



## Audit and Standards Advisory Committee

**Tuesday 18 July 2023 at 6.00 pm**

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

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

The meeting will be open for the press and public to attend or alternatively can be followed via the live webcast. The link to follow proceedings via the live webcast is available [HERE](#)

### Membership:

#### Members

David Ewart (Chair)

#### Substitute Members

#### Councillors:

Chan (Vice-Chair)  
S Butt  
Choudry  
Kabir  
Long  
J.Patel  
Smith

#### Councillors:

Afzal, Agha, Begum, Gbajumo, Molloy and Shah

#### Councillors:

Kansagra and Mistry

#### Independent Co-Opted Members

Rachael Tiffen and Stephen Ross (subject to approval at Full Council on 10 July 2023).

#### Independent Advisor

Vineeta Manchanda

**For further information contact:** Natalie Connor, Governance Officer  
Tel: 020 8937 1506; Email: [Natalie.Connor@brent.gov.uk](mailto:Natalie.Connor@brent.gov.uk)

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### **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
<b>1 Apologies for absence and clarification of alternate members</b>	
<b>2 Declarations of Interest</b>	
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.	
<b>3 Deputations (if any)</b>	
To hear any deputations received from members of the public in accordance with Standing Order 67.	
<b>4 Minutes of the previous meeting</b>	1 - 16
To approve the minutes of the previous meeting held on Tuesday 6 June 2023 as a correct record and note the action log arising from previous meetings.	
<b>5 Matters arising (if any)</b>	
To consider any matters arising from the minutes of the previous meeting.	
<b>Audit &amp; Finance Items</b>	
<b>6 Statement of Accounts 2022/23</b>	17 - 212
This report presents the Council's draft 2022/23 Statement of Accounts to members of the Audit & Standards Committee.	
<b>7 Treasury Management Outturn Report</b>	213 - 240
This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2022/23.	
(Agenda re-published to include an updated report and additional appendices on Tuesday 11 July 2023).	

## 8 External Audit Progress Report and External Audit Plan

To receive an update on progress in delivering Grant Thornton's responsibilities and consider the following papers from Grant Thornton as the Council's external auditors:

8.1 London Borough of Brent Draft Audit Plan 22-23 241 - 276

8.2 London Borough of Brent Draft Pension Fund Audit Plan 22-23 277 - 304

(Agenda republished to include the above reports on 12 July 2023)

## 9 Forward Plan and Agenda for the next meeting 305 - 306

To review and note the Committee's work programme for 2023-24

## 10 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: Tuesday 26 September 2023**



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

- The meeting room is accessible by lift and seats will be provided for members of the public. Alternatively, it will be possible to follow proceedings [here](#)



**MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE**  
**Held in the Conference Hall, Brent Civic Centre on Tuesday 6 June 2023 at**  
**6.00 pm**

**PRESENT:** Councillor David Ewart (Chair), Councillor Chan (Vice-Chair) and Councillors S.Butt, Choudry, Kabir, Long, J Patel, and Smith.

**Independent Advisor:** Vineeta Manchanda.

Also present: Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources and Reform) and Julie Byrom (Independent Person – who was attending online)

**1. Apologies for absence and clarification of alternate members**

Apologies were received from Rachael Tiffen (Independent co-opted Member).

The Chair welcomed Kim Wright, as newly appointed Chief Executive to her first meeting of the Committee.

**2. Declarations of Interest**

David Ewart (Chair) declared a personal interest as a member of CIPFA.

**3. Deputations (if any)**

None received.

**4. Minutes of the previous meeting**

**RESOLVED** that the minutes of the previous meeting held on Tuesday 21 March 2023 be approved as a correct record.

Members noted the updates provided in relation to items listed on the Action Log along with the further enhancements proposed to support the efficiency and tracking of future actions identified by the Committee.

As a further update, Councillor Chan (Vice Chair) informed the Committee that both he and Councillor Choudry were due to meet with the Deputy Leader to discuss the development of the Financial Inclusion Dashboard and would provide an update to the Committee at the next scheduled meeting on 18 July 2023.

**5. Matters arising (if any)**

None.

