
Other Comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(497.2)	(497.2)	(1.6)	(498.8)
Total comprehensive income & expenditure	(10.0)	0.0	0.0	10.4	0.0	0.0	0.0	0.0	0.4	(497.2)	(496.8)	4.4	(492.4)
Adjustments between accounting basis & funding basis under regulations	(16.4)	0.0	0.0	(13.2)	0.0	13.8	0.0	(3.0)	(18.8)	18.8	0.0	0.0	0.0
Net (increase)/decrease before transfers to earmarked reserves	(26.4)	0.0	0.0	(2.8)	0.0	13.8	0.0	(3.0)	(18.4)	(478.4)	(496.8)	4.4	(492.4)
Transfers (to)/from earmarked reserves	26.4	10.1	(36.5)	2.7	(2.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2019/20	0.0	10.1	(36.5)	(0.1)	(2.7)	13.8	0.0	(3.0)	(18.4)	(478.4)	(496.8)	4.4	(492.4)
Balance as at 31 March 2020	(15.1)	(8.5)	(270.3)	(1.5)	(4.4)	(11.6)	0.0	(75.4)	(386.8)	(603.3)	(990.1)	(12.5)	(1,002.6)

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.

2020/21	Consolidated accounts £m	Brent Council £m	I4B £m	FWH £m	Barham Park £m	LGA £m	Adjustments £m
Property, Plant & Equipment	2,296.4	2,084.2	0.0	49.8	0.9	0.0	161.5
Investment Property	12.6	0.0	163.4	12.6	0.0	0.0	(163.4)
Long Term Investments	5.7	76.3	0.0	0.0	0.0	0.0	(70.6)
Long Term Debtors	30.0	152.9	0.0	0.0	0.0	0.0	(122.9)
Short Term Debtors	157.8	163.2	0.8	1.9	0.5	0.1	(8.7)
Cash and Cash Equivalents	146.8	142.1	2.2	2.5	0.0	0.1	(0.1)
Short Term Creditors	(129.2)	(131.4)	(4.9)	(0.6)	0.0	(0.2)	7.9
Provisions	(20.7)	(2.2)	0.0	(18.5)	0.0	0.0	0.0
Long Term Creditors	(27.8)	(26.9)	0.0	(0.9)	0.0	0.0	0.0
Long Term Borrowing	(537.6)	(537.6)	(87.8)	(35.1)	0.0	0.0	122.9
Usable Reserves	(439.6)	(443.4)	(3.1)	6.4	(1.4)	0.0	1.9
Unusable Reserves	(446.8)	(429.6)	(70.6)	(17.2)	0.0	0.0	70.6
Community Wellbeing (HRA)	33.6	37.6	(18.9)	16.5	0.0	0.0	(1.6)
Financing and investment income & expenditure	35.4	30.9	3.7	0.8	0.0	0.0	0.0
(Surplus) or Deficit on Provision of Services	3.5	3.0	(15.2)	17.3	0.0	0.0	(1.6)
Actuarial (gains)/losses on pension assets and liabilities	192.8	194.2	0.0	(1.4)	0.0	0.0	0.0
Other Comprehensive Income and Expenditure	112.8	114.2	0.0	(1.4)	0.0	0.0	0.0
Net surplus or (deficit) on the provision of services	(3.5)	(3.0)	15.2	(17.3)	0.0	0.0	1.6
Adjustments for non-cash movements	129.3	124.0	(12.8)	19.7	0.0	0.0	(1.6)
Net cash inflows/(outflows) from Operating Activities	69.9	65.1	2.4	2.4	0.0	0.0	0.0
Net cash inflows/(outflow) from Investing activities	(104.8)	(102.0)	(20.6)	1.0	0.0	0.0	16.8
Net cash inflows/(outflow) from Financing activities	53.8	53.8	18.8	(2.0)	0.0	0.0	(16.8)
Net increase/(decrease) in cash and cash equivalents	18.9	16.9	0.6	1.4	0.0	0.0	0.0
Cash and cash equivalents at the beginning of the reporting period	127.9	125.2	1.6	1.1	0.0	0.0	0.0
Cash and cash equivalents at the end of the reporting period	146.8	142.1	2.2	2.5	0.0	0.0	0.0

2020/21 main adjustments

I4B records its properties as investment properties under its accounting policies to comply with UK GAAP, whereas in the group accounts these have to be recorded as Property, Plant and Equipment to comply with the CIPFA Code. This explains the (£163.4m) and £161.5m adjustments to Investment Property and Property, Plant and Equipment respectively. The small difference of £1.9m between these two values relates to the

difference in current value between these two different treatments (Property, Plant and Equipment is depreciated, and Investment Properties are not), the net effect of this is a £1.9m reduction in reserves.

Loans made by the council to I4B and First Wave Housing have been removed from the group accounts, to remove transactions within the group. This has the effect of reducing long-term borrowing and long-term debtors by £87.8m for I4B. And reducing long-term borrowing and long-term debtor by £35.1m for FWH. As the loan from the council to I4B is a soft loan, long-term investments and unusable reserve are both reduced by £70.6m to reflect the intra-group transactions for the soft loan.

Restated 2019/20

	Brent	First Wave Housing	Barham Park	I4B	LGA	Adjustment	Group
	£m	£m	£m	£m	£m	£m	£m
Property, Plant & Equipment	1,963.8	49.8	0.9	0.0	0.0	123.0	2,137.6
Investment Property	0.0	12.4	0.0	126.5	0.0	(126.5)	12.4
Long Term Investments	62.4	0.0	0.0	0.0	0.0	(62.1)	0.3
Long Term Debtors	132.3	0.0	0.0	0.0	0.0	(111.2)	21.1
Short Term Debtors	156.8	1.8	0.5	1.1	0.2	(1.3)	159.1
Cash and Cash Equivalents	125.2	1.1	0.0	1.6	0.8	(0.8)	127.9
Short Term Creditors	(125.0)	(1.5)	0.0	(4.0)	(1.0)	1.6	(129.9)
Long Term Creditors	(30.0)	0.0	0.0	0.0	0.0	0.5	(29.5)
Long Term Borrowing	(462.1)	(36.0)	0.0	(75.2)	0.0	111.2	(462.1)
Other Long Term Liabilities	(674.3)	(0.9)	0.0	0.0	0.0	0.0	(675.2)
Usable Reserves	(386.8)	(11.2)	(0.5)	12.1	0.0	3.5	(382.9)
Unusable Reserves	(603.3)	(15.5)	(0.9)	(62.1)	0.0	62.1	(619.7)
Community Wellbeing (GF)	152.6	(1.8)	(0.0)	0.0	0.0	0.0	150.8
Community Wellbeing (HRA)	3.4	0.0	0.0	(2.2)	0.0	4.8	6.0
Financing and investment income & expenditure	38.1	2.0	0.0	6.3	0.0	(3.2)	43.3
Taxation and non-specific grant income	(329.5)	0.1	0.0	0.0	0.0	0.0	(329.4)
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(208.5)	(1.6)	0.0	0.0	0.0	0.0	(210.1)
Net surplus or (deficit) on the provision of services	(0.4)	(0.3)	(0.0)	(4.1)	0.0	(1.6)	(6.4)
Adjustments for non-cash movements	22.5	2.2	0.0	3.1	0.0	1.6	29.4
Adjustments for investing and financing activities	(78.0)	(2.1)	0.0	3.1	0.0	0.0	(77.0)
Net cash inflows/(outflow) from Investing activities	(67.8)	(0.1)	0.0	(57.6)	0.0	114.9	(10.6)
Net cash inflows/(outflow) from Financing activities	195.6	(0.9)	0.0	57.0	0.0	(114.9)	136.8

2019/20 main adjustments

I4B records its properties as investment properties under its accounting policies to comply with UK GAAP, whereas in the group accounts these have to be recorded as Property, Plant and Equipment to comply with

the CIPFA Code. This explains the (£126.5m) and £123.0m adjustments to Investment Property and Property, Plant and Equipment respectively. The small difference of £3.5m between these two values relates to the difference in current value between these two different treatments (Property, Plant and Equipment is depreciated, and Investment Properties are not), the net effect of this is a £3.5m reduction in reserves.

Loans made by the council to I4B and First Wave Housing have been removed from the group accounts, to remove transactions within the group. This has the effect of reducing long-term borrowing and long-term debtors by £75m for I4B. And reducing long-term borrowing and long-term debtor by £36m for FWH. As the loan from the council to I4B is a soft loan, long-term investments and unusable reserve are both reduced by £62m to reflect the intra-group transactions for the soft loan.

2019/20 Restatement

The following items have been restated as more accurate information has been obtained following publication of the 2019/20 accounts.

Cash and expenditure have been updated for the council, and property values and short term debtors and creditors have been updated for I4B, with the consequent impacts on reserves and other statements as show below.

The 2019/20 I4B restatement relates to Stamp duty and refurbishments costs of £9.2m which have been written down from the balance sheet as they were overstating the fair value of the assets in the accounts. This has increased historic losses in I4B and reduced the value of fixed assets on the balance sheet and the balance on revenue reserve. This adjustment has been offset in 2020/21 through a net valuation uplift of £17.3m for the key worker block.

Further detail of the Council's restatement can be found on the Prior Period error section on page 131-132.

	Brent £m	I4B £m	Adjustment £m	Group £m
Property, Plant & Equipment	0.0	0.0	(7.3)	(7.2)
Investment Property	0.0	(9.0)	9.3	0.0
Short Term Debtors	0.0	0.2	0.0	0.2
Cash and Cash Equivalents	(10.0)	0.0	0.0	(10.0)
Short Term Creditors	0.0	(1.0)	0.0	(1.0)
Usable Reserves	10.0	10.1	(2.0)	18.1
Community Wellbeing (HRA)	0.0	0.6	2.6	3.2
Financing and investment income & expenditure	0.0	3.2	(3.2)	0.0
Net surplus or (deficit) on the provision of services	(10.1)	(3.7)	0.6	(13.3)
Adjustments for non-cash movements	0.1	3.5	(0.6)	3.0
Net cash inflows/(outflow) from Investing activities	0.0	0.3	0.0	0.3

Schools

The Council includes local authority schools under its control in both its accounts, and the group accounts as per the CIPFA code. Breakdown of number of Local Authority schools in each category of maintained school:

Primary phase schools	47
Secondary phase schools	2
Maintained Nursery Schools	4
Pupil Referral Units	2
Special Schools	1
	<hr/>
	56

Note 1 to the Group Accounts: Consolidated Plant Property and Equipment

Movements in 2020/21	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus Assets	Asset under Construction	Total	*PFI Assets
	£m	£m	£m	£m	£m	£m	£m	£m

Cost or Valuation

At 1 April 2020	626.0	1,156.1	55.6	291.5	8.2	156.9	2,294.3	129.6
Additions	26.0	72.2	0.9	28.0	0.0	28.2	155.3	0.9
Depreciation written out	(7.9)	(19.5)	0.0	0.0	0.0	0.0	(27.4)	(2.2)
Revaluation increases (decreases) in the Revaluation Reserve	41.2	47.8	0.0	0.0	6.1	0.0	95.1	6.1
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(44.6)	(1.2)	0.0	0.0	(4.3)	0.0	(50.1)	0.0
Derecognition - Disposals	(1.9)	(3.6)	0.0	0.0	0.0	(7.4)	(12.9)	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in Cost or Valuations	39.4	(10.2)	0.0	0.1	0.2	(29.5)	0.0	0.0
At 31 March 2021	678.2	1,241.6	56.5	319.6	10.2	148.2	2,454.3	134.4

Depreciation and Impairments

At 1 April 2020	(7.5)	(28.3)	(36.3)	(84.6)	0.0	0.0	(156.8)	(8.9)
Charge for 2020/21	(7.9)	(15.5)	(3.2)	(7.1)	0.0	0.0	(33.7)	(2.6)
Depreciation written out	7.9	19.0	0.0	0.0	0.0	0.0	26.9	2.2
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(0.6)	6.2	0.0	0.0	0.0	0.0	5.6	0.0
Derecognition - Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2021	(8.1)	(18.6)	(39.5)	(91.7)	0.0	0.0	(157.9)	(9.3)

Balance Sheet Net Book Values (NBV)

Balance Sheet NBV at 31 March 2021	670.1	1,223.0	17.0	227.9	10.2	148.2	2,296.4	125.1
Balance Sheet NBV at 1 April 2020	618.5	1,127.8	19.3	206.9	8.2	156.9	2,137.6	120.7

Movements in 2019/20	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus Assets	Asset under Construction	Total	*PFI Assets
	£m	£m	£m	£m	£m	£m	£m	£m

Cost or Valuation

At 1 April 2019	609.3	947.9	54.5	273.4	8.2	44.1	1,937.4	128.5
Additions	33.7	45.1	1.1	18.1	0.1	123.8	221.9	0.9
Depreciation written out	(7.5)	(24.1)	0.0	0.0	0.0	0.0	(31.6)	(5.3)
Revaluation increases (decreases) in the Revaluation Reserve	3.0	207.3	0.0	0.0	(0.1)	0.0	210.2	2.8
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(20.8)	(20.8)	0.0	0.0	0.0	0.0	(41.6)	0.0
Derecognition - Disposals	(1.7)	(0.3)	0.0	0.0	0.0	(0.1)	(2.1)	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in Cost or Valuations	10.0	1.9	0.0	0.0	0.0	(11.9)	0.0	0.0
At 31 March 2020	626.0	1,157.0	55.6	291.5	8.2	155.9	2,294.2	126.9

Depreciation and Impairments

At 1 April 2019	(7.1)	(30.7)	(32.9)	(77.9)	0.0	0.0	(148.6)	(14.1)
Charge for 2019/20	(7.6)	(18.3)	(3.5)	(6.8)	0.0	0.0	(36.2)	(2.4)
Depreciation written out	7.4	23.9	0.1	0.1	0.0	0.0	31.5	5.3
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.1)	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(0.1)	(3.2)	0.0	0.0	0.0	0.0	(3.3)	0.0
Derecognition - Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	(0.1)	0.1	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2020	(7.5)	(28.3)	(36.3)	(84.6)	0.0	0.0	(156.7)	(11.2)

Balance Sheet Net Book Values (NBV)

Balance Sheet NBV at 31 March 2020	618.5	1,128.8	19.3	206.9	8.2	155.9	2,137.6	115.7
Balance Sheet NBV at 1 April 2019	602.2	917.2	21.6	195.5	8.2	44.1	1,788.8	114.4

Note 2 to the Group Accounts: Investment Property

Investment Property	2019/20 £m	2020/21 £m
Cost or Valuation		
At 1 April	12.3	12.4
Additions	0.0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0.1	0.2
At 31 March	12.4	12.6

Note 3 to the Group Accounts: Detailed Cashflow

2019/20 £m		2020/21 £m
(6.4)	Surplus or deficit on Provision of Services	(3.5)

2019/20 £m		2020/21 £m
33.3	Depreciation	32.2
41.6	Impairment and downward valuations	52.5
6.3	Revaluation of Investment Properties charged to the net surplus or deficit on the provision of services	(20.0)
0.7	Amortisation	1.1
(9.8)	Increase/(decrease) in creditors	24.3
(74.6)	(Increase)/decrease in debtors	(39.7)
23.1	Movement in pension liability	8.7
2.1	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	12.9
6.7	Other non-cash items charged to the net surplus or deficit on the provision of services	57.2
29.4		129.2

2019/20 £m		2020/21 £m
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0.0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0.0
(6.0)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21.1)
(70.9)	Any other items for which the cash effects are investing or financing cash flows	(34.7)
(76.9)		(55.8)

2019/20		2020/21
£m		£m
(53.9)	Net cash inflows/(outflows) from Operating Activities	69.9

2019/20		2020/21
£m		£m
(109.5)	Purchase of property, plant and equipment, investment property and intangible assets	(164.1)
(40.1)	Purchase of short-term and long-term investments	(14.4)
0.0	Other payments for investing activities	16.8
6.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21.1
61.0	Proceeds of sale of short and long term investments	0.0
72.0	Other receipts from investing activities	35.8
(10.6)		(104.8)

2019/20		2020/21
£m		£m
155.1	Cash receipts of short and long term borrowing	64.1
(2.9)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(2.3)
(15.4)	Repayments of short and long term borrowing	(8.0)
0.0	Other payments for financing activities	0.0
136.8		53.8

2019/20		2020/21
£m		£m
72.3	Net increase/(decrease) in cash and cash equivalents	18.9

55.6	Cash and cash equivalents at the beginning of the reporting period	127.9
127.9	Cash and cash equivalents at the end of the reporting period	146.8

Note 4 to the Group Accounts: Detailed Cashflow

Consolidated 2019/20 £'000		2020/21 £'000
241	External audit services for in-year	296
34	Fees for other services provided by external auditor for year (grants)	33
275	Total	329

Additional Supporting Information and reconciliation disclosures

1. Key Judgements and Material Estimates.

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

- Substantial remediation works are required to four of the blocks owned by FWH. FWH has made a provision in its accounts of £18.5m to cover the estimated cost of these works. This provision will be reviewed as the final remediation solution is agreed and design and procurement processes progress and provide greater cost certainty. Independent firm of surveyors were commissioned to provide costs estimates. Additional costs have been included in the estimates for the installation of fire alarm systems and for the cost of waking watch patrols. These estimates will be reviewed once work has been commissioned.

Chair of the Audit Committee

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

This is approved by:

Councillor Vincent Lo

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

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 Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the Director of Finance

The Director of Finance 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 2021.

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.

Minesh Patel

Director of Finance

Statement of Accounting Policies

1. Code of Practice

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

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

1.1 Materiality

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

1.2 Rounding

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

2. Comprehensive Income and Expenditure Statement

2.1 Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The provision for depreciation are charged to the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement to the relevant service.

This results in a charge to the General Fund for depreciation for all General Fund 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.

Depreciation is a bottom line charge to the HRA. An amount equal to depreciation is credited to the Major Repairs Reserve via the Movement on the HRA statement, and the impact of this is offset by crediting the Movement on the HRA statement with the same amount from the Capital Adjustment Account.

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 Non Domestic Rates (NDR)

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 not shown in the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement. There will be a debtor / creditor position between Brent and the GLA to be recognised in Brent's balance sheet if the net cash paid to the GLA is not exactly its share of cash collected from Council Taxpayers. In this case, Brent's accrued income will be shown in the taxation and non-specific grant section of the Comprehensive Income and Expenditure Statement. The 'Operating Activities' section of the cash flow statement only includes Brent's share of Council Tax cash collected during the year.

The income collected from NDR 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 NDR transactions, Brent accounts only for the effects of timing differences between the collection of NDR attributable to major precepting authorities and central government and paying it across.

2.7 Foreign Currency Transactions

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

2.8 Jointly Controlled Operations

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

3. Balance sheet – Non Current Assets

3.1 Plant, Property and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment (PPE).

All expenditure on the acquisition, creation or enhancement of PPE above the Council's de minimis of £5,000 is capitalised on an accruals basis in the accounts. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. most repairs and maintenance) is charged as an expense when it is incurred.