**6. Chair's Annual Report**

David Ewart, as Chair, introduced a report that summarised the work undertaken by both the Audit & Standards Advisory Committee and the Audit & Standards Committee during the 2022-23 Municipal Year, in line with the requirements and principles as set out within CIPFA's Position Statement regarding Audit Committees. The Committee were advised that as this was the first time the report had been produced for the Committee, any feedback would be welcomed to support the development of future reports.

The Committee welcomed the report and as there were no further comments it was **RESOLVED** to note the contents of the report ahead of it being presented to Full Council on 10 July 2023.

## 7. **Annual Governance Statement 2022-23**

Debra Norman, Corporate Director Governance, introduced the report that set out the draft Annual Governance Statement (AGS) for 2022/23 as required by the Accounts and Audit Regulations 2015.

In presenting the report the Committee noted:

- The seven core governance principles introduced by CIPFA upon which the review of governance arrangements and production of the AGS had been based, as detailed in section 3.4 of the report.
- That no significant governance issues had been identified relating to 2022-23, however some points of improvement had been identified, as detailed in section 3.8 of the report. These included improved monitoring, reporting and challenge over "first line" controls and to increase the rate of implementation of "medium risk" audit recommendations.
- The statement had been prepared in accordance with the CIPFA framework and had been subject to review and comment by both internal and external audit.
- The importance of the AGS in outlining the Council's framework of control in relation to its Governance arrangements and in terms of managing risk, with the review of effectiveness in relation to governance related issues and ongoing process.

Members were advised that they were being invited to comment on the draft AGS in advance of its formal consideration and approval by the Audit and Standards Committee. As a result, the following issues were highlighted:

- The Committee were pleased to note that there were no significant governance issues identified.
- The Committee welcomed the action plan and noted the value in the comments from senior management, however felt that further enhancements could be made with the addition of timescales where appropriate.
- The Committee noted the ongoing consideration that had been given being to the way in which arrangements could be made for the Committee to establish relevant links and co-ordinate with the Council's Scrutiny function in relation to the Council's strategic risk management process.
- The Committee noted the excellent work undertaken in Treasury Management and felt it would be positive to reflect this in future reports.

- A number of minor amendments were identified in relation to meeting frequency and the frequency of risk reporting to the Committee which is was pointed out would need to be reflected as amendments within the final AGS.

As there were no further comments raised, the Chair thanked officers for the report and it was **RESOLVED** to recommend the Annual Governance Statement to the Audit & Standards Committee for formal approval, subject to the following minor amendments to the statement:

- (1) Section 4.4.5 to be amended to reflect that the Audit & Standards Advisory Committee had met on 6 rather than 5 times during 2021/22.
- (2) Section 4.4.9 to be amended to reflect that strategic risks had been presented to the Audit & Standards Advisory Committee twice rather than quarterly during 2021/22.

## 8. **Standards Report (including Gifts & Hospitality)**

Biancia Robinson, Senior Lawyer, Constitutional and Governance, introduced a report updating the Audit and Standards Advisory Committee (ASAC) on gifts and hospitality registered by Members and member training. In considering the report the Committee noted:

- The summary of gifts and hospitality which had been registered by members during April – May 2023, as detailed within section 3.3 and Appendix A of the report. In addition to this the Committee were advised that additional Gifts & Hospitality registered by members since the publication of the report for Quarter 1 would be circulated to Committee members following the meeting.
- Full Council on 17 May 2023 had approved the appointment of Rachael Tiffen as a new Independent co-opted member on the Committee (Standards focussed) for a period of four years. A further recruitment exercise had commenced to fill the vacant second Independent co-opted member post.
- Refresher mandatory training for all members was currently underway, the Committee would receive an update on the completion of the refresher training at a future Committee meeting.
- As a learning point the Committee were advised of a recent case in another authority regarding a First Tier Tribunal decision in relation to a Freedom of Information Act case. The outcomes and points of interest were detailed in section 3.8 – 3.13 of the report.