Property, Plant and Equipment are initially measured and subsequently 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). This is performed by the Council's In-house Valuer and its appointed Valuers Wilkes, Head and Eve LLP. Property, Plant and Equipment are classified into the groupings required by the Code of Practice.

Individual categories of assets are valued on the following basis:

- Council dwellings are valued using a beacon principle (i.e. using sample dwellings) based on their Open Market Value (OMV) but adjusted to reflect their value as social housing. Currently this means that they are valued at 25% of their OMV and this is reflected in both the Council's accounts and the Housing Revenue Accounts
- Other Land and Buildings are included in the balance sheet at their OMV. The exceptions to this are school buildings and Social Services establishments that are included at their Depreciated Replacement Cost (DRC).
- Surplus assets are included in the balance sheet at their OMV.
- Community assets are included in the balance sheet at depreciated historic cost where appropriate otherwise they are included at a nominal value.
- Infrastructure assets, vehicles, plant, furniture and equipment have been valued at depreciated historic cost.
- Assets under construction are held at their invoiced construction cost at year end.

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

3.1.1 Depreciation and Amortisation

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

Amortisation is the measurement of the cost or revalued amount of the economic benefits of the intangible non-current 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 non-current asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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

Buildings (including HRA)	5 – 60 years as determined by the Valuer
Infrastructure	10 – 40 years
Plant, Vehicles, Equipment & Machinery	Up to 10 years
Community Assets	Not depreciated where held at nominal value

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

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

3.1.2 Component Accounting

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

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

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

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

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

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

3.2 Investment Properties

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

3.3 Heritage Assets

Heritage Assets are defined as:

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

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

3.4 Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. Expenditure on purchasing intangible fixed assets such as computer software has been capitalised at cost when it is probable that future economic benefit or service potential will flow to the authority.

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

3.5 Impairment

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

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

The impairment review includes an annual assessment of whether there is indication that the recoverable value of any impaired assets has increased, reversing part or all of the impairment.

For Plant, Property and Equipment, and Intangible Assets, if there is indication that the recoverable value has increased, the Valuer will reassess the economic life of the asset for the purposes of determining depreciation. The impairment will be reversed to the extent that up to the carrying value of the asset had there been no impairment. This reversal will in the first instance be used to reverse any charge made to the surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement, and then to the revaluation reserve.

4. Balance sheet – Current Assets

4.1 Inventories and Long Term Contracts

Inventories are valued at the lower of cost and net realisable value. The Council only obtains inventories through exchange transactions.

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 the code. 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 on the basis of professional advice provided on the insurance fund.

The Council makes provision for the outcome of Non-domestic ratepayers' appeals cases, the outcome of which is decided by the Valuation Office Agency. Appeals can be backdated by five years and so a calculation is done to estimate potential losses in each year taking in to account the relevant multiplier in that particular year and the success rate of previous appeals.

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

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

5.2 Employee benefits

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

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

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

5.3 Reserves

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

6 Balance Sheet - Financial Instruments

6.1 Financial Assets

IFRS 9 requires three different models to be applied to the classification and measurement of financial assets, based on the business model used:

1.	Assets held to collect contractual cash flows	Held at amortised cost
2.	Assets held to collect contractual cash flows and sell	Held at Fair value through other comprehensive income
3.	Other, not 1 or 2	Held at Fair value through profit and loss

The council currently only has significant financial assets that meet criteria 1, so these are held at amortised cost. This means that interest receivable is recorded through profit and loss using the effective interest rate, and any impairment is also recorded through profit and loss.

Impairment of financial assets is applied based on a three stage model:

1. Performing
2. Under-performing
3. Non-performing

The stage used for financial assets depends upon the credit quality of the assets, which is assessed each year. For this Statement of Accounts, all financial assets have been assessed as performing. Performing financial assets are impaired on the basis of 12 month expected losses and gross interest is applied. For trade receivables with no significant financing component, the council uses the simplified model permitted by IFRS, which is to impair on the basis of lifetime expected losses.

For the Council's soft loans, the interest rate at which the fair value of the soft loan has been arrived at with reference to the methodology laid out in the EU document -Communication from the Commission on the revision of the method for setting the reference and discount rates (2008/C14/02).

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.

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.

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. Where the terms of the lease transfer substantially all the risks and rewards incidental to ownership leases are recorded on balance sheet as finance leases, other 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.

Implementation of IFRS 16 Leases for Local Government has been delayed until 2021/22, as such there are no changes to current year's accounting policy.

From 2021/22 under IFRS 16 lessees are required to remove the lease classifications of operating and finance leases, instead it requires that a right-of-use asset be recognized for all leases (with the exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make leases payments for the asset.

For lessors, the finance and operating lease classifications have been retained and the provision for lessors are substantially unchanged, although there are some changes in relation to sale and lease back transactions and the accounting for the structure of sub-leases.

The Council has reviewed the impact of this change and have concluded that it is likely to be immaterial.

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 this year's Statement of Accounts has been calculated on the basis of the previous year's outturn position, amended for the inclusion of PFI projects as per the requirements of the International Financial Reporting Standards. In accordance with the current regulations for the calculation of MRP the following policy for non-HRA assets has been applied:

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

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

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

- Vehicles and equipment – 5 to 15 years;
- Capital repairs to roads and buildings – 15 to 25 years;

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

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

These policies do not apply to HRA assets.

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

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

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

7.5 Income from the Sale of Plant property and equipment

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

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

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

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

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

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

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

7.6 Borrowing Costs

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

8 Group Accounts

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions of the Council, its subsidiaries I4B Holdings Limited (I4B), First Wave Housing Limited (FWH) (formerly Brent Housing Partnership [BHP]), the Barham Park Trust and LGA Digital Services Limited. FWH was an Arm's Length Management Organisation (ALMO), but in 2017/18 the Council took back the management of its housing stock. FWH remains as a company which owns some housing independently of the Council. The Council

remains the holder of the sole share in FWH. Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. LGA Digital Service Limited is 50% owned by the council and 50% owned by the Local Government Association (LGA), but is controlled by the Council, which provides the company with 100% of the services it sells. The financial statements in the Group Accounts are prepared in accordance with the policies set out above.

I4B Holdings Limited records the properties it purchases as investment properties in its Statement of Accounts that are reported under FRS 102 as I4B holds these properties principally to generate a commercial return. When these properties are consolidated into the council's accounts, they are consolidated as Plant, Property and Equipment as this reflects the fact that the Group Accounts are under IFRS, which has a slightly different definition of Investment Properties, and these properties are used to provide services on behalf of the group.

Additional Supporting Information and reconciliation disclosures

1. Key Judgements and Material Estimates.

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

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

Critical accounting judgements made in the accounts:

- **Property Plant and Equipment Valuations** – COVID-19 continues to affect economies and real estates markets globally. While the property markets are mostly functioning again and therefore adequate market evidence exists for the Council's external Valuer to base their opinions of value on. However, the Council recognises that the Stamp Duty holiday has been in place for the majority of the 2020/21 financial year which may have inflated the housing market. At the time of writing, according to the Land Registry House Price Index there was a gain of 8.9% in 2020/21 for Brent. If this gain was reversed in 2021/22 the HRA Council Dwellings and non-HRA Housing gross values would reduce by £55.4m and £22.6m respectively as per table below:

	Gross Value (£m)	Reverse 8.9% Housing price index gain (£m)	Difference (£m)
HRA Council Dwellings	678.2	622.8	(55.4)
Non-HRA Housing	276.7	254.1	(22.6)
Total	954.9	876.9	(78.0)

Nevertheless the Council's external surveyor's professional opinion is that for the majority of the Council's assets the valuation are not deemed as material valuation uncertainty.

While the external Valuer considers assets relating to retail and specific trading related assets (e.g. car parks) to be an exception, for which there is an absence of relevant/sufficient market evidence to base their judgement on. However, the gross carrying value of these assets only accounts for £4.1m or 0.2% of the council's total £2.1bn property, plant and equipment value.

As such, the Council has made the judgement to use the Valuer's estimates as best available estimates of the values of the Council's assets as at 31st March 2021.

- Treatment of PFI arrangements – The Council has made judgements as to whether PFI contracts require to be accounted for on the Balance Sheet. These judgements are based on whether:
 - a) Brent controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and where
 - b) Brent– through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The Council is deemed to control the services provided under the following agreement and has significant residual interest through nomination rights at the end of the PFI term.

- 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 with Brent Co-Efficient Ltd, leaving the council with a long term liability of £47m. The Contract is due to come an end in 2028/2029

The accounting policies for PFI schemes and similar contracts have been applied to this arrangement

- Grants – The Council has made an assessment on whether the Council is acting as a principal or an agent which is used to determine whether the income and expenditure is recognised in the Comprehensive Income and Expenditure Statement. The Council has recognised the following grants as agency transactions:
 - Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF): The Council is administering the distribution of the grant, fully reimbursed for the delivery of the funding and the amount of the award is predetermined based on the business rate relieve or rateable value. All these factors indicate the Council is acting as an intermediary for the Department for Business, Energy and Industrial Strategy (BIES) and hence is acting as an agent.
 - Local Restrictions Support Grant: The Council is responsible for administering the grant to eligible businesses determined by BIES. The Council is fully reimbursed by government if the original borough allocations were insufficient. The Council does not have control of this grant and is acting as an agent.

- Local Restrictions Support Grant (Closed) Addendum: This scheme provided grant for eligible businesses affected by the national restrictions from the lockdown in January 2021. Eligibility and the amount to award is determined by BIES hence the Council is acting as agent.

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

- Provisions – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability in accordance with accounting policies. In calculating the level of provisions the authority also exercises some judgement; they are measured at the authority's best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the authority's provisions and details of its contingent liabilities are set out in Liabilities note 7 and Note 19 – Contingent Liabilities respectively.

The authority has allocated an additional impairment for doubtful debt due to the impact of COVID-19 where appropriate. This is in line with the Bank of England's expectation for consumer credit to be impaired by approximately 8% as a result of COVID-19, and similar to the increased provision for bad debt made by the Council under UK GAAP accounting rules following the last financial crash. The expectation is that payment performance for debts outstanding as at 31st March 2021 will be significantly worse than compared to same period 2019/20 by a variety of debtors such as commercial tenants and those due to repay housing benefit overpayments remain unable to clear their debts due to loss of jobs and business closures. In addition to this, the council has taken the decision to temporarily stop enforcement actions for the collection of debts; and for some classifications of debt, such as commercial rents, payment holidays have been given. This is expected to impact future collection and has also informed the additional impairment of doubtful debt.

- Provisions have been made to account for potential reduction in the business rates income raised within the collection fund following appeals lodged by tax payers against the amount billed. The rateable value of appeals outstanding totals £63m over 500 cases. Provision totalling £15m has been calculated using the current success rates within the borough and the value of reduction granted by the valuation office, including the backdating of decisions, in line with previous estimates. Additional provision of £4m has been made to account for further loss for material change in circumstance due to the impact of COVID-19 based on claims raised following the introduction of the government's lockdown rules. Specialist external consultants were commissioned advice on the overall level of provision required. These estimates may change in future if the success rate of appeals changes or the recovery from COVID-19 is quicker or slower than currently expected. Brent's share of the provision, totalling £5.7m, is held on the council's balance sheet.
- Schools' outturn- In 2019/20 due to the COVID-19 pandemic an estimate as at Period 11 adjusted for past trends between estimated reserve balances and actual reserve balances, was used for 23 out of 56 schools that could not submit their final year-end outturn. This is not the case for 2020/21 as all 56 schools submitted their final outturns which have been used for the school's accounts consolidation.
- Financial Assets– The Council has issued loans to I4B Holdings Ltd and First Wave Housing Ltd which are recognised as soft loans. The Council has made an estimation of the market rate calculation using EU methodology for setting reference and discount rates. Due to the subjective nature of identifying a reference rate, any changes to this methodology will change the investment and loan balance

proportions. The market loan reference rate were to vary by 1.8% to result in a significant shift between the investment and long-term debtor balance.

- **Expected Credit Loss** – Upon initial recognition of the asset, the Council is required to calculate a loss allowance which represents the weighted average of possible credit loss default events likely to occur in the next 12 months. The Council's calculations are based on historic trends and performance to make a judgement on the likelihood of these events. A review of the counterparties has indicated that they remain low risk and the possible credit loss default events likely to occur in the next 12 months is not significant. Any significant increase to the credit risk of a counterparty would require the Council to calculate a lifetime credit loss which recognises the expected credit loss that results from all the possible default events over the expected life of the instrument. A recognition of a lifetime credit loss to any of the financial instruments would result in a significant change to the provision required.
- **Fair Value Estimates** – Fair values of the Council's loans and investments are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions from our Treasury Management Advisors. The financial markets have been volatile over the last year which may have distorted market prices in the short term and require an change to the fair values of the assets and liabilities. A small shift in the discount rate used to calculate the fair values of the financial instruments would result in a significant change to the disclosures in the accounts.
- **Pension Liability** – 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. There are risks and uncertainties associated with whatever assumptions are adopted. The assumptions are in effect projections of future investment returns and demographic experience many years into the future therefore there is a great deal of uncertainty.

The changes in key assumptions used in the 2019/20 and 2020/21 financial years, and their estimated impact are as follows:

Change in 2019/20	Estimated impact on the pension liability (£m)		Change in 2020/21	Estimated impact on the pension liability (£m)
(0.6%)	(205.2)	Inflation/pensions increase rate	0.95%	324.9
(0.6%)	(12)	Salary increase rate	0.95%	19
(0.1%)	(37)	Discount rate	(0.3%)	(111)
		Longevity:		
(0.2 years)	(2)	Current pensioners (Male)	0.2 years	2
(0.2 years)	(2)	Current pensioners (Female)	0.4 years	4
(1.1 years)	(11)	Future pensioners (Male)	0.5 years	5
(0.6 years)	(6)	Future pensioners (Female)	0.7 years	7

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

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

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

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

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

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

There are no such standards in the 2020/21 Code which are likely to have a material effect on the accounts.

4. Significant changes in accounting policy introduced in 2020/21

There have been no significant changes to the code introduced in 2020/21

5. Events after the reporting period

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that require any adjustments to these accounts.

6. Prior Period Error

For the financial year 2019/20, the Council discovered that the Cash in transit for Accounts Payable were not accounted for and the Cash in transit for Receipts were overstated. This meant that the 19/20 Cash balance was overstated by a net amount of £10.1m. The Council has reviewed its Bank reconciliation process and has made appropriate changes to ensure such events are unlikely to reoccur.

In order to correct this error, the Council has restated the prior year information resulting in a £10.1m reduction in Cash and a corresponding £10.1m additional expenditure, which has been met by a drawdown from earmarked reserves. As such all four Core statements have been restated as shown below:

Comprehensive Income and Expenditure statement:

		Originally stated 2019/20 £m	Restated 2019/20 £m	Amount of Restatement 2019/20 £m
Central Items	Expenditure	306.6	317.0	10.4
Central Items	Income	(358.5)	(358.8)	(0.3)
Cost of Service		278.5	288.6	10.1
(Surplus) or deficit on Provision of Services		(9.7)	0.4	10.1
Total Comprehensive Income and Expenditure		(506.8)	(496.7)	10.1

Balance Sheet

	Originally stated 2019/20 £m	Restated 2019/20 £m	Amount of Restatement 2019/20 £m
Cash and Cash Equivalent	135.3	125.2	10.1
Current Asset	292.1	282.0	10.1
Net Assets	1,000.2	990.1	10.1
Usable Reserve	(396.9)	(386.8)	10.1
Total Reserve	(1,000.2)	(990.1)	10.1

Movement in Reserve

Earmarked General Fund Reserves	Originally stated 2019/20 £m	Restated 2019/20 £m	Amount of Restatement 2019/20 £m
Balance as at 31 March 2019	(233.7)	(233.7)	0.0
Transfer (to)/from earmarked reserves	(46.6)	(36.5)	10.1
Balance as at 31 March 2020	(280.3)	(270.2)	10.1

Cashflow

	Originally stated 2019/20 £m	Restated 2019/20 £m	Amount of Restatement 2019/20 £m
Net Surplus or (deficit) on the provision of Services	9.7	(0.4)	10.1
Net cash inflows/(outflows) from Operating Activities	(45.8)	(55.9)	10.1
Net increase/(decrease) in cash and cash equivalents	81.8	71.9	10.1
Cash and cash equivalents at the beginning of the reporting period	53.3	53.3	0.0
Cash and cash equivalents at the end of the reporting period	135.1	125.2	10.1

Additional Reconciliations

Nature of Income and Expenditure

2019/20		2020/21
£m		£m
Gross Expenditure		
76.5	Depreciation & Impairment Losses	83.3
284.7	Employee Expenses	282.7
73.5	Premises Related Expenditure	80.0
148.6	Supplies and Services	170.4
(0.7)	Support Services	1.7
159.6	Third Party Payments	165.8
314.7	Transfer Payments	307.3
27.4	Transport Related Expenditure	24.3
1,084.3	Total Gross Expenditure	1,115.5
Gross Income		
(186.0)	Customer and Client Receipts	(182)
(571.4)	Government Grants	(581.4)
(38.4)	Other Grants, Reimbursements & Contributions	(32.0)
(795.8)	Total Gross Income	(795.4)
288.5	Net Cost of Services	320.1
Other Income & Expenditure		
38.2	Financing and Investment Income & Expenditure	30.9
3.2	Other Operating Expenditure	(3.5)
(329.5)	Taxation & non-specific grant income	(344.5)
(288.1)	Total Other Income & Expenditure	(317.1)
0.4	(Surplus) / Deficit on Provision of Services	3.0

Movements in Reserves Detail

This table shows the detailed movements across the Councils total equity fund during the year split between Usable and Unusable Reserves, as summarised in the Movement in Reserves Statement on page 11.

	Usable reserves (£m)						Unusable reserves (£m)								
	General Fund	HRA	EARMARKED RESERVES BALANCE	CAPITAL RECEIPTS RESERVE	CAPITAL GRANTS UNAPPLIED	MAJOR REPAIRS RESERVE	REVALUATION RESERVE	CAPITAL ADJUSTMENT ACCOUNT	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED	COLLECTION FUND ADJUSTMENT ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT	Total
Charges for depreciation and impairment of non-current assets	(23.5)	(8.8)	0.0	0.0	0.0	0.0	7.3	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation losses on Property Plant and Equipment	(5.6)	(44.5)	0.0	0.0	0.0	0.0	0.0	50.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Movements in the market value of Investment Properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	(1.1)	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	(7.2)	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(10.2)	(1.8)	0.0	0.0	0.0	0.0	1.0	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory provision for the financing of capital investment	10.3	0.0	0.0	0.0	0.0	0.0	0.0	(10.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure charged against the General Fund and HRA balances	21.9	0.0	0.0	0.0	0.0	0.0	0.0	(21.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Usable reserves (£m)						Unusable reserves (£m)								
	General Fund	HRA	EARMARKED RESERVES BALANCE	CAPITAL RECEIPTS RESERVE	CAPITAL GRANTS UNAPPLIED	MAJOR REPAIRS RESERVE	REVALUATION RESERVE	CAPITAL ADJUSTMENT ACCOUNT	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED	COLLECTION FUND ADJUSTMENT ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT	Total
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	13.2	0.0	0.0	0.0	(13.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	0.0	0.0	0.0	27.7	0.0	0.0	(27.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14.9	5.2	0.0	(5.4)	0.0	0.0	0.0	0.0	(14.7)	0.0	0.0	0.0	0.0	0.0	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	8.5	0.0	0.0	0.0	(8.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0.0	(1.5)	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversal of Major Repairs Allowance credited to the HRA	0.0	11.0	0.0	0.0	0.0	(11.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Usable reserves (£m)						Unusable reserves (£m)								
	General Fund	HRA	EARMARKED RESERVES BALANCE	CAPITAL RECEIPTS RESERVE	CAPITAL GRANTS UNAPPLIED	MAJOR REPAIRS RESERVE	REVALUATION RESERVE	CAPITAL ADJUSTMENT ACCOUNT	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED	COLLECTION FUND ADJUSTMENT ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT	Total
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	10.4	0.0	(10.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	0.0	0.0	0.0	0.0	(0.0)
Revel of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51.8)	(1.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	53.2	0.0	0.0	0.0	0.0
Employer's pensions contributions and direct payments to pensioners payable in the year	42.9	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(44.6)	0.0	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	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0

	Usable reserves (£m)						Unusable reserves (£m)								
	General Fund	HRA	EARMARKED RESERVES BALANCE	CAPITAL RECEIPTS RESERVE	CAPITAL GRANTS UNAPPLIED	MAJOR REPAIRS RESERVE	REVALUATION RESERVE	CAPITAL ADJUSTMENT ACCOUNT	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED	COLLECTION FUND ADJUSTMENT ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT	Total
Amount by which council tax and NDR income credited to the CIES is different from council tax and NDR income calculated in accordance with statutory requirements	(31.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.5	0.0	0.0
Surplus or deficit on revaluation of Property, Plant and Equipment assets	0.0	0.0	0.0	0.0	0.0	0.0	(80.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(80.0)
Actuarial gains/losses on pension assets and liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	194.2	0.0	0.0	0.0	194.2
Statutory transfer of Dedicated Schools Grant deficit to Dedicated Schools Grant Adjustment Account	(10.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.5	0.0
Earmarked reserve transfers	77.8	(2.7)	(75.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Surplus) or deficit on the provision of services	(39.7)	42.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0
Opening balance 2020/21	(15.1)	(1.4)	(283.1)	(11.7)	(75.5)	0.0	(591.4)	(694.7)	(3.2)	16.2	660.2	6.4	3.2	0.0	(990.1)
Closing balance 2020/21	(15.1)	(1.4)	(358.2)	(7.1)	(61.0)	(0.6)	(663.1)	(679.1)	(17.9)	15.3	863.0	7.1	34.7	10.5	(872.9)

Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2021

2019/20			2020/21
£m		Notes	£m
	Dealings with members, employers and others directly involved in the fund		
(60.0)	Contributions	7	(60.9)
(5.2)	Transfers in from other pension funds	8	(5.9)
(65.2)			(66.8)
47.9	Benefits	9	42.3
6.2	Payments to and on account of leavers	10	5.3
54.1			47.6
(11.1)	Net (additions)/withdrawals from dealings with members		(19.2)
3.8	Management expenses	11	4.2
(7.3)	Net (additions)/withdrawals including management expenses		(15.0)
	Returns on investments		
(1.2)	Investment income	12	(0.7)
0.0	Taxes on income	13	0.0
34.1	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(176.0)
32.9	Net return on investments		(176.8)

25.6	Net (increase)/decrease in the net assets available	(191.7)
	for benefits during the year	
(864.6)	Opening net assets of the scheme	(839.0)
(838.9)	Closing net assets of the scheme	(1,030.8)

Net Assets Statement

31 March 2020			31 March 2021
£m		Notes	£m
835.3	Investment assets	14	1,032.3
835.3			1,032.3
4.0	Current assets	20	1.5
0.0	Non-current assets	20	0.0
(0.4)	Current liabilities	21	(3.1)
839.9	Net assets of the fund available to fund benefits at the end of the reporting period		1,030.7

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2021 but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19.

Notes to the Brent Pension Fund accounts

1. Description of Fund

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

The following description of the Fund is a summary only.

a) General

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

b) Membership

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

Organisations participating in the Brent Pension Fund include:

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

There were 41 employer organisations with active members within the Brent Pension Fund at 31 March 2021, listed below:

Scheduled bodies

London Borough of Brent

Alperton Community School

ARK Academy

ARK Elvin Academy

ARK Franklin Academy

Braintcroft Primary School

Capital City Academy
Claremont High School Academy
Compass Learning Partnership
Convent of Jesus & Mary Language College
Crest Academy
Furness Primary School
Gladstone Park Primary School
Kingsbury High School
Manor School
Michaela Community School
North West London Jewish Day School
Oakington Manor Primary School
Our Lady of Grace RC Infants School
Our Lady of Grace RC Juniors School
Preston Manor High School
Queens Park Community School
St Andrews and St Francis School
St Gregory's RC High School
St Margaret Clitherow School
Sudbury Primary School
The Village School
Wembley High Technology College
Woodfield School Academy

Admitted bodies

Apleona HSG Ltd (previously Bilfinger originally Europa Facility Services Limited)
Barnardos
Caterlink
Conway Aecom
Edwards and Blake
Local Employment Access Project (LEAP)

National Autistic Society (NAS)

Ricoh UK

Sudbury Neighbourhood Centre

Taylor Shaw

Veolia

Veolia (Ground Maintenance)

31 March 2020 Brent Pension Fund

31 March 2021

40	Number of employers with active members	41
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Number of employees in scheme

5,239	Brent Council	4,457
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1,834	Other employers	1,928
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7,073	Total	6,385
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Number of pensioners

6,320	Brent Council	6,157
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666	Other employers	703
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6,986	Total	6,860
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Deferred pensioners

7,928	Brent Council	8,035
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1,151	Other employers	1,438
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9,079	Total	9,473
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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 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The

last such valuation was at 31 March 2019. During 2020/21, the most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% of pensionable pay.

d) Benefits

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

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

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, 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 10 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 pensions' administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

g) Investment management expenses

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

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

Net Assets Statement

h) Financial assets

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

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

i) Market-quoted investments

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

ii) Fixed interest securities

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

iii) Unquoted investments

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

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

iv) Limited partnerships

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

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are

accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Contingent Assets

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

j) Foreign currency transactions

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

k) Derivatives

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

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

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

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

o) Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 22).

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities and infrastructure investments at 31 March 2021 was £81m (£84m at 31 March 2020).

Pension fund liability

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

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

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

The items in the Net Assets Statement at 31 March 2021 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 (Note 19)	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 £185m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £10m, and a one-year increase in assumed life expectancy would increase the liability by around 3 to 5%.
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 £81m. There is a risk that this investment may be under- or overstated in the accounts.
Effect of Coronavirus	Due to the uncertainties in the	There is a risk that this investment

pandemic on investment valuations	financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation of the Fund's level 3 investments may be affected and the valuations may be mis-stated. The Fund's private equity and infrastructure investments are usually valued in the accounts based on the 31st December valuations, with adjustments to roll forward cashflows to 31st March as appropriate and therefore do not fully take into account recent events relating to the COVID-19 pandemic.	may be under- or overstated in the accounts. The Fund's investment advisors estimate this to be up +/- 27.1% of the reported value. Further detail is provided in note 17.
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6. Events after the Reporting Date

There have been no events since 31 March 2021, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions receivable

By category

	2019/20	2020/21
	£m	£m
Employees' contributions	8.5	9.5
Employers' contributions:		
Normal contributions	45.6	47.4
Deficit recovery contributions	1.7	1.7
Augmentation contributions	4.3	2.3
Total employers' contributions	51.6	51.4
Total	60.1	61.0

By authority

	2019/20	2020/21
	£m	£m
Administering Authority	47.8	47.9
Scheduled bodies	10.3	11.6
Admitted bodies	1.8	1.5

Total	59.9	60.9
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8. Transfers in from other pension funds

	2019/20	2020/21
	£m	£m
Individual transfers	5.2	5.9
Total	5.2	5.9

9. Benefits payable

By category

	2019/20	2020/21
	£m	£m
Pensions	38.6	37.5
Commutation and lump sum retirement benefits	8.5	4.1
Lump sum death benefits	0.8	0.7
Total	47.9	42.3

By authority

	2019/20	2020/21
	£m	£m
Administering Authority and Scheduled bodies	47.4	42.1
Admitted bodies	0.5	0.2
Total	47.9	42.3

10. Payments to and on account of leavers

	2019/20	2020/21
	£m	£m
Individual transfers	5.9	5.0
Refunds to members leaving service	0.3	0.3

Group transfers	0.0	0.0
Total	6.2	5.3

11. Management Expenses

	2019/20	2020/21
	£m	£m
Administration costs	1.1	1.8
Investment management expenses	2.4	2.2
Oversight and Governance costs	0.3	0.2
Other expenses	0.0	0.0
Total	3.8	4.2

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £32.8k (£25k 2019/20).

a) Investment management expenses

	2019/20	2020/21
	£m	£m
Management fees	2.3	2.1
Custody fees	0.0	0.1
One-off transaction costs	0.0	0.0
Total	2.3	2.2

Fund Manager	2020/21 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Aviva	0.0	0.0	0.0	0.0
Alinda	0.3	0.3	0.0	0.0
Capital Dynamics	0.5	0.5	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Ruffer	0.4	0.4	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
Total	2.2	2.1	0.1	0.0

Fund Manager	2019/20 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Aviva	0.0	0.0	0.0	0.0
Alinda	0.6	0.6	0.0	0.0
Capital Dynamics	0.6	0.6	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV Emerging Markets	0.1	0.1	0.0	0.0
LCIV Baillie Gifford DGF	0.3	0.3	0.0	0.0
LCIV Ruffer	0.4	0.4	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0

Northern Trust (Fund Custodian)	0.0	0.0	0.0	0.0
Cash	0.1	0.0	0.1	0.0
Total	2.3	2.2	0.1	0.0

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability {see Appendix A, paragraph AG13 of IAS 39}. An incremental cost is one that would not have been incurred if the authority had not acquired, issued or disposed of the financial instrument.

12. Investment income

	2019/20	2020/21
	£m	£m
Dividend income private equities/infrastructure	0.5	0.4
Income from Pooled property investments	0.1	0.0
Income from private equities/infrastructure	0.3	0.2
Interest on cash deposits	0.3	0.1
Total	1.2	0.7

13. Taxes on income

	2019/20	2020/21
	£m	£m
Withholding tax	0.0	0.0
Total	0.0	0.0

14. Investments

	Market value 31 March 2020	Market value 31 March 2021
	£m	£m
Investment assets		
Pooled investments	697.0	897.4
Pooled property investments	0.1	0.0

Private equity/infrastructure	84.3	81.1
Total investments	781.4	978.5

14a) Investments 20/21

	Market value 1 April 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2021
	£m	£m	£m	£m	£m
Pooled investments	697.0	68.0	(57.3)	189.7	897.4
Pooled property investments	0.1	0.0	0.0	(0.1)	0.0
Private equity/infrastructure	84.3	19.2	(9.0)	(13.4)	81.1
	781.4	87.2	(66.3)	176.2	978.5
Other investment balances: Cash Deposit	53.9				53.8
Investment income due	0.0				0.0
Net investment assets	835.3				1,032.3

Investments 19/20

	Market value 1 April 2019	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2020
	£m	£m	£m	£m	£m
Pooled investments	737.7	0.0	(1.2)	(39.5)	697.0
Pooled property investments	0.2	0.0	(3.3)	3.2	0.1
Private equity/infrastructure	95.0	3.2	(16.1)	2.2	84.3
	832.9	3.2	(20.6)	(34.1)	781.4
Other investment balances: Cash Deposit	23.5				53.9

Investment income due	0.0	0.0
Net investment assets	856.4	835.3

14b) Analysis of investments by category

	31 March 2020	31 March 2021
	£m	£m
Pooled funds - additional analysis		
UK		
Fixed income unit trust	30.6	42.8
Unit trusts	212.1	191.9
Diversified growth funds	160.9	221.5
Overseas		
Unit trusts	293.4	441.2
Total Pooled funds	697.0	897.4
Pooled property investments	0.1	0.0
Private equity/infrastructure	84.3	81.1
Total investments	781.4	978.5

14c) Investments analysed by fund manager

Market value

31 March 2020			31 March 2021		
£m	%		£m	%	
387.5	49.6%	Legal & General	501.1	51.2%	
0.2	0.0%	London CIV	0.2	0.0%	

25.2	3.2%	JP Morgan	48.8	5.0%
59.2	7.6%	Capital Dynamics	46.2	4.7%
110.8	14.2%	LCIV - Baillie Gifford	130.7	13.4%
50.1	6.4%	LCIV - Ruffer	90.8	9.3%
30.6	3.9%	LCIV- MAC (CQS)	42.8	4.4%
0.5	0.1%	LCIV - Infrastructure	11.8	1.2%
0.1	0.0%	Aviva	0.0	0.0%
24.6	3.1%	Alinda	23.1	2.4%
92.6	11.9%	Blackrock	83.0	8.5%
781.4	100.0		978.5	100.0

The following investments represent over 5% of the net assets of the fund. All of these companies are registered in the United Kingdom.

Security	Market value 31 March 2020	% of total fund	Market value 31 March 2021	% of total fund
L&G - Global Equities	293.4	35.1%	441.2	42.7%
L&G - UK Equities	94.1	11.3%	59.9	5.8%
Blackrock - Over 15 year Gilts	92.6	11.1%	83	8.0%
LCIV - Baillie Gifford DGF	110.8	13.3%	130.7	12.7%
LCIV - Ruffer DGF	50.1	6.0%	90.8	8.8%
Cash	53.9	6.5%	53.8	5.2%

d) Stock lending

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

15a. Valuation of financial instruments carried at fair value

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

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

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with our independent investment advisor, the fund has determined that the valuation methods described above are likely to be accurate to

within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Assessed valuation range (+/-)	Value at 31 March 2021	Value on increase	Value of decrease
		£m	£m	£m
Private equity/ Infrastructure	27.1%	81.1	103.0	59.2

15b. Fair value hierarchy

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

Level 1

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

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

Level 2

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

Level 3

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

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

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

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

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	0.0	897.4	81.1	978.5
Loans and receivables	53.8	0.0	0.0	53.8
Total Financial assets	53.8	897.4	81.1	1,032.3
Financial liabilities				
Financial liabilities at amortised cost	(3.1)	0.0	0.0	(3.1)
Total Financial liabilities	(3.1)	0.0	0.0	(3.1)
Net Financial assets	50.7	897.4	81.1	1,029.2

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	0.0	697.1	84.3	781.4
Loans and receivables	53.9	0.0	0.0	53.9
Total Financial assets	53.9	697.1	84.3	835.3
Financial liabilities				
Financial liabilities at amortised cost	(0.4)	0.0	0.0	(0.4)
Total Financial liabilities	(0.4)	0.0	0.0	(0.4)
Net Financial assets	53.5	697.1	84.3	834.9

15c. Transfers between Levels 1 and 2

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

15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2020	84.3
Transfers into Level 3	0
Transfers out of Level 3	0
Purchases	19.2
Sales	(9.0)

Issues	0
Settlements	0
Unrealised gains/losses	0
Realised gains/losses	(13.4)
Value at 31 March 2021	81.1

16. Classification of financial instruments

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

31 March 2020			31 March 2021		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
Financial assets					
697.0			Pooled investments	897.4	
0.1			Pooled property investments	0.0	
84.3			Private equity/infrastructure	81.1	
	53.9		Cash		53.8
	4.0		Debtors		1.5
781.4	57.9	0.0	Total Financial assets	978.5	55.3
Financial liabilities					
		(0.4)	Creditors		(3.1)
0	0	(0.4)	Total Financial liabilities	0	0
					(3.1)

781.4	57.9	(0.4)	Net Financial assets	978.5	55.3	(3.1)
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a) Net gains and losses on financial instruments

31 March 2020		31 March 2021
£m		£m
	Financial assets	
(34.1)	Fair value through profit and loss	176.1
(34.1)	Total	176.1

b) Fair value of financial instruments and liabilities

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

31 March 2020			31 March 2021		
Carrying Value	Fair Value		Carrying Value	Fair Value	
£m	£m		£m	£m	
		Financial assets			
781.4	781.4	Fair value through profit and loss	978.5	978.5	
57.9	57.9	Loans and receivables	55.3	55.3	
839.3	839.3	Total financial assets	1,033.8	1,033.8	
		Financial liabilities			
(0.4)	(0.4)	Financial liabilities at amortised cost	(3.1)	(3.1)	

		Total financial		
(0.4)	(0.4)	liabilities	(3.1)	(3.1)

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

17. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period (based on data as at 31 March 2021 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. Some of these sensitivities have risen significantly compared to last year. This reflects the prevailing volatility in the markets since the global outbreak of coronavirus. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Other price risk – sensitivity analysis

Asset Type	31/03/2021 Value (£m)	Potential market movements (+/-)
Bonds	125.8	7.3%
Equities	550.1	17.9%
Other Pooled investments	221.5	11.4%
Pooled Property investments	0	15.0%
Private Equity/Infrastructure	81.1	27.1%

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

Asset Type	31/03/2021 Value (£m)	Potential value on increase	Potential value on decrease
Bonds	125.8	135.0	116.6
Equities	550.1	648.6	451.6
Other Pooled investments	221.5	246.8	196.2
Pooled Property investments	0.0	0.0	0.0
Private Equity/Infrastructure	81.1	103.0	59.2
Total	978.5	1,133.4	823.6

Interest rate risk exposure asset type

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 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2020	31 March 2021
	£m	£m
Cash balances	53.9	53.8
UK Fixed income unit trust	30.6	42.8
Total	84.5	96.6

Asset type	Carrying amount as at 31 March 2021	+100BPS	-100BPS
	£m	£m	£m

Cash balances	53.8	0.5	(0.5)
UK Fixed income unit trust	42.8	0.4	(0.4)
Total	96.6	0.9	(0.9)

Asset type	Carrying amount as at 31 March 2020	+100BPS	-100BPS
	£m	£m	£m
Cash balances	53.9	0.5	(0.5)
UK Fixed income unit trust	30.6	0.3	(0.3)
Total	84.5	0.8	(0.8)

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 2021 and as at the previous period end:

Currency risk exposure – asset type	Asset value at 31 March 2020	Asset value at 31 March 2021
	£m	£m
Overseas unit trusts	293.4	441.2
Overseas pooled property investments	0.1	0.0
Overseas private equity/infrastructure	84.3	81.1
Total overseas assets	377.8	522.3

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

Assets exposed to currency rate risk	Asset value as at		
	31 March 2021	+1%	-1%
	£m	£m	£m
Overseas unit trusts	441.2	4.4	(4.4)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure	81.1	0.8	(0.8)
Total	522.3	5.2	(5.2)

Assets exposed to currency rate risk	Asset value as at		
	31 March 2020	+1%	-1%
	£m	£m	£m
Overseas unit trusts	293.4	2.9	(2.9)
Overseas pooled property investments	0.1	0.0	(0.0)
Overseas private equity/infrastructure	84.3	0.8	(0.8)
Total	377.8	3.7	(3.7)

b) Credit risk

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

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

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

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £53.8m (31 March 2020: £54.0m). This was held with the following institutions:

	Rating	Balances as at 31 March 2020 £m	Balances as at 31 March 2021 £m
Bank deposit accounts			
NatWest	BBB+	0.8	0.9
Northern Trust		0.1	0.1
Money Market deposits	A+	53.1	52.8
Other short-term lending			
Local authorities		0.0	0.0
Total		54.0	53.8

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 2021 the value of illiquid assets was £81.1m, which represented 7.9% (31 March 2020: £84.4m, which represented 10.1%) 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 2021 are due within one year.