The Committee was then invited to ask any questions they had in relation to the update provided. In response, further details were sought in relation to the threshold value that required Members to declare Gifts & Hospitality. The Committee were advised that Members were required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This included a series of separate gifts and hospitality from the same person that added up to an estimated value of at least £50. If a Member chose to declare a sum less than £50 they would be allowed to do so, however it would not be a registerable interest and therefore not categorized as a personal interest. As an action arising from the meeting the Committee were advised that the Council

website would be updated to reflect the £50 threshold, with it noted that the current information stated this was £100.

As no further issues were raised the Chair thanked officers for the update provided and it was **RESOLVED** to note the contents of the report.

## 9. **Statement of Accounts 2022-23 Update**

Ravinder Jassar, Deputy Director of Finance introduced a report that provided the Committee with an update on the progress in publication of the Statement of Accounts for 2022/23.

In considering the report the Committee noted the following key points:

- Despite objections raised by the Local Government Association and other representative bodies in response to a consultation undertaken by the Department for Levelling Up, Housing and Communities (DLUHC) earlier in 2023 regarding bringing forward the deadline for the publication of local authority accounts from 31st July to 31st May, DLUHC had decided to proceed in bringing the deadline forward.
- As a consequence of the delays in being able to sign off the 2021-22 Statement of Accounts it had not possible for the Council to meet the 31<sup>st</sup> May 2023 deadline to publish a draft set of accounts of appropriate quality. It was, however, expected that the draft accounts would be available to publish by the end of June 2023.
- The significant challenges faced as a result of the significant delays in external audit and sign off of previous accounts, which had been recognised by CIPFA with the need identified to also recognise the balance needing to be struck between the timeliness and quality of the unaudited financial statements produced and whilst ensuring the necessary transparency in the process. Members were advised that a survey undertaken with other London Boroughs had indicated the concerns was widespread, with only one quarter of London Boroughs having been able to meet the earlier deadline for publication of their accounts by the May deadline.

In response to the update provided the Committee sought further detail on the extent of the issues highlighted, which Minesh Patel, Corporate Director of Finance and Resources advised were not exclusive to Brent. To date only 8 London Boroughs had been in a position to publish their draft Statement of Accounts with members noting that Brent was in the position of having been able to sign off their 2021-22 Statement of Accounts, which only 12% of local authorities had yet been able to achieve. Given the professional responsibility on the Corporate Director for Finance and Resources to ensure the draft accounts represented a true and fair reflection of the Council's finances it was imperative that the process was completed with accuracy with the Committee assured of the efforts being made to ensure the draft accounts were published by the end of June, with members to be advised once available.

On behalf of the Committee the Chair extended thanks to Minesh Patel and his team for their ongoing efforts in finalising the draft accounts given the challenges experienced in signing off the 2021-22 accounts and as no further issues were

raised the Committee **RESOLVED** to note the update provided in relation to the delay in publication of the draft accounts for 2022/23.

#### 10. **Enquiries of Management**

Ravinder Jassar, Deputy Director of Finance introduced a report providing the Audit & Standards Advisory Committee with the opportunity to review the responses provided by management to the External Auditors Enquiries of Management 2022-23, in order to comply with the expectations of the Financial Reporting Council (FRC). Members were advised that the Enquiries of Management related to those charged with governance for both the Council and also Council's Pension Fund with the management responses detailed in Appendix 1 (Brent Council Enquiries of Management) and Appendix 2 (Pensions Fund Enquiries of Management).

The Committee noted the following key points:

- Confirmation was provided that the key issues identified as having a significant impact on the financial statements for 2022-23 had included the cost of living crisis, inflation, high energy prices and increased demand on services.
- The key questions asked in the Enquiries of Management were standard as they set a baseline for auditors to be able to focus in on certain areas as required.
- Following a Committee query regarding whether the reference to the use of "external experts" in the report was due to support being brought in as a result of a lack of capacity within the team, officers confirmed that external experts were brought in to advise on specific areas of expertise and not due to capacity issues.

As no further issues were raised, the Chair thanked Ravinder Jassar for the report and the Committee **RESOLVED** to note the contents of the Enquiries of Management for the Council (as detailed in Appendix 1 of the report) and Brent Pension Fund (as detailed in Appendix 2 of the report).