Liquidity Risk

	31-Mar-20		31-Mar-21	
	£m	%	£m	%
Pooled investments	697.0	83.4%	897.4	86.9%
Cash deposits	53.9	6.5%	53.8	5.2%
Investment income due	0.0	0.0%	0.0	0.0%
Total liquid investments	750.9	89.9%	951.2	92.1%
Pooled property investments	0.1	0.0%	0.0	0.0%
Private Equity/Infrastructure	84.3	10.1%	81.1	7.9%
Total illiquid investments	84.4	10.1%	81.1	7.9%
Total investments	835.3	100.0%	1,032.3	100%

d) Refinancing risk

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

18. Funding arrangements

In line with the LGPS Regulations 2013, 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 2019. The next valuation will take place as at 31 March 2022.

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; and

- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years from 1 April 2019 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 2019 actuarial valuation the Fund was assessed as 78% funded, which is a significant improvement to the 55% valuation at the 2016 valuation. This corresponded to a deficit of £248m (2016 valuation: £562m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 19 years from April 2019.

Contribution increases or decreases may be phased in over the three-year period beginning 31 March 2020 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2019/20	35.0%
2020/21	35.0%
2021/22	35.0%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 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 2019 actuarial valuation were as follows:

Discount rate	4.4% p.a.
Pay increases	2.6% p.a.
Pension increases	2.3% 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	22.1 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. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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.

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2021 was £1,917m (31 March 2020: £1,489m). This figure includes both vested and non-vested benefits, although the latter is assumed to have a negligible value. 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 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Financial assumptions

Inflation/pensions increase rate	2.85%
----------------------------------	-------

Salary increase rate	3.15%
Discount rate	2.00%

Longevity assumption

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

	Males	Females
Current pensioners	22.3 years	24.7 years
Future pensioners*	23.5 years	26.2 years

* Future pensioners are assumed to be currently aged 45

Commutation assumption

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

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	171
0.5% p.a. increase in the Salary Increase Rate	1%	10
0.5% p.a. decrease in the discount rate	10%	185

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

20. Assets

a) Current assets

	31 March 2020	31 March 2021
	£m	£m
Debtors:		
- Contributions due – employees	0.7	0.2
- Contributions due – employers	2.9	0.7
- Sundry debtors	0.5	0.6
Total	4.1	1.5

Analysis of debtors

	31 March 2020	31 March 2021
	£m	£m
Central government bodies	0.5	0.6
Other local authorities	3.5	0.9
Other entities and individuals	0.1	0.0
Total	4.1	1.5

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

21. Current liabilities

	31 March 2020	31 March 2021
	£m	£m
Group transfers	0.0	0.0
Sundry creditors	0.4	3.1
	0.4	3.1

Analysis of creditors

	31 March 2020	31 March 2021
	£m	£m
Central government bodies	0.0	0.0

Other entities and individuals	0.4	3.1
Total	0.4	3.1

22. Additional voluntary contributions

	Market value 31 March 2020	Market value 31 March 2021
	£m	£m
Clerical Medical	1.3	1.3
Equitable Life	0.2	0.2
Prudential	0.3	0.3
	1.8	1.8

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

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

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

23. Related party transactions

Brent Council

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

The Council incurred costs of £1.12m (2019/20: £0.997m) 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 £37.3m to the Fund in 2020/21 (2019/20: £33.7m).

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

The key management personnel of the fund are the Chief Executive, the Director of Legal & HR, the Chief Finance Officer (s.151 officer) and the Head of Finance (Pensions). The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below:

	31st March 2020	31st March 2021
	£m	£m
Short Term Benefits	0.039	0.038
Post Employment Benefits	0.011	0.012
Termination Benefits	0.000	0.000
Total Remunerations	0.050	0.050

24. Contingent liabilities

Outstanding capital commitments (investments) at 31 March 2021 totalled £58.4m (31 March 2020: £76.0m).

	31st March 2020	31st March 2021
	£m	£m
Capital Dynamics	13.9	12.6
Alinda Fund II	3.1	2.5
Alinda Fund III	9.5	5.7
London CIV Infrastructure Fund	49.5	37.6
Total	76.0	58.4

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.

25. Contingent Assets

Contingent assets

Two 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.

	31st March 2020	31st March 2021
	£m	£m
Apleona HSG Limited (previously Bilfinger)	0.1	0.1
Conway Aecom	0.1	0.1
Total	0.2	0.2

26. Impairment Losses

The Fund had no impairment losses at 31 March 2021.

Glossary

ACCRUALS

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

BALANCE SHEET

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services. The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

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.

CASH FLOW STATEMENT

Shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the

authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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.

EXPENDITURE AND FUNDING ANALYSIS

The purpose of this statement is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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 (MRP)

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

MOVEMENT IN RESERVE STATEMENT

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

NON DOMESTIC RATE (NDR)

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

OPERATING LEASES

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

OPERATIONAL ASSETS/NON OPERATIONAL ASSETS

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

PRECEPTS

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

PRIOR YEAR ADJUSTMENTS

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

PRUDENCE

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

REVALUATION RESERVE

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


REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation.

ABBREVIATIONS

ALMO	Arm's Length Management Organisation
ASC	Adult Social Care
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
LBB	London Borough of Brent
LGPS	Local Government Pension Scheme
MHCLG	Ministry of Housing, Communities and Local Government's
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NAIL	New Accommodation for Independent Living
NDR	Non Domestic Rates (also called Business Rates)
PFI	Private Finance Initiative
PWLB	Public Works Loans Board

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 Brent	<p>Audit and Standards Advisory Committee 26 July 2021 Audit & Standards Committee 26 July 2021</p>
	<p>Report from the Director of Legal HR Audit and Investigations</p>
<p>Annual Governance Statement 2020/21</p>	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One Appendix 1: Annual Governance Statement 2020-21
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Michael Bradley, Head of Audit and Investigations 07920 581620 Michael.bradley@brent.gov.uk

1.0 Purpose of the Report

- 1.1. This report sets out the draft Annual Governance Statement (AGS) for 2020/21 as required by the Accounts and Audit Regulations 2015.

2.0 Recommendation

- 2.1 The Audit and Standards Advisory Committee consider and approve the AGS as set out in Appendix 1 of the report for referral and formal approval by the Audit & Standards Committee.

3.0 Detail

- 3.1 The council is required to prepare an Annual Governance Statement and have it approved by the relevant Committee. The statement must be signed prior to the signing of the accounts. The statement must be signed by the Chief Executive and Leader of the Council.

- 3.2 CIPFA produced a refreshed framework document in 2016 setting out how local authorities could comply with the requirements to conduct a review and produce the Annual Governance Statement.
- 3.3 The guidance determines that the Annual Governance Statement should “provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of governance structures involved. It should be high level, strategic and written in an open and readable style.”
- 3.4 The seven core governance principles, applicable from 2016/17, are as follows:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - B. Ensuring openness and comprehensive stakeholder engagement;
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
 - F. Managing risks and performance through robust internal control and strong public financial management, and
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.5 The review of effectiveness is an ongoing process involving officers responsible for key elements of the governance framework as well as members of the Corporate Governance Group, who throughout the year have oversight of governance related issues.
- 3.6 The final part of the statement covers significant governance issues relating to 2020/21. There is one item that has been identified that arose this reporting year.
- 3.7 The following factors should be considered in determining significant issues:
- The issue has seriously prejudiced or prevented the achievement of a principal objective;
 - The need to seek additional funding or divert funding to resolve the issue;
 - The issue has had a material impact on the accounts;
 - The issue has attracted significant public interest or has damaged the reputation of the organisation, or
 - The issue has resulted in formal action being taken by a Statutory Officer.

4.0 Financial Implications

4.1 None

5.0 Legal Implications

5.1 The Accounts and Audit Regulations 2015 require the council to prepare an annual governance statement and have this reviewed by a committee.

6.0 Equality Implications

6.1 None

7.0 Consultation with Ward Members and Stakeholders

7.1 None

Report sign off:

Debra Norman

Director of Legal HR Audit and Investigations

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Brent Council Annual Governance Statement 2020/21

1. Scope of Responsibility

- 1.1 Brent Council ('The Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council is responsible for ensuring that there is a sound system of governance (incorporating the system of internal control). This includes group activities.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken each year by the Director of Legal HR Audit & Investigations. A copy of the Council's code is contained in part 5 of the Council's Constitution and can be found on our website:

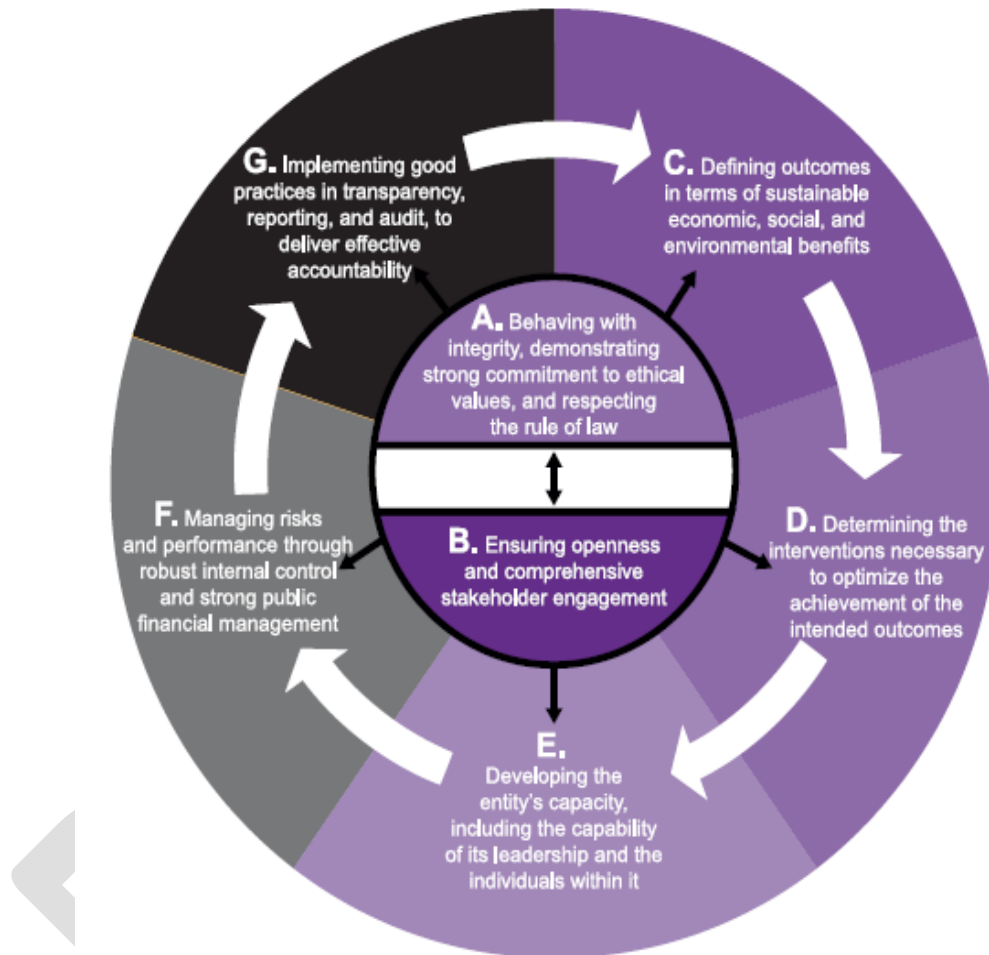
<https://www.brent.gov.uk/search?q=constitution>
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1b), which requires all relevant bodies to prepare an annual governance statement. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.2 The governance framework has been in place for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

3. The Governance Framework

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are based on the seven core principles of the CIPFA/SOLACE Governance Framework.
- 3.2 The arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.



3.3 **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 3.3.1 The Constitution sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution comprises six parts which set out the basic rules for governing the Council's business, as well as detailed procedures and codes of practice.
- 3.3.2 The Constitution is regularly reviewed and was last updated in February 2021 and April 2021. The Constitution sets out the responsibilities of both members and officers. In particular, the Council has identified the following six statutory posts:

Legislation	Statutory Post	Officer
S4 Local Government and Housing Act 1989	Head of Paid Service	Chief Executive
Section 151 Local Government Act 1972	Section 151	Director of Finance
S5 Local Government and Housing Act 1989	Monitoring Officer	Director of Legal, HR , Audit & Investigations
S18 Children Act 2004	Director of Children's Services	Strategic Director Children and Young People
S6 Local Authority Social Services Act 1972	Director of Adult Social Services	Strategic Director Community and Wellbeing
Health and Director of Public Health Social Care Act 2012	Health and Director of Public Health Social Care	Director of Public Health

3.3.3 A Scheme of Delegation sets out the powers delegated to officers as part of the Constitution. The Financial Regulations are also part of the Constitution, together with the Code of Corporate Governance and the Contract Standing Orders. Changes to the Constitution (other than minor changes which can be approved by the Director of Legal, HR, Audit & Investigations) are approved by the full Council and published on the external website.

3.3.4 The Member Code of Conduct is set out in the Constitution, together with other codes. These are included in the annual constitutional review.

3.3.5 A register of member interests and gifts and hospitality is maintained.

3.3.6 All Councillors receive training on the requirements of the Code of Conduct and related issues. Monitoring Officer Advice Notes give advice to members on decision making and standards of conduct.

3.3.7 All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. Strategic Directors, Operational Directors and Heads of Service are responsible for monitoring implementation of the Council's policies.

3.3.8 The Council has a number of key governance related policies. Officers are made aware of their responsibilities through general communications, such as Weekly Round Up, manager briefings, staff events and via the induction process.

3.4 **Principle B: Ensuring openness and comprehensive stakeholder engagement**

3.4.1 The Strategy and Partnerships service area is responsible for supporting statutory local partnership arrangements (Health and Wellbeing Board, Safeguarding Adults and Children Boards and Children's Trust) and some non-statutory partnerships such as a new model of collaboration adopted to work with the voluntary and community sector through a network of Thematic Leads across the borough. The Strategic Partnerships team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private, voluntary sector organisations and faith groups. The Council incorporates good governance arrangements in respect of partnerships and other joint working and ensures that they are reflected across the authority's overall governance structures.

- 3.4.2 At a service area level, the objectives of partnerships are documented in the Service Plans and within contract documentation. They are then reflected in staff's individual objectives.
- 3.4.3 Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality and diversity impacts of proposed decisions. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management. The council has recently adopted a Black Community Action Plan in response to the recent heightened concerns.
- 3.4.4 Consultation and engagement with residents, stakeholders and the wider community is integral to the Council's decision-making approach and processes, ensuring that a wide and diverse range of views are heard. A range of methods and techniques are utilised including the Council's Consultation Portal, quarterly Brent Connects public forum and a series of 'Time to Talk' events, as well as participation in engagements led by the voluntary sector
- 3.5 Principle: Defining outcomes in terms of sustainable economic, social and environmental benefits**
- 3.5.1 The Council has a Borough Plan for the period of 2019 to April 2023 agreed by the Cabinet and Full Council. This document includes the corporate objectives of the Council and our shared partnerships priorities with other public agencies. Key performance indicators which relate to the targets in the plan are monitored on an annual basis and reported to CMT and the Cabinet. The Borough Plan references other key relevant documents, such as the Community Engagement Strategy and the Digital Strategy.
- 3.5.2 The Borough Plan is available on the staff intranet and will be regularly promoted via Brent Magazine, its website, press releases and targeted campaigns. All new strategies and plans will be underpinned by the Borough Plan's themes and annual priorities – which are consulted on with users and other relevant stakeholders. Departmental Service Plans are discussed annually with Lead Members prior to finalisation.
- 3.6 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**
- 3.6.1 The Borough Plan is focused on Building a Better Brent. It sets out the Council's vision for 2023, which is to make Brent a borough of culture, empathy and shared prosperity. It is underpinned by an annual Delivery Plan which identifies the key tasks from which team plans and individual objectives are set.
- 3.6.2 The vision sets out how the Council will build on the successes achieved to-date while developing a much sharper focus on services designed around the individual and creating better outcomes for those residents with complex circumstances. The plan highlights the need to concentrate resources on the things that matter the most, and use resources in the most effective way. Borough Plan priorities are aligned to both the demographic and economic needs profile of the borough and the findings from the community engagement activities. A programme of activity is in place to support delivery of this vision with reports on progress provided regularly to CMT and elected Councillors.
- The Cabinet consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Council Management Team reviews corporate risks through regular monitoring reports. Risks are identified within Service Plans and considered on a regular basis within departmental management teams and key operational risks are reported through to the Corporate Management Team. A recent review of the effectiveness of

the Risk Management approach established that risk is well understood across all levels of management.

3.7 Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

3.7.1 A full member learning and development programme is in place and there is a comprehensive induction programme for all Councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory. The Council has adopted specific codes of conduct for Councillors involved in planning or licensing decision-making and these Councillors receive additional training in these areas as a pre-condition of their participation. Entitlement to special responsibility allowances for some posts is dependent on mandatory training being attended. A bespoke annual learning and development programme is provided for Councillors appointed as Members or Substitutes on the Scrutiny, Planning and Alcohol and Entertainment Licensing Committees.

3.7.2 We have a comprehensive e-learning offer for knowledge, skills and personal development and various internal training courses. Key initiatives for the next year include a further Middle Manager Development programme cohort, further work to embed succession planning and leadership development. There is a corporate induction programme in place for staff, which is a combination of e-learning and face-to-face activities. Key information and policies are highlighted to new staff and managers and held on the intranet. Regular communication through annual roadshow events and other channels are maintained to advise staff of new learning opportunities. Additionally, our bi-annual 'Forward Together' events, provide an opportunity for staff to come together to engage with issues and opportunities facing the Council as a whole and to understand how their work fits with Council priorities

3.7.3 Departments also design and deliver development programmes specific to their individual needs. For example, in CWB, development exists on three levels. Staff take part in the corporate training and development programme, including mandatory courses. CWB also delivers three programmes: mentoring - available to staff at all levels; a 'Making Every Contact Counts' training programme designed to support professionals to provide holistic support to their customers, and 'Leadership for Making Every Contact Counts' for first line managers to embed the MECC approach into all teams. Finally, all areas also focus on service-specific professional training.

3.7.4 The Council has a comprehensive Succession Planning and Leadership programme to develop middle managers and identify those staff who have the potential to attain senior posts. In addition as part of the Black Community Action Plan a series of internal programmes have been developed to ensure those BAME staff have the opportunity play an active role in shaping Council policy.

3.7.5 In November 2019 the Cabinet agreed and investment of £12.5M in its Digital Strategy – 2019 to 2023. The Digital Strategy underpins the Borough Plan supporting the Council and the people of Brent to be digitally confident. From delivering an innovative customer platform where residents can interact with the council to a complete end to end transformation of the Council's housing services the Digital strategy and is ensuring the council remains at the cutting edge of technology and how it's used.

3.8 Principle E: Managing risks and performance through robust internal control and strong public financial management

3.8.1 Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved for Full Council, most are made by the Cabinet or by Committees, sub-Committees or officers. In September 2018 individual member decision-making was introduced in a

limited number of areas, supported by a governance process similar to that for Cabinet decisions. Cabinet members received a briefing about their new responsibilities and the related processes. The new process has worked well and further powers were delegated by the Leader to Individual Cabinet Members from April 2021.

- 3.8.2 All forthcoming Key decisions by Cabinet, Cabinet Members, Cabinet Committees or officers are published in the Council's Forward plan published every month on the Council's website.
- 3.8.3 Reports and minutes of meetings are also published on the Council's website and are available through the Libraries. This includes urgent decisions, which are reported to the next formal meeting of Council.
- 3.8.4 The Council has an Audit and Standards Advisory Committee which meets at least six times during the year, with clear terms of reference and an annual work programme for internal audit, investigations and risk management. The Committee has an independent chair, two co-opted (independent) members in relation to member conduct standards issues and an independent adviser to help ensure it is effective in performing its duties.
- 3.8.5 In order to enhance the effectiveness of the Committee, it was re-constituted as an advisory Committee for most of its activities. This has enabled the independent Members to be equal voting members of the Committee.
- 3.8.6 The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit reports to the council's Monitoring Officer, and has direct access to the Chief Executive, the Section 151 Officer and the Chair of the Audit Committee and now the Chair of the Audit and Standards Advisory Committee.
- 3.8.7 Robust business continuity management arrangements exist within the Council, with all critical services having business continuity plans in place.
- 3.8.8 The Council has a three-year Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. The financial management framework includes regular budget monitoring reports to departmental management teams, Council Management Team and Cabinet.
- 3.8.9 The Council has two wholly owned subsidiary companies – i4B Holdings Limited (i4B) and First Wave Housing Limited (FWH). The work of the companies is agreed by the Cabinet through the annual business plan. Progress against delivery is reported to the Council as shareholder/guarantor via a bi-annual meeting and there are also regular reports to the Council's Audit and Standards Advisory Committee. In addition, the work of the companies in delivering Council objectives has been reviewed via the scrutiny process.
- 3.8.10 FWH is limited by guarantee without share capital. The Board of the Company is chaired by an independent voting Director. The Company has a Service Level Agreement (SLA) with the Council to support the Company's operations. Under the SLA, the Council provides corporate services such as: governance services, financial services, and legal services.
- 3.8.11 I4B is limited by shares, providing affordable homes for households who might otherwise be housed in temporary accommodation. The Board of the Company is chaired by an independent voting Director. The Company has a Service Level Agreement (SLA) with Brent to provide a range of services to support the Company's operations such as corporate and financial services; property purchasing and refurbishment and housing management.

- 3.8.12 The Council also has a Shared Technology Service (STS) covering three Councils (Brent, Lewisham and Southwark). A Joint Committee has been established to discharge executive functions on behalf of the three boroughs, in so far as they relate to joint activities or areas of common concern in relation to the provision of ICT infrastructure and related supporting services. An officer management board is also in place.
- 3.8.13 The council also has LGA Digital Services, which is a company limited by shares, jointly owned by the Local Government Association. LGA digital was set up in July 2015 to allow Brent to manage the ICT services for the LGA. Board and governance support is provided by the Council Transformation team. The Board of the Company is chaired by an LGA Head of Service, with remaining members being made up of Council and LGA representatives. Board meetings are held on a quarterly basis.
- 3.8.14 The Council is considering the creation of a funeral service.

3.9 Principle F: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- 3.9.1 The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the Council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met and, where required under Standing Orders, appropriate agreement of the Chief Executive or the relevant Chair of Scrutiny is obtained. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.
- 3.9.2 Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Cabinet receives a briefing (Leader's Briefing) three weeks prior to the Cabinet meeting when members can ask detailed technical questions of officers. All reports must be reviewed and signed-off by, or on behalf of, the Director of Finance and the Director of Legal, HR, Audit & Investigations and contain clear financial and legal advice to help members arrive at decisions.
- 3.9.3 In accordance with the Local Government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Cabinet. These mechanisms involve the Scrutiny process including call-in. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.
- 3.9.4 All members and chief officers are required to complete an annual statement relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.
- 3.9.5 The Brent Council Code of Conduct for Members, reviewed in 2021, defines the standards of conduct expected of elected representatives, based on the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Complaints under the Code are reported to the Audit and Standards Advisory Committee as are details of declared Gifts and Hospitality received by members and the mandatory training they have undertaken.
- 3.9.6 In addition, the following codes, protocols and systems are well established within the Council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.

These include:

- A declaration of interest process for members and officers as described above;

- Organisation-wide performance appraisal and employee development schemes are in operation;
- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements, and
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the Council website.

4. Review of Effectiveness

- 4.1 The Governance Framework is subject to on-going review as part of the everyday business of the organisation. The reduction in resources within the public sector has increased the attention on ensuring that governance frameworks remain efficient and effective. The Council also has responsibility for conducting, at least annually, a formal review of the effectiveness of its governance framework including the system of internal control. This includes group activities where the activities are significant.
- 4.2 The review of effectiveness is informed by the work of the Directors and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Internal Audit and Investigation's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.3 The Council's review of the effectiveness of its system of internal control is informed by:
 - Annual Assurance Opinion of the Head of Internal Audit;
 - Performance against targets;
 - LGA Peer Review, and
 - A review of the previous year's Annual Governance Statement.
- 4.4 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:

4.4.1 Performance Management

The Council has a Performance Management Framework, overseen by the Corporate Performance Team (CPT), within the Chief Executive's Department. The CPT works with Departmental Management Teams to strategically align all the Council's performance monitoring and reporting and coordinate the production of two main reports:

- The Quarterly Performance Report for Cabinet, and
- Portfolio Performance Packs

Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders have regular meetings with Strategic Directors and review finance and performance indicators.

4.4.2 Management

The Council Management team meets fortnightly to oversee the operations of the organisation and receives reports for both challenge and comment prior to formal decision-making processes. Reports will also be presented to provide the required assurances regarding the strategic risks the organisation faces. These include periodic reports from the groups and boards established in the identified high risk areas such as Health and Safety; IT Governance; Business Continuity; Corporate Risk, Information Governance and the Commissioning and Procurement Board. The role and contribution that these groups make is reviewed on an on-going basis.

4.4.3 The Cabinet

The Cabinet makes key decisions in accordance with the Budget and Policy Framework. It conducts joint planning sessions with the Council Management Team to consider the Council's policy priorities and its linkages with the medium term financial strategy. The Cabinet meets regularly with the Council Management Team to develop policy and to receive operational and financial performance information.

4.4.4 Scrutiny Committees

In 2016, Full Council approved a new structure for scrutiny at Brent Council. This was to replace the Scrutiny Committee with the Community and Wellbeing Scrutiny Committee and the Resources and Public Realm Scrutiny Committee. Each of the Committees has discrete responsibilities for scrutinising the Council's executive and covers different parts of the local authority's services. Policy is reviewed by reports discussed at Committee as well as task groups set up to review a particular issue. In addition, a Budget panel, which is chaired by the chair of Resources and Public Realm Scrutiny Committee, was set up. In addition, there is scrutiny of Cabinet members and decision-making at individual Committee meetings of the two Committees. The two Committees have a statutory role in scrutinising policy and decision-making of external organisations and agencies.

4.4.5 The Audit and Standards Advisory Committee

The Audit and Standards Advisory Committee met five times during 2020/21 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual audit letter. The Committee monitors the effective development and operation of risk management. It reviews the annual statement of accounts specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from audits that need to be brought to the attention of the Council. The Audit and Standards Advisory Committee also considers the Treasury Management Strategy and the Annual Investment Strategy and reviews treasury management activity during the year. The Committee is also responsible for a number of matters related to member conduct and has received reports concerning these during the year.

Those matters which come before the Committee which require a formal exercise of Council functions (e.g. approval of accounts) will continue to be made by the Audit and Standards Committee, which will consist of the Councillor membership of the Audit and Standards Advisory Committee.

An exercise has been undertaken to consider the complementary roles of the Scrutiny Committees and the Audit and Standards Committees and how they can best work together. Regular meetings take place between the Chairs of these bodies with a view to considering common issues and co-ordinating forward agenda planning to ensure issues are considered in the appropriate meeting and relevant intelligence is shared between them.

4.4.6 Corporate Governance Group

Set up in 2016, this is an informal, but significant, meeting of the Council's three corporate Statutory Officers together with the Head of Audit and Investigations and the Independent Adviser to the Audit & Standards Advisory Committee. It reviews key governance issues, the results of recent sensitive investigations and similar material in order to update policy and practice as appropriate.

4.4.7 Internal Audit

The Council receives assurance about the effectiveness of the corporate governance, internal control and risk management arrangements from the work of Internal Audit

which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Audit and Investigations to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Audit and Investigations produces an annual report which will be presented to the Audit and Standards Advisory Committee. This report will outline the key findings of the audit work undertaken during 2020/21.

An external quality assessment of the Internal Audit Service carried out during 2018/19, concluded that the Service conformed to the Public Sector Internal Audit Standards. The outcome reflected a professional and successful Internal Audit service commanding a good level of respect and credibility across the Council and seen as a key part in supporting and developing good governance within the Council.

It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence from audit work undertaken in 2020/21, there is reasonable assurance over the adequacy and effectiveness of the Council's overall framework of governance, risk management and control during the financial year 2020/21. Internal Audit did not review all of the wider governance mechanisms described in this report however there was no evidence to suggest any deficiencies in the arrangements described by senior stakeholders in this statement.

4.4.8 External Audit

Grant Thornton UK LLP is the Council's appointed external auditor. As well as an examination of the Council's financial statements, the work of the Council's external auditor includes an assessment of the arrangements the Council have in place to deliver value for money in its use of resources.

The Council ensures that it provides timely support, information and responses to external audit and properly considers audit findings and recommendations.

4.4.9 Risk Management

The Council managed its risks during 2020/21 in accordance with the approved Risk Management Policy. The Corporate Management Team formally considers risks, with quarterly reports also being presented to the Audit and Standards Advisory Committee. A new risk strategy was approved in June 2017. In 2018/19, a review of the effectiveness of the Risk Management approach established that risk is well understood across all levels of management. Connecting risk assessment and management to the Borough Plan will be developed as the corporate risk register evolves.

4.4.10 Developing Capacity

The Council has operated procedures during the period covered by this statement to ensure the training needs of staff are assessed against core competencies and any key training needs are met. Additionally, the Council has provided and makes available ongoing training opportunities to Councillors to enable them to effectively fulfil their duties.

4.4.11 Engagement

Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service.

5. Significant Governance Issues

During 2020/21 no significant governance issues were identified.

The Coronavirus pandemic has necessitated some interim amendments to processes and controls. These are being delivered in a controlled manner with appropriate advice to managers regarding the risk of error and fraud.

Covid Governance

There is a comprehensive and current Major Emergency Plan in place which has been utilised to form the basis of the Council's response

Brent has adopted the standard Gold (Strategic), Silver (Tactical) and Bronze (Operational) emergency management structure to exercise control over the activities of the organisation during the emergency and to keep this under review.

Active strategic management is by the Gold tier of command (Chief Executive) which is responsible for:

- Strategic oversight of the emergency response and a final decision on matters where there are opposing views or competing demands for resource;
- Representing the council at multi-agency Strategic Coordinating Group(s), and
- Setting of strategic aims and objectives including any tactical parameters that Council Silver must follow.

Gold Group is chaired by the Chief Executive who is responsible for ensuring that strategic intent and decisions are both recorded and communicated down the chain of command

The Gold Group:

- Provides collective oversight of the council's response
- Assumes control of areas within their usual remit using normal reporting lines. There is a Silver group link officer.
- Advises Council Gold regarding decisions or actions required where they have particular expertise
- Provides updates to Council Gold Group regarding progress against objectives within their remit
- Can be delegated or co-opted to lead on elements of the response as an extension of their usual remit e.g. Mass Fatalities Coordination Group, Public Communications, Recovery Coordination Group and Humanitarian Assistance Steering Group etc.

Similar arrangements are in place at both Silver and Bronze levels with individual leads, collective responsibilities of the group and individual tasks as necessary

Almost every council service potentially is playing a part during the Covid 19 emergency. In addition to the roles just described above (which are dedicated response roles), staff are undertaking tasks important to successful management of the crisis. Examples include:

- Children's and Adult's Social Care
- ICT
- Facilities Management
- HR

- Housing Needs
- Highways and Environmental Teams
- Transport
- Building Control
- Environmental Health
- Mortuary and Burial Services
- Waste Management
- Contact Centre
- Legal Teams
- Finance.

The crisis has required the Council to be innovative and flexible in releasing funds in a swift and controlled way. Interim processes have been put in place to maximise the benefits to residents and businesses.

Crises like this will inevitably attract individuals who see the opportunity for fraud. All managers have been reminded of the risk of fraud and the various forms it may take. Interim processes are designed with this particular risk in mind.

6. Conclusion and Evaluation

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Brent Council to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address any weaknesses and ensure continuous improvement in the system of internal control.

Signed:

.....
Muhammed Butt


Leader of the Council

.....
Carolyn Downs

Chief Executive

Date:

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	Audit & Standards Advisory Committee 26 July 2021
	Report from the Director of Finance
CIPFA Financial Management Code	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel Director of Finance Tel: 020 8937 4043 Email: Minesh.Patel@brent.gov.uk Rav Jassar Deputy Director of Finance Tel: 020 8937 1487 Email: Ravinder.Jassar@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report is to inform the Audit & Standards Committee of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and outline how the Council will work towards full compliance with the code in 2021/22.

2.0 Recommendation(s)

- 2.1 That the Committee notes the requirements of the CIPFA Financial Management Code.

- 2.2 That the Committee notes the work plan with regards to full compliance with the code in 2021/22.

3.0 Detail

- 3.1 The FM Code was launched in October 2019 as the first professional code for general financial management in local authorities. It sets out the principles by which local authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve.
- 3.2 The FM Code has been introduced because the exceptional financial circumstances faced by local authorities has revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.
- 3.3 The FM Code outlines six principles of good financial management, these six principles are the benchmarks against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these six principles. The underlying six principles that inform the FM Code have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.
1. Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 2. Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 3. Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
 4. Adherence to professional standards is promoted by the leadership team and is evidenced.
 5. Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
 6. The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
- 3.4 The FM Code translates the six principles of good financial management into a series of 17 standards. These 17 standards address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.
- 3.5 The areas covered by the 17 standards are:
- the responsibilities of the chief financial officer and leadership team

- governance and financial management style
 - long to medium-term financial management
 - the annual budget
 - stakeholder engagement and business plans
 - monitoring financial performance
 - external financial reporting.
- 3.6 These 17 financial management standards will have different practical applications according to the different circumstances of each authority and their use should therefore reflect this. The principle of proportionality is embedded within the FM Code and reflects a non-prescriptive approach.
- 3.7 The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. The series of financial management standards set out the professional standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders.
- 3.8 Each local authority must demonstrate that the requirements of the FM Code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team. It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority.
- 3.9 CIPFA considered the ambition within this Code, the timescale and the wider resource challenges facing local authorities. Consequently, the first full year of compliance with the FM Code is 2021/22.
- 3.10 It is for the individual authority to determine whether it meets the 17 standards and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the 17 standards and that they have taken such action as may be necessary to comply with them.
- 3.11 Officers are currently undertaking a full self-assessment against the 17 standards set out in the FM Code to fully understand where the Council is already compliant but to also identify any areas where further improvements can be made to achieve and/or enhance compliance. This will both evidence and demonstrate the Council's direction of travel with regards to achieving full compliance with the FM Code in 2021/22.
- 3.12 The self-assessment, work plan and progress will be presented to the Committee at its next meeting.

4.0 Financial Implications

- 4.1 The financial implications are set out throughout the report.

5.0 Legal Implications

- 5.1 Section 20 and 21 of The Local Audit and Accountability Act 2014 requires auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”.

6.0 Equality Implications

- 6.1 None.

7.0 Consultation with Ward Members and Stakeholders


- 7.1 None.

8.0 Human Resources

- 8.1 None.

Report sign off:

Minesh Patel
Director of Finance
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	Audit and Standards Advisory Committee 26 July 2021
	Report from the Strategic Director of Regeneration and Environment
Emergency Preparedness Update	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Daryl Jooste Civil Contingencies Manager 0208 937 5415 daryl.jooste@brent.gov.uk

1.0 Purpose of the Report

- 1.1 At the January 2018 Audit Advisory committee, it was resolved that an Emergency Preparedness item be added to the forward plan to be discussed annually going forward. This report briefly outlines the progress made since the 2020 report, details the type and number of incidents in Brent and provides some information around initiatives and programmes of work under way to enhance our resilience and response arrangements.

2.0 Recommendation(s)

- 2.1 To consider and note the information contained in this report

3.0 Detail

3.1 New Assurance Mechanism – Resilience Standards for London (RSL)

- 3.1.1 The new Resilience Standards for London (RSL) v1.0 were officially launched in 2019 and detail was provided at the January 2020 Audit & Standards Advisory Committee regarding this new assurance standard. Seven days after the report to committee, the Local Government Association peer challenge team spent three days at Brent examining our alignment with the new standards.

- 3.1.2 Due to the pandemic situation which occurred shortly after the team's visit, the team's findings were delayed in being finalised in a report. The report has now been received and is hugely positive and highlights a number of areas in which Brent is demonstrating leading practice. A few recommendations for consideration were received for consideration.
- 3.1.3 In summary, the recommendations were to enhance the already good relationship with Wembley Park, to ensure that risk registers across the organisation aligned/complemented one another and to explore ways to involve communities into resilience activities. A subsequent action plan to address these has been approved by the Council Management Team.

3.2 Emergency Shelter & Accommodation

- 3.2.1 Since January 2020, Brent has stood by an emergency shelter (Rest Centre) for persons displaced from emergencies on 5 occasions; proceeding to full activation for 3 of these incidents. This is slightly fewer full activations than the typical annual average however, due to the pandemic and the risks of co-mingling households in a communal venue (although permissible by law in an emergency), the decision to avoid opening a rest centre where at all possible and instead place affected homeless residents directly from the scene into hotel accommodation was seen as prudent. This is a strategy that is likely to continue whilst COVID-19 and anxiety about social contact remains.