#### 11. **Internal Audit Annual Report 22-23**

Darren Armstrong, Head of Audit and Investigations introduced the report which outlined the work undertaken by Internal Audit in respect of delivery of the 2022-23 Internal Audit Plan and included the Head of Audit's Annual Opinion. Members were advised that the report had been provided in order to offer assurance about the Council's framework of governance, risk management and internal control.

In considering the report the Committee noted the following key points:

- There had been no threats to the independence and objectivity of the Internal Audit function in relation to the work carried out to deliver the 2022-23 internal audit plan. The Head of Internal Audit (HIA) and all internal auditors continued to receive unrestricted access to senior management, officers and all information and records necessary to undertake their work.
- The internal audit function had also received an External Quality Assessment (EQA) during 2022-23, which identified no concerns regarding the independence or objectivity of the function.

- The high level summary of the Audits undertaken to date in 2022 - 23, as detailed within section 3 of the report.
- The flexible and risk based approach adopted towards development and delivery of the Annual Internal Audit Plan. As no critical risks had been identified it had allowed high risk work to be implemented more quickly, although it was acknowledged and referenced in the audit opinion that this had a cumulative effective on the urgency and implementation of medium-term risk audit's completion and as such was identified as an area that required attention going forward.
- The HIA had been satisfied that the work undertaken by Internal Audit during 2022-23, as well as wider governance arrangements, had enabled a "reasonable assurance" audit opinion to be provided on the Council's control framework, risk management and governance arrangements. In determining the annual opinion, the HIA had considered which key themes from audit work undertaken in 2022-23 could be enhanced in the future to better support the Council's governance, risk management and internal control frameworks. These areas of improvement were detailed in Appendix A section 6.15 – 6.21 of the report.

The Committee had a number of follow up questions in relation to the information provided, with the following key points highlighted:

- The Committee queried how Internal Audit would respond to the issues highlighted in section 6.21 of the report in relation to absent or outdated policies and procedures. In response the Committee were advised of the efforts being undertaken to ensure that policies and procedures on the intranet were accessible and kept up to date.
- Following a Committee query in relation to the Housing Voids Audit and when KPI's would be agreed, the Committee were updated that following the audit the Housing Management Team had accepted the suggested actions to set and monitor KPI's moving forward. Recognising the positive nature of the management response, progress would continue to be monitored and an update provided at a future Committee meeting to measure the effectiveness of the recommended actions.
- The Committee queried the process for areas of concern or risk identified following audits being addressed through the Audit Action Plans. Darren Armstrong advised that senior managers were aware of the common themes, particularly with reference to gaps identified in "second line" controls and were supportive of the agreed action plans. As a result of the management support and robust action plans in place it was felt there were sufficient measures to overcome the areas of concerns identified including scope to make improvements.
- Following a Committee query as to whether Artificial Intelligence (AI) was perceived as a risk to the Council, the Committee acknowledged that AI was an emerging risk that had not yet been fully explored. As an action it was therefore agreed to take this point forward and discuss with the IT Shared Services in order to assess any potential risks in relation to cyber security as a result of the recent advancements in Artificial Intelligence requiring review.
- Following the details provided in relation to delivery of medium risk actions arising from audits within the Plan further details were sought on how performance in this area could be enhanced in the future. In response the

Committee were advised this area had been impacted by the increased focus given to the implementation of high risk actions. Strong consideration had been given to how to ensure that moving forwards, medium risk actions were given the scrutiny required. This would include revising some timescales and ensuring that realistic achievable target dates were set.

- Darren Armstrong re-iterated the importance in setting realistic audit scopes, having reminded the Committee that with limited resources it was not possible to audit every risk, however every effort had been made to use resources as effectively and efficiently as possible to maximise delivery of the Audit Plan.

As Members had no further questions, the Chair thanked Darren Armstrong and his team for what the Committee felt was a highly informative report. It was **RESOLVED** to note the contents of the report.