3.3 New Emergency Response Officers

- 3.3.1 We have just recruited 6 new Emergency Response Officers. These staff volunteer to join the scheme and 2 are placed on call each week to provide the immediate 24/7 response to any incident in the borough under the supervision of the Emergency Duty Officer (also on call 24/7). This takes our total number of trained Emergency Response Officers to 32.

3.4 Incidents

- 3.4.1 There have been 14 incidents since January 2020 (not including the pandemic) that have warranted a response by Emergency Planning. Of those, 11 caused the Silver (senior manager) level to be notified. This demonstrates that Brent's operational arrangements are adequate in dealing with the types of incidents faced to date and align with the UK's Response Doctrine principle of subsidiarity. Gold (Chief Executive/Strategic Director) level was informed in most cases for information and exercised their Gold Functions in 4 instances (for approval of expenditure, setting of strategy and direction of resource). Again, this aligns well with the subsidiarity principle.

A summary table of incidents is below:

04/04/2020	Fire	Brownlow Road, Harlesden	Building Surveyor to scene, Hotel accommodation of 4 households.
17/06/2020	Fire	Thirlmere Gardens	Attended scene. Liaison with Emergency Services and neighbours of affected property to offer assistance and provide advice (elderly couple).
20/06/2020	Fire (fatal)	Nightingale ave - NWPH	Suspected self-immolation. Attended scene, stood by staff, liaison with emergency services and NHS (incident is on NWP Hospital site). HA (Network Homes) provided all accomm
22/07/2020	Murder	Preston Road	Attended scene. Liaison with police (crime scene) – 5 households unable to return, placed into hotel accommodation. Acted as liaison between police and displaced residents with updates until they could return the following day
04/09/2020	Fire	Westfield Close	Attended scene. Liaison with Emergency Services, HA and residents. Temp accom provided in hotel for 3 families (2 families for 2 nights, 1 family for 2 weeks) until repairs made.
19/09/2020	Fire	Kilburn High Rd	Remote liaison with Emergency Services and residents. Temp accomm provided
19/09/2020	Electrical Outage - single property – vulnerable person	Llanover Rd	Phone call to elderly residents, Arranged attendance of UKPN as a priority. Offered alternate accom if needed but ultimately not required due to UKPN priority repair
01/10/2020	Gas leak	Griffin Close	Stood by RC for evacuees, liaison with Emergency Services. Stood down
02/10/2020	Schools bomb threat	Multiple schools	Liaison with schools team re info and updates
04/11/2020	Fire	Florence Court, NW10	Attended scene., Liaised with Emergency Services, HA and residents. RC operated approx 12 hrs and meals provided until residents could return

22/02/2021	Fire	Ivy Road, NW2	Accommodation of 11 people for the night in hotel. Passing on details of property to HMO licensing for investigation of breach of licence. Arranging for Housing Needs team to get in contact with the evacuees.
27/02/2021	Flood and electrical fire	Hereford Hse, NW6	Attended scene with RCM, LALO and BHM rep. Opened RC at SKAO for approx 30 evacs. Provided food and overnight accom for those who couldn't return. Liaison with LFB and utilities
02/06/2021	Suspect WW2 bomb - Barnet	Barnet - new station	Stood by activation team incl vol sector, mapped area and identified vulnerables, stood by hotel, activated RC in advance. Incident stood down after 12 hours, not a bomb
12/07/2021	Surface Water Flooding Kilburn	Cambridge Gardens, NW6	RC and Hotel stood by in case of influx of homeless households. Support to residents who made contact reporting homelessness. Liaison with HA (majority of properties affected) to offer support. Supporting 3 families with accommodation and spending money until HA can arrange to take over. Promotion of RSF to all. Inspection and clearance of Highway and damaged goods for disposal left out by any household in the area. Mental Health support package from CNWL

3.5 Initiatives

- 3.5.1 Community Engagement is an area that progressed since the last report. An opportunity exists to capitalise on the experience and expertise of individuals who worked with Mutual Aid groups established in response to COVID, to involve these individuals into the council's response arrangements, where appropriate. A Community Response Volunteer programme is being explored with the assistance of the council's Volunteer Coordinator to invite residents to volunteer via the Do IT Brent volunteer platform and be trained, in advance, to be called upon to assist with any local emergencies, where appropriate.
- 3.5.2 A package of training for existing and potential venues who act as emergency shelters has been developed to complement the London Faith Networks "Every Place Ready" programme, which encourages local faith venues to make contact with their boroughs Emergency Planning Teams to offer up their facilities for use. Most venues are extremely willing to make their space available and simply require a briefing as to what being an emergency shelter entails in terms of expectations etc. Alongside detailing these expectations, the training also includes risk awareness and resilience preparedness activities to further bolster individual and community resilience.

4.0 Financial Implications

- 4.1 None arising specifically from the report.

5.0 Legal Implications

- 5.1 None arising specifically from the report.

6.0 Equality Implications

- 6.1 None arising specifically from the report.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 N/A

8.0 Human Resources/Property Implications (if appropriate)

- 8.1 N/A

Report sign off:

Alan Lunt

Strategic Director of Regeneration
and Environment

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 Brent	Audit and Standards Advisory Committee 26 July 2021
	Report from the Director of Legal, HR, Audit and Investigations
Corporate Risk Register	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One Appendix 1: Corporate Risk Register
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley, Head of Audit and Investigations Tel: 07920 581620 Email: Michael.bradley@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report provides an update on the Council's Risk Management position and includes an updated Corporate Risk Register. Departmental management teams have carried out a review and re-assessment of their risk registers put together last year.

2.0 Recommendations for Audit and Standards Advisory Committee

- 2.1 Committee to note the current Corporate Risk Register and heat map included at Appendix 1 to this report.

3.0 Detail

3.1 Risk Management Framework

- 3.1.1 The Council's Risk Management Policy and Strategy sets out the general framework for the identification, assessment and management of risk across the organisation. It clearly sets out the roles and responsibilities of key stakeholders within that framework.

3.1.2 Risk management is incorporated into: corporate, directorate, service and financial planning; strategic policy decision making; performance and project management; health and safety, and other relevant activities.

3.1.3 Key elements of the Council's Risk Management Policy and Strategy are:

- risk management is a key element of the Council's governance framework;
- statutory responsibilities exist within the Accounts and Audit Regulations;
- all Members and Officers have responsibility and a role to play in managing risk, and
- effective management of risk will ensure that the organisations objectives, and resulting outcomes, are achieved.

3.2 Corporate Risk Register

3.2.1 The Corporate Risk Register (CRR) records the risks which are considered by senior management to be of high impact and likelihood of materialising and which may have an adverse effect on the achievement of corporate objectives.

3.2.2 The content is provided via a 'bottom-up' provision of risks from services and departments which are deemed to require consideration at the higher level. Additionally, risks are input directly from Council Management Team (CMT).

3.2.3 Continual development of risk registers facilitates opportunities to reduce duplication between departments in identifying and managing overlapping risks whilst providing opportunities for shared learning across the Council.

3.3. Departmental Risk Management

3.3.1 The Risk Management Policy requires departments 'to ensure that operational and strategic risks within departments are effectively managed'.

3.3.2 Specific responsibilities for departments in order to deliver that objective are to:

- maintain departmental risk registers and update risks quarterly, or more frequently if required;
- escalate risks to CMT where risk has escalated to a sufficient level, and
- promote robust risk management within services and teams.

3.3.3 Internal Audit liaise with departments to obtain current versions of their risk register(s). Items within these registers that are represented as being of high impact, and more likely than not to materialise, are added to the CRR for onward discussion.

3.3.4 Internal Audit comment on the completeness and reasonableness of the information provided and use the information to inform their annual and in-year audit planning processes. This helps to ensure that audit resource is effectively targeted at providing assurance on the highest risk areas.

3.3.5 Based on the recently revised departmental risk registers, the Corporate Risk Register has been updated and is presented at Appendix 1.

3.3.6 There are inherent risks which the Council faces which are owned and monitored at Departmental level. These have previously been identified as:

- Safeguarding (Children and Adults);
- Business Continuity;
- Information Governance;
- Legislative Compliance;
- Fraud and Corruption;
- Major Unforeseen Event;
- Financial Stability, and
- Health and Safety.

These risks will be incorporated into the Corporate Risk Register when net or mitigated risk ratings are deemed to be of a level that exceed the appropriate tolerance. During the course of last year's exercise none of these inherent high risks were rated as high risk' although some risks were identified which could potentially have an impact on financial stability.

3.3.7 The main changes to the risk register following this review are:

- Reassessment and update of risk developments and actions to take account of the ongoing impact of the pandemic.
- Removal of the *financial pressures arising from the COVID-19 pandemic* risk. The ongoing impact of this risk has been incorporated in other risks.

New Risks

- **Delays in the re-procurement of key public realm services** - risk of failure to effectively progress the required processes or failure to re-procure one or more contracts relating to the 'Redefining Local Services' programme that could lead to the potential failure to deliver essential public services leading to potential major service disruption, additional cost and loss of reputation.
- **Increase in Dedicated Schools Grant High Needs Block Deficit** - risk that current deficit will continue to rise due to an increase in the number of children needing Education and Health Care Plans. This could have an adverse impact on the ability to meet the needs of pupils who require special education support and the Council's legal obligation to meet the educational needs of children in the borough. There is also has an adverse impact on the ability to meet the DfE's requirement to produce a balanced budget.

4.0 Financial Implications

4.1 There are no specific financial implications arising from this report. Departments assess and manage risks within existing budgets.

5.0 Legal Implications

5.1 All Local Authorities are required to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015:

“A relevant authority must ensure that it has a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective, and

(c) includes effective arrangements for the management of risk.”

6.0 Diversity Implications

None

Report sign off:

Debra Norman

Director of Legal, HR, Audit and Investigations

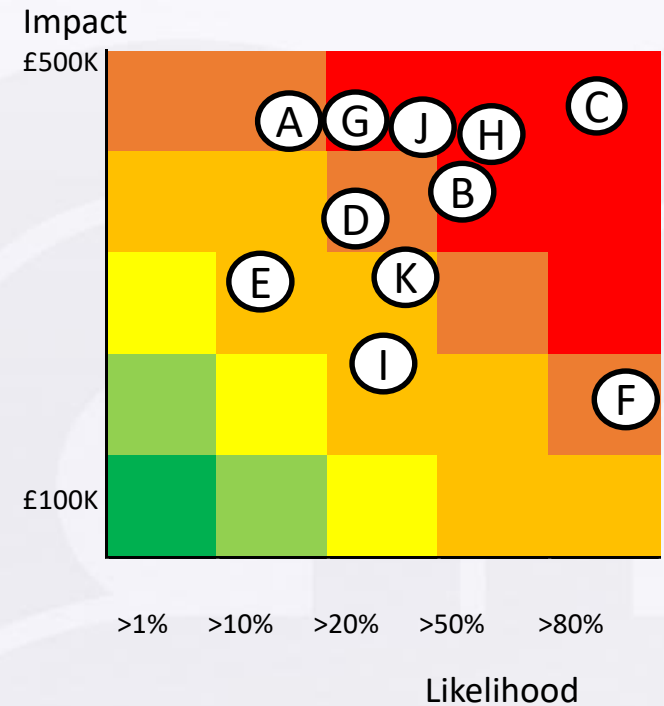
Corporate Risk Register

July 2021

Corporate Risk Register Heat Map

July 2021

Financial	A. Budget Setting
	B. Failure to Deliver Planned Savings
	C. Increase in Dedicated Schools Grant High Needs Block Deficit
Service Delivery/Operational	D. Workforce Resilience
	E. Digital Strategy
	F. Brexit
	G. Delays in the re-procurement of key public realm services
	H. Lack of supply of affordable accommodation
	I. Demand for Services
	J. Cyber Attacks
Stakeholder	K. Contract Management



Risk Register(1/7)

Cause, event, consequence

Risk and Trend (cause, event, consequence)	Recent developments, progress and concerns	Actions (names and dates)
<p>A. Budget Setting</p> <p>There is a risk that the budget setting process does not account for emerging unknowns, and as a result service unrealistic savings targets are set</p>	<p>A fundamental review of the Medium Term Financial Strategy (MTFS) was agreed by Council in February 2020 for the period 2020/21 to 2022/23. As part of this review, sensitivity analysis and scenario modelling was undertaken on all aspects of the MTFS, including income assumptions, expenditure assumptions and savings assumptions.</p> <p>However, as a result of COVID-19, a further review of the MTFS was undertaken and agreed by Council in February 2021 to identify the future impact of COVID-19 on income assumptions (primarily income from businesses rates, council tax and sales, fees and other charges) and expenditure assumptions (primarily recurring pressures on new and existing council services).</p>	<p>To be addressed through the budget setting process.</p>
<p>B. Failure to Deliver Planned Savings</p> <p>Savings proposals could be subject to delays and unforeseen issues, this would mean that services would be overspent and that we would be unable to manage demand, resulting in other efficiencies having to be made or funding be found from elsewhere in the council.</p>	<p>Brent has a good record of strong financial and budget management, with the majority of savings being delivered on time and implementing mitigating actions if there is slippage in delivery. The council monitors the delivery of planned savings, and mitigating actions where relevant, on quarterly basis and reported to CMT and Cabinet.</p> <p>As part of the draft budget for 2021/22 – 2022/23, savings that were previously agreed were reviewed. The most recent update suggests that the majority of savings are on track to be delivered and that for other savings, mitigating actions can be implemented.</p>	<p>Ongoing budget monitoring regime.</p> <p>Incorporate in the budget setting process and included in CMT and member discussions.</p>

Risk register (2/7)

Cause, event, consequence

Risk and Trend (cause, event, consequence)	Recent developments, progress and concerns	Actions (names and dates)
<p>C – Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit</p> <p>There is a risk that current deficit will continue to rise due to an increase in the number of children needing Education and Health Care Plans (EHCP). This could have an adverse impact on the ability to meet the needs of pupils who require special education support and the Council's legal obligation to meet the educational needs of children in the borough. There is also has an adverse impact on the ability to meet the DfE's requirement to produce a balanced budget.</p>	<p>At the end of the financial year 2020/21 the overall DSG deficit due to pressures in the High Needs Block is £10.5m. As a result, cost avoidance is required over the next 5 years. A management plan has been put in place which assumes a slow down in the growth of EHCPs from 16% to 7% by 2025-26 and assumes that the HNB funding increases by an average of 7% over the next few years, that the in-year pressure is likely to reduce from £6.2m in 2020-21 to £1.058m by 2025-26. The forecast for the actions which have been quantified will realise mitigating actions and cost avoidance from £1.7m in 2021-22 to £4.1m by 2025-26. However, although the pressure is forecast to slow down, the cumulative deficit will increase before a reduction occurs which is likely to be by 2024-25.</p>	<p>To reduce costs to set an in year balanced budget and then start to recover the cumulative deficit through:</p> <ul style="list-style-type: none"> i. The introduction of the SEN Support service with the expectation to manage demand, as part of the Graduated Response Programme; improved quality EHCP assessment; and person centred planning and SMART annual reviews. Therefore, young people will be provided with earlier support, thereby reducing the need for an EHCP to trigger additional support. ii. Looking to establish more SEND provision in the borough as part of the School Place Planning Strategy Refresh, including developing new Additionally Resourced Provisions in the academic year 2022/2023. This will reduce the need for young people to be placed in schools in other boroughs. iii. Ensuring there is full cost recovery from other local authorities that place pupils in Brent special schools including administration and other specific costs. iv. Continued central government lobbying. <p>Action by the Service Area Manger</p>

Risk register (3/7)

Cause, event, consequence

Risk and Trend (cause, event, consequence)	Recent developments, progress and concerns	Actions (names and dates)
<p>D. Workforce Resilience</p> <p>Due to the circumstances and pressures of the Covid pandemic staff welfare and ability to continue to deliver at the highest levels may be adversely effected leading to impaired performance.</p>	<p>The prolonged crisis has placed significant pressure on staff, including senior staff leading on the response to the pandemic locally. Action has been taken to understand the impact on staff and to provide support:</p> <ul style="list-style-type: none"> • Wellbeing surveys have been undertaken. • All staff have been provided with access to equipment for home working and a Covid risk assessment and other support through the Occupation Health Service and Health and Safety. • All staff have access to the council's employee assistance programme and additional specialist counselling support has been put in place for some categories of staff • We have promoted online resources to support staff with resilience. 	<p>Action plan was developed in response to December employee survey findings and implementation has been monitored. In addition, a new Flexible Working policy has been agreed by CMT and will be implemented when the working from home guidance is lifted. A recent programme of employee 'Forward Together' events have focused on issues around flexible working and supported by a range of other communications and engagement.</p> <p>Head of Transformation/Head of HR June 2021 Further wellbeing surveys (Head of Transformation – periodic)</p>

Risk register (4/7)

Cause, event, consequence

Risk and Trend (cause, event, consequence)	Recent developments, progress and concerns	Actions (names and dates)
<p>E. Delivery of Digital Strategy</p> <p>There is a risk that due to poor planning and resource, to the impact of Covid on ways of working and also to the need to use resource to deliver solutions to support the pandemic response, the Digital Programme is not delivered to budget, and as a result does not meet business requirements and benefits are not realised</p>	<ul style="list-style-type: none"> The programme has a clear strategy and roadmap and a programme management team is in place with work overseen by the Customer and Digital Board which meets bi-monthly. Governance arrangements have also been strengthened at the programme delivery and project level to reflect the scaling up of the programme following agreement of the second business case for investment Programme spend is also overseen by the Corporate Landlord Board which reports to the Capital Programme Board. An audit of the Digital Programme returned a 'reasonable' rating and a review has confirmed that all recommendations have been implemented. A range of work has taken place to strengthen the approach to benefits management and realisation. Additional capacity is being brought in where needed from the wider transformation team and externally to ensure the Covid work does not impact on programme delivery 	<ul style="list-style-type: none"> Continue to embed approach to benefits management Continue to review and adapt governance arrangements to support the programme as it evolves <p>Sadie East Head of Transformation March 2022</p>
<p>F. Brexit - Economic uncertainty/loss of workforce</p> <p>There is a risk that Brexit causes economic uncertainty and impacts on skills and workforce, reducing the Council's ability to develop the local economy and facilitate regeneration, resulting in lower income for the department and stalling regeneration.</p>	<p>Potential impact on EU workforce (exacerbated by Covid), slowdown in housing market and economy.</p> <p>Loss of business base and income to council including planning and BC fees.</p> <p>Local businesses impacted by import and export issues.</p> <p>Opportunity for the Council to become more active in property and development, buying up buildings and sites from private sector.</p> <p>The risks pertaining to a 'no-deal' Brexit are being considered and assessed as negotiations are ongoing.</p> <p>Shortages of lorry drivers and the impact on suppliers, in particular Veolia.</p>	<p>Continue to support local businesses with information to ensure they are aware of the changes required as they come into force and of the government support available.</p> <p>Head of Employment and Skills - ongoing</p> <p>Continue to signpost to the EU Settlement Scheme.</p> <p>Anne Kittappa Senior Policy Officer</p>