## 11. **Counter Fraud Annual Report 22-23**

Darren Armstrong, Head of Audit & Investigation, introduced the report that summarised the counter fraud activity that had been undertaken in 2022-23. In considering the report the following key issues were noted:

- The summary of numbers and types of internal and external fraud referrals for 2022-23 as detailed within Table A and Table C of the report.
- In terms of Internal Fraud (Table A) the volume and type of referrals was consistent with recent years, and the trend suggested that the service profile and engagement across the Council continued to be effective.
- Table B provided a specific breakdown of Tenancy and Social Housing Fraud. A total of 20 fraudulent housing cases were identified in 2022/23, with the average value of each recovered tenancy at approximately £93,000 per property, therefore the notional value of the 20 cases totalled £1,860,000.
- External Fraud referrals detailed in Table C of the report confirmed 224 new referrals for 2022/23 with Blue Badge fraud allegations making up 68% of new referrals.
- The broad range of proactive counter fraud activity for 2022/23 was summarised in Table D of the report. Work included NFI data matching reviews, fraud workshops, targeted operations and other planned fraud risk reviews.
- As part of the Council's membership of FraudHub the Council received access to another application called AppCheck, that was currently being tested by the Counter Fraud team in liaison with appropriate teams within the Council to pilot its use and monitor its effectiveness.
- Table E of the report provided a summary of the notional and actual savings made to the Council as a result of the Fraud work undertaken,
- The notional and actual savings identified as a result of counter fraud activity were summarised in Table E of the report, which (in addition to the preventative work being undertaken) it was also felt demonstrated the positive impact the Counter Fraud Team was having across the council in relation to the protection of the Council's finances.
- The robust nature of both reactive and proactive counter fraud activity with an increase in referrals expected as a consequence of the current economic environment and Cost-of-Living crisis.

The Chair then invited the Committee to raise questions on the report, with the responses summarised as follows:

- In response to a Committee question in relation to the use of AppCheck as a tool to support identifying fraud, the Committee were advised that the app enabled departments to check and verify applications across a number of databases, it was noted that this would be particularly useful to the Housing Team.
- In response to a Committee query in relation to additional tools available to identify and interlink fraudulent activity, the Committee were advised of the benefits available through FraudHub, which were in the process of being rolled out across the Council. These included advanced features that would offer additional scope in relation to licensed data matching both internally and across other boroughs.
- Noting the increased referrals regarding Blue Badge Fraud, the Committee queried when updates to the Blue Badge system would be implemented to make Blue Badges less vulnerable to fraud. In response the Committee were advised that the Fraud Team were in regular contact with the Healthy Streets and Parking Team to identify hot spots and were assured that when progress was made nationally with combatting Blue Badge Fraud via the introduction of a revised Blue Badge Scheme that the Council would be keen to adopt any advancements to limit this type of fraud. As an action arising from the meeting the Committee were advised that their comments would be fed back to the Healthy Streets & Parking team in order to consider the need to lobby for changes in relation to practical operation of the Blue Badge scheme given concerns raised in relation to the misuse of the badges and fraud. This to include the potential inclusion of the borough as part of any virtual blue badge schemes being piloted with officers also continuing to raise the issue via the London Counter Fraud Hub.

As the Committee had no further queries, the Chair thanked Darren Armstrong and his team for their hard work and gains made in Brent's Counter Fraud Activity and it was **RESOLVED** to note the report.

## 12. **External Audit Progress Report and Sector Update**

In providing a verbal update to the Committee, Sheena Phillips, Senior Audit Manager, Grant Thornton, advised the Committee of the positive position achieved in terms of Brent's final Statement of Accounts for 2021-22 having now been signed off. In terms of the audit on the 2022/23 accounts the Committee were advised of the measures being taken by Grant Thornton to increase audit capacity with an initial focus and timeline of October 2023 to complete this process.

In response to the update provided, the Committee queried what actions could be taken if the external auditors were not able to complete the 2022/23 sign off in the timeline identified. In response, Sheena Phillips advised that this would likely delay the process to March 2024 given the scheduled allocation of resources available. Concerns were expressed by the Committee at the potential impact identified with the Chair and Vice Chair advising that they would be seeking to address the concerns identified in relation to the impact arising from the delay in completion of the audit for the 2021/22 Statement of Accounts and to seek assurance in relation to the allocation of resources, arrangements, scope and timetable for completion of

the 2022-23 audit process at a meeting being arranged with Ciaran McLaughlin, Key Audit Partner, July 2023

The Chair further clarified that the whilst the Council did not have a direct contract with Grant Thornton as the external auditors if concerns remained these could be raised with Public Sector Audit Appointments (PSAA) as the body responsible for the external audit appointments, who had a Quality Management Team.