Risk register (5/7)

Cause, event, consequence

Risk and Trend (cause, event, consequence)	Recent developments, progress and concerns	Actions (names and dates)
<p>G - Delays in the re-procurement of key public realm services. A risk of failure to effectively progress the required processes or failure to re-procure one or more contracts relating to the 'Redefining Local Services' programme that could lead to the potential failure to deliver essential public services leading to potential major service disruption, additional cost and loss of reputation.</p>	<p>Effective governance arrangement are in place and key milestones identified in order to ensure that adequate progress is made in developing and delivering procurement requirements.</p>	<p>Regular supervision meetings held with key officers and effective Performance management regime in place.</p> <p>Chris Whyte Operational Director, Environmental Services</p>
<p>H - Lack of supply of affordable accommodation to meet Demand</p> <p>There is a risk that as a result of the limited supply of affordable accommodation, in the PRS, settled Temporary Accommodation (TA) and Social Housing, there will not be a sufficient supply to meet the demand from homeless households. This could lead to greater reliance on emergency temporary accommodation, which would be an additional burden on the general fund.</p>	<p>The recent economic downturn, related to the Covid pandemic has resulted in an increase in the number of homeless households who have lost their employment and so are affected by the Overall Benefit Cap. This means that the families are unable to afford Private Rented Accommodation (at the LHA rate) or settled temporary accommodation, in TA leasing schemes.</p> <p>The Housing Needs Service are working with Notting Hill Genesis HA, who supply TA through the HAL scheme, to procure more property in the North of Brent, where LHA rates are lower.</p> <p>The Team are also working with the affected families to support them to secure work, and so be exempt from the cap, as well as identifying households who are accruing debt, in order to proactively make contact and offer assistance at an earlier stage, to prevent homelessness.</p>	<p>No additional actions identified at this time</p> <p>Laurence Coaker May 2021</p>

Risk register (6/7)

Cause, event, consequence


Risk and Trend (cause, event, consequence)	Recent developments, progress and concerns	Actions (names and dates)
<p>I. Demand for Services</p> <p>The level of demand for services grows beyond services' ability to manage effectively – growth in LAC, Care Leavers, SEND demand and complexity of presenting issues children and young people's mental health and wellbeing, ASC and as a result service quality deteriorates, budgets overspent, safeguarding issues emerge; staff retention problems.</p>	<p>Review of activities to focus on core service delivery/retaining operational changes implemented during Spring/Summer 2020 COVID-19 pandemic; Service redesign eg establishment of Family Wellbeing Centres; review of high cost placement commissioning arrangements.</p> <p>Adult Social Care - people are living longer with more complex needs, and in addition as we come out of the pandemic we are starting to see increased demand for Mental Health services and Safeguarding, we are working with partners to ensure we are able to direct people to the right services across health and social care to manage this demand.</p>	<p>Head of Forward Planning, Performance and Partnerships; Head of Inclusion; Head of Early Help; Head of Localities</p> <p>Ongoing</p>
<p>J. Cyber Attack</p> <p>There is a heightened threat of Cyber attack, if they were successful this would potentially impact all services, to the extent that they would be unable to provide a service in the first instance, data may be published online and ICO significant fines result, this would have significant reputational damage to the Council</p>	<p>A number of Councils have been subject to Cyber attacks, the Cabinet Office are advising that there is a heightened security risk level at the current time. The protections in place for the Council, to prevent an intrusion are considered high however, recent experience has been attacks on backups. Brent have implemented additional controls around the backup process, including taking and storing of off line backups for added security.</p> <p>If the Council were subject to an attack restoring from the backups would take a considerable amount of time and there is a risk to some applications, which may not be recoverable.</p>	<p>A back up solution (Rubrik) has been procured and installed that provides a secure backup data storage solution. (bulk of backup workloads have been migrated – still some email and Oracle database data to migrate but that is in flight). Would still take some time to recover fully, but the solution can tell what was affected in an attack, so we can be appropriately selective about recovery.</p> <p>Managing Director of the Shared Technology Services. 30 June 2021</p>

Risk register (7/7)

Cause, event, consequence

Risk and Trend (cause, event, consequence)	Recent developments, progress and concerns	Actions (names and dates)
<p>K. Contract management</p> <p>There is a risk that due to operational, commercial, environmental or relationship issues, an important, high profile front line service may start to fail causing reputational problems for the Council.</p> <p>Page 237</p>	<p>Contract management framework/ pack reviewed revamped and updated.</p> <p>New Contract training module created and sessions undertaken with Children's and Young People commissioners and more recently at the Commissioning Network in November 20.</p> <p>New Risk Assessment Tool developed.</p> <p>Gateway 3 – Contract review template created and signed off. This is conducted at the mid-term period of a contract valued above £2m and assesses if suppliers are adhering to the performance KPIs / outcomes set out in the contract and if we should be looking to invoke the extension clauses when they come up.</p>	<p>There is now a finalised contract register that will be reviewed and updated as new contracts are added.</p> <p>Currently reviewing contracts which are expiring up to Mar 23, looking at the actual spend incurred in the last financial year. Working with the Directorates reviewing our commissioning intentions to determine if there are any opportunities through decommissioning, economies of scale or bottom line savings that can be delivered to support council objectives for contracts that require re-procuring.</p> <p>Further segmentation training has been undertaken and will be used in Procurements commencing July 21 with retrospective segmentation to be completed for existing high spend contracts by Q3 21.</p> <p>Rajesh Shori Head of Procurement June 2021</p>

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 Brent	Audit and Standards Advisory Committee 26 July 2021
	Report from the Director of Finance
External Audit's Enquires of Management	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Two Appendix 1: Brent Council Enquires of Management Appendix 2: Pension Fund Enquires of Management
Background Papers:	
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel Director of Finance Tel: 020 8937 4043 Email: Minesh.Patel@brent.gov.uk Benjamin Ainsworth, Head of Finance Tel: 020 8937 1731 Email: ben@brent.gov.uk

1.0 Summary

- 1.1 The Financial Reporting Council (FRC) has changed its expectations for how local authorities are audited. As a result the auditors expect the Audit and Standards Advisory Committee to review the responses provided by management to their Enquiries of Management by the council and the pension fund.

2.0 Recommendations

The Committee is asked to review the:

- Brent Council Enquires of Management at Appendix 1

- Pension Fund Enquires of Management at Appendix 2

3.0 Financial Implications

3.1 No specific implications.

4.0 Legal Implications

4.1 No specific implications.

5.0 Equality Implications

5.1 No specific implications.

6.0 Consultation with Ward Members and Stakeholders

6.1 Not applicable.

7.0 Human Resources

7.1 Not applicable

Report sign off:

Minesh Patel
Director of Finance

Informing the audit risk assessment for London Borough of Brent 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between the London Borough of Brent (the 'Authority') external auditors and the London Borough of Brent's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General enquiries of management;
- Fraud;
- Laws and regulations;
- Related parties; and
- Accounting estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from the London Borough of Brent management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>Covid-19, in particularly:</p> <ul style="list-style-type: none"> • in sourcing Notting Hill properties to Brent direct Leasing • delayed the delivery and output of the capital programme to ensure projects can proceed in covid secure environments • Bad debts provision on Collection Fund. Provision for appeals on business rates for Material Change in Circumstances (MCC) due to impact of Covid-19 on rateable value of business properties. • Level of bad debt provision
<p>2. Have you considered the appropriateness of the accounting policies adopted by London Borough of Brent? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>We have reviewed our accounting policies and have not identified any events or transactions that would cause us to adopt new accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>No use of financial derivatives. Continue to transact in the same instruments as 2019/20 with no proposed changes. These include:</p> <p>Assets:</p> <p>Cash in hand; bank current and deposit accounts with NatWest bank; loans to small companies and housing associations; lease receivables; Trade receivables for goods and services provided; Money market fund</p> <p>Liabilities:</p> <p>Long-term loans from the Public Works Loan Board and commercial lenders; Short-term loans from other local authorities; Overdraft with NatWest Bank; Lease payables; Private Finance Initiative contracts; Trade payables for goods and services received</p>

General Enquiries of Management

Question	Management response
4. Are you aware of any significant transaction outside the normal course of business?	<ul style="list-style-type: none"> • A pooled budget has been provisionally agreed with Brent CCG for the CCG to pay for all additional social care costs arising from hospital discharges above budgeted levels due to Covid-19. This agreement is awaiting sign off before the invoice for these additional costs can be raised to Brent CCG. • The Council has received Covid grants to mitigate a number of the resulting pressures. They have been captured on the monthly DMT monitoring reports.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No one off circumstance that would cause widespread impairment.
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	<ul style="list-style-type: none"> Those taking into account in the normal course of business by the Insurance team. Relevant provisions and contingent liabilities will be declared in the financial statements Depends on whether the claims are possible or likely and their outcome. LG Futures will be carrying some work on behalf of Brent to assist in possible amount and treatment on MCCs mentioned in item (1) above.
8. Other than in-house solicitors, can you provide details of those solicitors utilised by London Borough of Brent during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<ul style="list-style-type: none"> Probate solicitor Judge & Priestley - they are not involved in any open litigation. This solicitor firm is used to ascertain for clients who have passed away if they have any funds in their estate that can be used to settle outstanding Adult Social Care client contribution debts. Towers used for PFI/PPP advice Capita will use external solicitors for business rates as this is outsourced to assist us. Pinsent Masons - complex contract dispute CNWL (College of North West London) - Bevan Brittan - Negotiations on Terms of Reference SK DEN (South Kilburn Decentralised Energy Network) - Womble Bond Dickinson (UK) LLP - Legal advice on SK DEN Kennedys Law LLP, Legitimus Solicitors and Plexus Law – used for open litigation/ contingencies from prior year relating to insurance

General Enquiries of Management

Question	Management response
9. Have any of the London Borough of Brent's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p> <p>Page 249</p>	<ul style="list-style-type: none"> Local Partnerships around PFI/PPP contracts Ernst and Young recommendations on Council structure; Redefining Local Services project engaged consultants looking at the future of various Environment services; and general tax advise. Arlingclose Ltd - Treasury management advisors consulted on ongoing Treasury Management activities and provide regular market and regulatory updates. Teno Energy Ltd - Commercial and finance consultant for SK DEN Anthesis (UK) Ltd - Techno economic consultant for SK DEN Deloitte - Hereford & exeter - Financial viability assessment SQW Limited - St Raphaels's Estate - Financial viability assessment The Council is undertaking negotiations in relation to settling final accounts for some of its new build projects with the support of a specialist claims consultant.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management. Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud;
- process for identifying and responding to risks of fraud, including any identified specific risks;
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud; and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Have London Borough of Brent assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>All material risks are considered as part of annual planning.</p> <p>There is a risk management framework in place corporately which requires all departments to identify, assess and manage all risk.</p> <p>Additionally we have a fraud risk assessment document for each department.</p>
<p>What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Whereas all financial systems are inherently at risk of fraud, we are satisfied that there are currently none which exceed management's risk appetite.</p> <p>Additionally, Internal Audit work with management annually to identify all areas where independent assurance may be helpful. This includes identifying which key financial systems and processes should be included in the audit plan if there are any emerging risk factors.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within London Borough of Brent as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>All counter fraud work is reported quarterly to CMT and the Audit Committee. Papers are available online.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within London Borough of Brent where fraud is more likely to occur?</p>	<p>As above - fraud risk is inherent in all organisations. We manage this risk as part of our RM framework</p>
<p>5. What processes do London Borough of Brent have in place to identify and respond to risks of fraud?</p>	<p>As above</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for London Borough of Brent, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>These functions are part of the overall corporate governance and RM framework. Internal Audit provide independent assurance on the effectiveness of these arrangements via annual plan delivery and reporting to those charged with governance.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No areas are at elevated risk for misreporting, there are a range of controls in place, and the council's internal audit team monitor the effectiveness of controls across the council, and monitor implementation of action plans to address any risks identified.</p>

Fraud risk assessment

Question	Management response
<p>8. How do London Borough of Brent communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Fraud awareness programme, Intranet/ Yammer communications; induction</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Within finance, the highest risk areas are around changing supplier's and staff bank details, and making payments, so there are a range of controls in place to reduce risk of fraud and corruption including segregation of duties and procedures for approval.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>I'm not aware of specific risks of related party relationships or transactions that could give rise to instances of fraud. The council requires members and staff to declare any potential conflicts of interest. Managers are required to monitor and approve or reject some declarations by their members of staff. Members' interests are declared to the monitoring officer and disclosed publically.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit & Standards Committee?</p> <p>How does the Audit & Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Quarterly reporting on the work of the counter fraud team to the Audit Committee. Audit Committee challenge and review these reports. Outcome is enhanced profile of the work of the counter fraud team.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>We have a formal Whistle Blowing policy and reporting route. All Whistle Blowers are responded to and appropriate action undertaken.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Standards Committee, is responsible for ensuring that London Borough of Brent's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does London Borough of Brent have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Management gain assurance in this area from the range of management controls in place to manage all services - e.g. including recruitment and training of appropriately qualified staff, a robust policy and procedure framework and effective management oversight and control.</p> <p>Legal and Financial implications are required to be included in all reports for decisions by Cabinet members and member level decision-making bodies as well as in all key decision report to officers. Additionally, independent and objective assurance is provided by the Internal Audit function as well as other external assurance providers .</p> <p>We are not aware of any changes to the Authority's regulatory environment that may have had a significant impact on the Authority's financial statements</p>
<p>2. How is the Audit & Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Internal Audit annual plan is the key source of assurance for ASAC. This plan is focused on the highest risk areas for the Council. Each Audit review will consider compliance with policy, plans, laws and regulation as part of the scope for that review.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No</p>

Impact of laws and regulations

Question	Management response
4. Is there any actual or potential litigation or claims that would affect the financial statements?	<p>-A dispute in relation to the Council's continuing liability for void costs at a particular property.</p> <p>-Provision for Water charges case on HRA</p> <p>-Those taken into account already as part of the Council's Insurance processes</p> <p>-Contract dispute involving a joint venture regeneration scheme</p>
5. What arrangements does London Borough of Brent have in place to identify, evaluate and account for litigation or claims?	<p>Legal team</p> <p>Insurance claims processes</p> <p>Following principles stipulated by the FRS and CIPFA.</p> <p>Open communication with services through regular budget monitoring, Capital sub-boards and Capital Programme Board to raise and monitor any outstanding litigation.</p>
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	<p>From a HMRC prompt we identified non compliance on the VAT treatment to Election costs.</p> <p>This has now been resolved with HMRC and the penalty has been suspended.</p> <p>New process is now in place to ensure the VAT treatment for this is correct going forward.</p>

Related Parties

Issue

Matters in relation to Related Parties

London Borough of Brent are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by London Borough of Brent;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any entity that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in London Borough of Brent's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and London Borough of Brent; whether London Borough of Brent has entered into or plans to enter into any transactions with these related parties; and the type and purpose of these transactions. 	<p>Capital Letters</p> <p>Brent, in partnership with 15 other London boroughs, is a member of Capital Letters. This is a non-profit company, which secures accommodation to alleviate homelessness by financially incentivising landlords to rent their properties to eligible tenants suggested by the members.</p> <p>The Board is accountable to a Borough Representative Body, comprised of a representative from each member Council.</p> <p>Capital Letters is a company limited by guarantee, not having share capital. Consequentially the liability of members is limited and upon a winding up would not exceed £1.</p> <p>Capital Letters' accounts have not been consolidated into Brent's group accounts because Brent has limited influence on the company (less than 20% voting rights).</p>
<p>2. What controls does London Borough of Brent have in place to identify, account for and disclose related party transactions and relationships?</p>	<ul style="list-style-type: none"> Annual related parties return from Senior managers and Members where they'll disclose whether they have any related party transactions or relationship. All Members are required to submit register of interest Review of the GL transaction for related party transactions. Review process of the annual accounts (including review by the Director of Finance) to ensure related party relationship are captured.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The council's standard operating procedures apply to these items, including segregation of duties.</p>

Related Parties

Question	Management response
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	These transactions would require approval by two of the council's three statutory roles (Chief Exec, Director of Finance and Director of Legal Services, HR and Audit and Investigation).

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- Page 262
- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
 - How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
 - How the entity's risk management process identifies and addresses risks relating to accounting estimates;
 - The entity's information system as it relates to accounting estimates;
 - The entity's control activities in relation to accounting estimates; and
 - How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Impact on bad debt provisions; impact on collection rates from Covid, insurance claims provision</p> <p>Asset valuations estimates are updated annually based on the Council's 5 years rolling revaluation policy. The revaluation is carried out by external valuers.</p> <p>Depreciation estimates are updated annually to allow for additions, revaluations and impairments. Depreciation is based on the Council's straight line depreciation policy.</p> <p>Purchase Order Accruals are reviewed each year. This year historic purchase order accruals are written off, reviewed and then re accrued where required.</p> <p>Credit loss and debtors impairments- Estimates are reviewed annually and calculations are done to reflect impact on bad debt provisions for collection fund and housing benefits. In 2019/20 an additional 10% provision for impairment of doubtful debt was made on top of the normal provision calculation, we will be reviewing the rate for 2020/21.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?</p>	<p>Included in Corporate Risk Register and Internal Audit Reviews</p> <p>Insurance claims provisions reviewed by external actuaries every few years</p> <p>Please see Risk Register</p>
<p>3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Corporate Finance, Service DMTs and Audit Committee reviews</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Review outturn against accruals made. Make improvements to accrual methodology based on this analysis.</p> <p>Sample checks of estimates.</p>

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Accounting Estimates - General Enquiries of Management

Question	Management response
<p>5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?</p>	<p>Adult Social care- Following a review of the most recent year's outturn it was decided to improve the working papers for manual homecare expenditure accruals. Each accrual will have a working paper explaining the methodology for the accrual.</p> <p>HRA-Updated water charges case methodology as a result of further advice from the collective</p> <p>See answer on Enquiries of Management on MCC</p>
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Employ external experts where there is limited knowledge (e.g. PFI). Accruals to have supporting workings.</p> <p>External solicitors' consultation by exception.</p> <p>Professional judgement of the service areas involved. The Council engages external advisors where this is usual practice.</p>
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>For Pension Fund- there will be senior finance review of all accruals proposed by the service. Chief Accountant provide regular guidance on accounting estimates and year-end activities.</p> <p>For Plant, Property and Equipment (PPE) valuations the external valuer's revaluation is reviewed and challenged by the Council's Property team's expert. The Council's finance team also reviews the revaluation. Every asset on the revaluation list are reviewed. Each year management are required to submit returns notifying finance of any impairment to ensure the valuation estimate are appropriate.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	<p>Senior Finance review of all accruals proposed by Service and material estimates</p> <p>For PPE Valuations, the external Valuer's estimates are reviewed by experts in this field from the Property team. The valuation are also reviewed by Finance and any significant difference are challenged.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <p>Management's process for making significant accounting estimates;</p> <p>The methods and models used; and</p> <p>The resultant accounting estimates included in the financial statements.</p>	<p>'-All of the homecare and other material accruals will be based on the YTD expenditure trend, with adjustments made for exceptional in-year items.</p> <p>-Senior finance review of material estimates.</p> <p>Using third party evidence and confirmations where possible.</p>
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	LG Futures to assist Brent - provide general advice on material estimates calculated

Accounting Estimates - General Enquiries of Management

Question	Management response
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through this process

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations Page 268	<p>Our assets are revalued on a 5 years rolling basis. The revaluations are done by the external valuers Wilks, Heads and Eve. Operational assets are valued at existing use value, specialised assets are revalued at depreciated replacement cost and surplus assets are revalued at fair value.</p> <p>Our external valuers also provides a market review/indexation review report each year.</p>	<p>External valuers are used to provide estimates. These are then reviewed and where necessary challenged by Property experts in the Council's Property team</p>	<p>Yes - external valuers for the valuation. Also external surveyor where required.</p>	<p>Uncertainty for valuation is inherent and especially during the Covid-19 pandemic. However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). These estimates are also reviewed and were necessary challenged by our in house Valuers/experts</p>	No

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations Page 269	<p>Our assets are revalued on a 5 years basis. The revaluations are done by the external valuers Wilks, Heads and Eve. Council dwellings are valued using the beacon principle and at existing use value-social housing</p> <p>Our external valuers also provides a market review/indexation review report each year.</p>	<p>External valuers are used to provide estimates. These are then reviewed and where necessary challenged by Property experts in the Council's Property team</p>	<p>Yes- external valuers for the valuation</p>	<p>Uncertainty for valuation is inherent and especially during the Covid-19 pandemic. However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). These estimates are also reviewed and were necessary challenged by our in house Valuers/experts</p>	<p>No</p>

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation Page 270	<p>Straight line depreciation. Useful economic life (UEL) range as per our Brent policy of: Buildings (including HRA) 5 – 60 years as determined by the valuer Infrastructure 10 – 40 years Plant, Vehicles, Equipment & Machinery Up to 10 years</p> <p>Community Assets Not depreciated where held at nominal value. Land is not depreciated</p>	Buildings are the material items on our Property, plant and equipment. Their valuation and UEL are determined by our external valuers	Yes- external valuers for the valuation and UEL estimation	<p>Uncertainty for valuation is inherent and especially during the Covid-19 pandemic. However our valuers' estimates are expert opinions based on best available estimates and in compliance with the CIPFA Code and the Statement of Asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). These estimates are also reviewed and were necessary challenged by our in house Valuers/experts</p>	No

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value estimates (loans/investments) Page 271	Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. Fair values include accrued interest for 31st March to enable direct comparison with the amortised cost.	Estimates provided by our Treasury Management Advisor for greater accuracy and sector knowledge.	Yes - information provided by our Treasury Management Advisors Arlingclose	Market Interest rates have been volatile during the past year however trend during Jan/Feb has been on the rise so more in line with pre-covid levels. Not able to use any other method for fair value estimation.	No
Valuation of defined benefit net pension fund liabilities					

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value estimates (loans/investments)	Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. Fair values include accrued interest for 31st March to enable direct comparison with the amortised cost.	Estimates provided by our Treasury Management Advisor for greater accuracy and sector knowledge.	Yes - information provided by our Treasury Management Advisors Arlingclose	Market Interest rates have been volatile during the past year however trend during Jan/Feb has been on the rise so more in line with pre-covid levels. Not able to use any other method for fair value estimation.	No
Valuation of defined benefit net pension fund liabilities	A roll forward approach from the 2019 valuation will be used it is not possible to assess the accuracy of the estimated liability as at the year-end without conducting a full valuation.	Detail provided in document titled "IAS 19 Process Questions"	Brent Pension Fund actuary – Hymans Robertson	Assumptions provided in the Hymans Robertson document "31 March 2021 Accounting – Assumptions and Options"	No

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions		Monitoring of rent collection rates in year and prior years' trends Legal Department's advice on legal cases if any	Advice of the collective for the water charges case	"Assume YTD expenditure trend continues for accrual period Assume that prior years' income collection rates will apply Legal claims are inherently uncertain and the liability will depend on the outcome. A probability of success is used to calculate the provision.	
Page 273	Calculated using the value of liability declared on summary forms by the Council's legal team.	Finance ask the legal department to complete a summary form for each matter which includes the value of the liability, information on the matter and actions being taken to resolve.	The Council's in-house legal team		Calculated using the value of liability declared on summary forms by the Council's legal team.

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Income & Expenditure Accruals Page 274	Accruals based on YTD expenditure and any known future liabilities and receivables not yet invoiced	No	Assume YTD expenditure trend continues for accrual period	No	Accruals based on YTD expenditure and any known future liabilities and receivables not yet invoiced
Credit loss and impairment allowances	The allowances are calculated based on historic trends and an additional allowance is made to reflect the impact of Covid on possible future collection rates on debts	Historic trends	We may use external consultants to give us advice where needed	No	No

Appendix A – Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	<p>The Liabilities are set out at the start of the PFI arrangements, depending on the agreement. It would be linked to the valuation of the asset received by the council.</p> <p>There is a fixed schedule to reduce the liability over the lifetime of the PFI, to reflect the payments made by the council.</p>	Accounting Model designed to help with the understanding	The Council would have used external PFI experts to agree and design the Accounting model.	100%	No

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Informing the audit risk assessment for Brent Pension Fund 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Brent Pension Fund external auditors and Brent Pension Fund's Audit & Standards Committee , as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Standards Committee . ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit & Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Standards Committee and supports the Audit & Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Pension Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Brent Pension Fund management. The Audit & Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	None
2. Have you considered the appropriateness of the accounting policies adopted by Brent Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Not aware of any events or transactions that may cause us to change or adopt new accounting policies.
3. Is there any use of financial instruments, including derivatives?	The pension fund invests contributions from its members in a range of financial instruments in line with its investment strategy in order to pay member benefits and reduce the funding deficit. These will be disclosed in the accounts in line with the CIPFA Code of Practice.
4. Are you aware of any significant transaction outside the normal course of business?	Not aware of any significant transaction outside the normal course of business.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	Not aware of any changes in circumstances.
6. Are you aware of any guarantee contracts?	Not aware of any guarantee contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Not aware of the existence of loss contingencies and/or un-asserted claims.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Brent Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Brent Pension Fund only used in house solicitors during the year.

General Enquiries of Management

Question	Management response
9. Have any of the Brent Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	None reported.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Hymans Robertson – Actuarial and investment consultancy advice Ernst and Young – tax advice on investments

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Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Standards Committee and management. Management, with the oversight of the Audit & Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Brent Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit & Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Brent Pension Fund's management.

Fraud risk assessment

Question	Management response
<p>1. Have Brent Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Pension Fund's risk management processes link to financial reporting?</p> <p>What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>All material risks are considered as part of annual planning.</p> <p>There is a risk management framework in place corporately which requires all departments to identify, assess and manage all risk.</p> <p>Additionally we have a fraud risk assessment document for each department.</p> <p>Whereas all financial systems are inherently at risk of fraud, we are satisfied that there are currently none which exceed management's risk appetite.</p> <p>Additionally, Internal Audit work with management annually to identify all areas where independent assurance may be helpful. This includes identifying which key financial systems and processes should be included in the audit plan if there are any emerging risk factors.</p>

Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Brent Pension Fund as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	All counter fraud work is reported quarterly to CMT and the Audit Committee. Papers are available online.
4. Have you identified any specific fraud risks?	As above - fraud risk is inherent in all organisations. We manage this risk as part of our RM framework
Do you have any concerns there are areas that are at risk of fraud?	
Are there particular locations within Brent Pension Fund where fraud is more likely to occur?	
5. What processes do Brent Pension Fund have in place to identify and respond to risks of fraud?	As above

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Brent Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>Are internal controls not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>These functions are part of the overall corporate governance and RM framework. Internal Audit provide independent assurance on the effectiveness of these arrangements via annual plan delivery and reporting to those charged with governance.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No areas are at elevated risk for misreporting, there are a range of controls in place, and the council's internal audit team monitor the effectiveness of controls across the council, and monitor implementation of action plans to address any risks identified.</p>

Fraud risk assessment

Question	Management response
<p>8. How do Brent Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Fraud awareness programme, Intranet/Yammer communications; induction</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Within finance, the highest risk areas are around changing supplier's and staff bank details, and making payments, so there are a range of controls in place to reduce risk of fraud and corruption including segregation of duties and procedures for approval.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>I'm not aware of specific risks of related party relationships or transactions that could give rise to instances of fraud. The Council requires members and staff to declare any potential conflicts of interest. Managers are required to monitor and approve or reject some declarations by their members of staff. Members' interests are declared to the monitoring officer and disclosed publically.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit & Standards Committee ?</p> <p>How does the Audit & Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>As above - quarterly reporting on the work of the counter fraud team to the Audit Committee. Audit Committee challenge and review these reports. Outcome is enhanced profile of the work of the counter fraud team.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>We have a formal whistle blowing policy and reporting route. All whistle blowers are responded to and appropriate action undertaken.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Standards Committee, is responsible for ensuring that Brent Pension Fund's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Brent Pension Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Pension Fund's regulatory environment that may have a significant impact on the Pension Fund's financial statements?</p>	<p>Management gain assurance in this area from the range of management controls in place to manage all services - e.g. including recruitment and training of appropriately qualified staff, a robust policy and procedure framework and effective management oversight and control. Legal and Financial implications are required to be included in all reports for decisions by Cabinet members and member level decision-making bodies as well as in all key decision report to officers. Additionally, independent and objective assurance is provided by the Internal Audit function as well as other external assurance providers. We are not aware of any changes to the Authority's regulatory environment that may have had a significant impact on the Authority's financial statements.</p>
<p>2. How is the Audit & Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Internal Audit annual plan is the key source of assurance for ASAC. This plan is focused on the highest risk areas for the Council. Each Audit review will consider compliance with policy, plans, laws and regulation as part of the scope for that review.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No actual or potential litigation or claims have been identified.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Brent Pension Fund have in place to identify, evaluate and account for litigation or claims?	Claims will be evaluated on a case by case basis with support from the Council's internal legal team.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None.

Related Parties

Issue

Matters in relation to Related Parties

Brent Pension Fund are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Brent Pension Fund;
- associates;
- joint ventures;
- an entity that has an interest in the Pension Fund that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of any entity that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Brent Pension Fund's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Brent Pension Fund whether Brent Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No changes. The related party is the Brent Council as the Pension Fund is administered by Brent Council.</p>
<p>2. What controls does Brent Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All pensions sub committee members, board members and officers are required to declare conflicts of interest in line with the relevant Council policy. The Council requires members and staff to declare any potential conflicts of interest. Managers are required to monitor and approve or reject some declarations by their members of staff.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Council's standard operating procedures apply to these items, including segregation of duties.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All transactions require the relevant approvals to be processed.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- Page 296
- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
 - How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
 - How the entity's risk management process identifies and addresses risks relating to accounting estimates;
 - The entity's information system as it relates to accounting estimates;
 - The entity's control activities in relation to accounting estimates; and
 - How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit & Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	No significant additional accounting estimates.
2. How does the Pension Fund's risk management process identify and addresses risks relating to accounting estimates?	Included in Corporate Risk Register and Internal Audit Reviews. Please see risk register.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Review by finance team, audit committee and pension fund sub-committee. Same as previous years.
4. How do management review the outcomes of previous accounting estimates?	<p>Review outturn against accruals made. Make improvements to accrual methodology based on this analysis.</p> <p>Sample checks of estimates.</p>
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No changes made.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	External advisors are engaged where this is usual practice or relevant.
7. How does the Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	There will be senior finance review of all accruals. Chief Accountant provide regular guidance on accounting estimates and year-end activities.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Senior Finance review of all accruals proposed by Service and material estimates
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Senior finance review of material estimates. Using third party evidence and confirmations where possible.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through this process

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 2 Investments	Asset valuations are provided by Northern Trust, the Fund's custodian on a monthly basis.	Estimates are provided by the Fund custodian Northern Trust	Northern Trust	Uncertainty for valuation is inherent for more illiquid asset classes. Estimates provided at fair value in line with the CIPFA code.	No
Level 3 Investments	Asset valuations are provided by Northern Trust, the Fund's custodian on a monthly basis.	Estimates are provided by the Fund custodian Northern Trust	Northern Trust	Uncertainty for valuation is inherent for more illiquid asset classes. Estimates provided at fair value in line with the CIPFA code.	No
Actuarial PV of Retirement Benefits	The promised retirement benefits are projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019.	Estimates are provided by the Fund actuary Hymans Robertson	Hymans Robertson	The assumptions used are those adopted for the Administering Authority's IAS19 report. These assumptions will be supplied by the actuary at year end.	No
Contribution Accruals	Estimates based on amounts collected in previous months	Analysis of actual contributions received through the year.	No	Fairly certain – contributions are linked to staffing levels at a fixed % of payroll.	No



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London Borough of Brent and Pension Fund audit progress report and sector update

Year ending 31 March 2021

26 July 2021

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Your key Grant Thornton team members are:

Paul Dossett

Key Audit Partner

T 020 7728 3180

E paul.dossett@uk.gt.com

Sophia Brown

Senior Manager

T 020 7728 3179

E sophia.y.brown@uk.gt.com

Waqas Hussain

Manager (for Pension Fund)

T 020 7865 2794

E waqas.hussain@uk.gt.com

Reshma Ravikumar

In-Charge Auditor

T 020 7728 3073

E reshma.ravikumar@uk.gt.com

This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Key Audit Partner or Engagement Managers.

Progress at July 2021

Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in March and have commenced our work on your draft 2020/21 financial statements this month.

The detailed audit plans for the Council and Pension Fund were issues in March and April respectively. The audit plans set out our proposed approaches to the audit of the Authority and Pension Fund's 2020/21 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The date by which authorities are required to publish audited financial statements is 30 September. In 2020 this date was pushed back to 30 November.

We will report our work in the Audit Findings Report and aim to give our opinion on the financial statements by 30th September 2021.

Meetings

We met regularly with finance officers in the run up to the preparation of the draft financial statements as part of our regular liaison meetings, and continue to be in discussions with finance staff regarding emerging developments to ensure that the audit process is smooth and effective. We also met with your Chief Executive at the end of June to discuss the Council's strategic priorities and plans.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements.

Audit deliverables

2020/21 Deliverables	Planned Date	Status
Audit Plan - Authority We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	March 2021	Complete
Audit Plan – Pension Fund We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Pension Fund's 2020/21 financial statements.	April 2021	Not yet due
Audit Findings Report – Authority and Pension Fund The Audit Findings Report will be reported to the September Audit and Standards Committee.	September 2021	Not yet due
Auditors Report – Authority and Pension Fund This is the opinion on your financial statements.	September 2021	Not yet due
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work.	December 2021	Not yet due

Sector updates

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)						
	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	3,181.254
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	378.846
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	298.584
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	299.433
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	340.858
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	2,363.926
Total	329.937	2,111.187	1,791.153	1,503.848	1,126.777	6,862.902



The figures are available in full here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)						
	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	1,215.708
Council tax	399.037	0.000	217.633	191.219	232.727	1,040.616
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	2,137.728
Commercial income	82.448	24.159	120.629	204.211	52.154	483.600
Other	33.494	39.947	27.163	53.664	45.166	199.435
Total	1,307.903	259.029	1,113.524	1,053.190	1,343.441	5,077.087

Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states "The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively."

The press release goes on to state the "measures finalise the government's response to Sir Tony Redmond's independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>

Public Accounts Committee – House of Commons

System of local government audit covering £100 billion of public spending a year close to “breaking point” says PAC

In a report published today the Commons Public Accounts Committee says Government’s oversight of local government audit has become “increasingly complacent” with less than half of local authority audits meeting the deadline for completion in 2019-20, and half of audits examined by the Financial Reporting Council (FRC) needing “more than limited” improvement. The local audit market is “now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits.”

The Committee says “if local authorities are to effectively recover from the pandemic, it is critical that citizens have the necessary assurances that their finances are in order and being managed in the correct manner.” “Delays and quality issues undermine the value and purpose of audit, reducing the assurance to taxpayers and elected representatives.”

The Committee questions whether the “pressing” need for new system leadership in local public audit, identified in last year’s Redmond Review, is met by Government’s proposal for a future Auditing, Reporting and Governance Authority (ARGA) which will not be set up until 2023 at the earliest. It’s unclear whether it will then be able to fully address the current failings in the market for auditing local authorities, and in the meantime MHCLG has not given enough “credible detail on addressing the urgent problems that cannot wait for ARGA”.

Dame Meg Hillier MP, Chair of the Public Accounts Committee, said:

“Our citizens expect public authorities to account for the taxpayers’ money that they spend. As public spending and demand on local services have exploded with the pandemic, the accelerating decline in the timeliness and quality of audit of local government spending undermines that accountability, and undermines effective spending decisions.

“Even before Covid the local government audit market was strained. If the market cannot deliver that accountability and clarity about the costs and risks in local government the Government should be more concerned than its slowness to act suggests. The Redmond Review of local government audit is a thorough and sensible piece of work but some of its measures won’t be implemented until 2023 – more than four years since it was commissioned. And public audit is added as an after thought to a body which oversees the very different field of company auditing.

“As we embark on the long road to recovery from Covid19 and transition to a net zero carbon economy, clear, accessible and transparent audit reports will be more important not less. The delays in delivering audits are the tip of an iceberg of issues facing public audit which need real commitment to resolve.”



House of Commons
Committee of Public Accounts

Local auditor reporting on local government in England

Eleventh Report of Session 2021–22

Report, together with formal minutes relating
to the report

Ordered by the House of Commons
to be printed 8 July 2021

The full report is available here:

<https://committees.parliament.uk/publications/6672/documents/71757/default/>

Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

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- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

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The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)



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A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA

Topic / Date	11-May-21	26-Jul-21	22-Sep-21	07-Dec-21	31-Jan-22	15-Mar-22
Internal Audit & Investigations						
Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
Review Internal Audit Charter				X		
Internal Audit and Counter Fraud Progress Reports			X	X		
Draft Internal Audit and Investigations Annual Plan			X			X
External Audit						
External Audit progress report		X	X	X	X	X
External Audit plan	X					X
Statement of Accounts & External Auditor's Report			X			
Annual Auditor's Report				X		
Financial Reporting						
Treasury Management Mid-term Report				X		
Treasury Management Strategy					X	
Statement of Accounts		X	X*			
Treasury Management Outturn Report	X					
CIFPA Financial Management Code & Assessment		X	X			
Governance						
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd			X		X	
Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal				X*		
Review of the use of RIPA Powers	X					X
Planning Code of Practice Review				X		
Receive and agree the Annual Governance Statement		X*				
Risk Management						
Strategic Risk Register Update		X			X	
Emergency Preparedness		X				
Audit Committee Effectiveness						
Review the Committee's Forward Plan	X	X	X	X	X	X
Review the performance of the Committee (self-assessment)						
Training Requirements for Audit Committee Members as required						
Standards Matters						
Standards Report (including gifts & hospitality)		X	X	X		X
Annual Standards Report	X					X
Complaints & Code of Conduct			X*			
Review of the Member Development Programme and Members' Expenses						X

* Requires approval by Audit & Standards Committee

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