With no further issue raised the Chair thanked Sheena Phillips the Committee **RESOLVED** to note the update provided.

13. **Forward Plan & Committee Work Programme**

It was **RESOLVED** to note the Committee's Forward Plan and work programme for 2023-24. The Committee noted there would be further amendments required to reflect the revised timescales for submission of the 2022-23 Statement of Accounts and Treasury Management Outturn report.

14. **Any Other Urgent Business**

None.

The next meeting was scheduled for Tuesday 18 July 2023

The meeting closed at 7:20pm

David Ewart  
Chair

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Meeting Date	Agenda No.	Item	Actions	Lead Officer and Timescale	Progress
6 June 2023	8	Standards Report (including Gifts & Hospitality)	(1) Updated details on additional Gifts & Hospitality registered by members since publication of the report for Quarter 1 to be circulated to Committee members following the meeting. (2) Details on the requirements in relation to Members Declaration of Interests and the formal £50 threshold for registering of Gifts and Hospitality to be corrected on the Council's website	Biancia Robinson by June 2023	The website was updated and the updated Gifts & Hospitality information was circulated to members on 7 June 2023.  Completed – to be removed from the next action log.
	9	Statement of Accounts 2022-23 - Updated	(1) David Ewart (Chair) and Councillor Chan (Vice Chair) to meet with Ciaran McLaughlin, Key Audit Partner, Grant Thornton to address concerns in relation to the impact arising from the delay in completion of the audit for the 21/22 Statement of Accounts and seek assurance in relation to the arrangements, scope and timetable for completion of the 22-23 audit process. (2) Minesh Patel, Corporate Director of Finance & Resources to advise the Committee once the 22-23 Draft Statement of Accounts had been published (based on a provisional deadline of 30 June 23).	David Ewart/Councillor Chan/Ciaran McLaughlin by the next ASAC meeting on 18 July 2023.	Completed – Meeting took place on 5 July 23.  To be removed from the next action log.
	11	Internal Audit Annual Report 2022-23	Darren Armstrong & Minesh Patel to liaise with IT Shared Service in order to assess the potential requirements to undertake a further review of any risks posed to cyber security as a	Darren Armstrong/Minesh Patel, by the next ASAC meeting on 18 July 2023.	In progress

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			result of the recent advancements in Artificial Intelligence		
	12	Annual Counter Fraud Report 2022-23	Darren Armstrong, Head of Audit to liaise with the Parking team in order to feedback members views regarding the need to lobby for changes in relation to practical operation of the Blue Badge scheme given concerns raised in relation to the misuse of the badges and fraud. This to include the potential inclusion of the borough as part of any virtual blue badge schemes being piloted.	Darren Armstrong, by the next ASAC meeting on 18 July 2023.	In progress
	13	External Audit Progress Report and Sector Update	David Ewart (Chair) and Councillor Chan (Vice Chair) to seek a detailed timescale and clarification regarding the allocation of external audit resources for completion of the 22-23 audit of the Statement of Accounts as part of the meeting scheduled with Ciaran McLaughlin, Key Audit Partner, Grant Thornton.	David Ewart/Councillor Chan/Ciaran McLaughlin by the next ASAC meeting on 18 July 2023.	Completed – Meeting took place on 5 July 23.  To be removed from the next action log.
	14	Forward Plan & Committee Work Programme	Due to the delayed Statement of Accounts and Treasury Management Outturn report the Forward Plan would need to be reviewed and amended accordingly.	All key officers/David Ewart/Councillor Chan by the next ASAC pre meet/catch up on Friday 7 July 2023.	Completed at the ASAC Pre meet/catch up on 7 July.  To be removed from the next Action Log.
21 Mar 2023	4	Minutes of the previous meeting and Action Log	The Committee were advised that following a previous Committee request for an update on the Financial Inclusion Dashboard Councillor Chan (Vice Chair) and Councillor Choudry would be meeting with the Deputy Leader to discuss the development of the Financial Inclusion Dashboard and would provide an update to the Committee in June 2023.	Councillor Chan/Councillor Choudry by June 2023	In progress  Councillor Chan advised the Committee at the 6 June 2023 meeting that a further update on this would be provided at the next ASAC meeting on 18 July 2023.

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	11	LB Brent Audit Findings Reports 2021/22	Grant Thornton to ensure that any amendments or changes recommended in the Audit Findings report (from previous versions provided) should be clearly detailed e.g. colour coded.	Ciaran McLaughlin/Sheena Phillips	Ongoing
	13	Internal Audit Investigation Plan	Darren Armstrong, Head of Audit & Investigations to explore if the internal audit on Climate Change & Sustainability could be brought forward within the Internal Audit Plan 2023-24 from Quarter 3	Darren Armstrong June 2023	Completed  The Committee were updated at the 6 June 2023 meeting that enquiries had been made, however it was not possible to bring the audit forwards.  To be removed from the next Action Log.
	15	Evaluating the Effectiveness of the Committee – Survey Outcomes	Darren Armstrong to provide details of further training options available to Members linked with CIPFA's guidance.	Darren Armstrong June 2023	Completed  Members were advised of further training opportunities during the Member training that took place on 6 June 2023.  To be removed from the next Action Log.
	16	External Audit Progress Report and Sector Update	Grant Thornton to provide an audit scope plan and timetable for the 22-23 Statement of Accounts and Pension Fund audit as soon as possible.	Ciaran McLaughlin/Sheen Phillips	In progress
		Review the Committee's Forward Plan	Future planning to consider the management of agenda items to allow Members to focus on providing an appropriate level of challenge on	Minesh Patel/Debra Norman/Darren Armstrong/David Ewart	In progress

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Audit & Standards Advisory Committee – Action Log July 2023


			the substantive items (Minesh Patel, Darren Armstrong, Debra Norman, Chair & Vice-Chair)	(Chair) and Councillor Chan (Vice Chair)	
7 Feb 2023	5	Matters Arising	The Committee requested an update at a future meeting on the Financial Dashboard Presentation.	Councillor Chan/Councillor Choudry	Completed  The Committee received an update on this at the 6 June 2023 meeting, with a further update to be provided at the 18 July Audit & Standards Advisory Committee.  To be removed from next Action Log.
	11	Auditor's Annual Report on the London Borough of Brent	The Committee accepted the External Auditor's recommendation to ensure timely implementation of the CIPFA Financial Management code requirements and would receive regular updates.	Minesh Patel	Ongoing
	12	Strategic Risk Register Update	Further details to be sought from the Managing Director of Shared Services on the guidance available regarding cyber security.  The Committee requested that an additional visual chart to show the comparative trends in strategic risks over time is provided in the next Strategic Risk Register to support the Committee in understanding the risks over a longer time period.	Minesh Patel/Fabio Negro  Darren Armstrong	In progress  In progress

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	14	Evaluating the Reflectiveness of the Committee	The Committee requested signposting to additional training resources to enhance their knowledge.	Darren Armstrong	Completed  Addressed at the Member training that took place on 6 June 2023.  To be removed from the next Action Log.
7 Dec 2022	5	Matters Arising	The Committee requested an update at a future meeting on the Financial Dashboard Presentation.	Councillor Chan/Councillor Choudry	Completed  The Committee received an update on this at the 6 June 2023 meeting, with a further update to be provided at the 18 July Audit & Standards Advisory Committee.  To be removed from next Action Log.
	8.1	i4B Holdings Performance Update	To maintain review of i4B Risk Register in relation to impact of wider economic context on viability of company acquisition strategy.	The Audit & Standards Advisory Committee	Ongoing
29 Sep 2022					

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	5.	Matters Arising – Financial Dashboard presentation	As more data sets became available there would be an Outcome Based Review which would be a Council wide programme. It was suggested that an update was provided on this at a future meeting.	Sadie East/Peter Gadsdon	Ongoing

 <b>Brent</b>	<b>Audit &amp; Standards Advisory Committee</b> 18 July 2023
	<b>Report from the Corporate Director of Finance &amp; Resources</b>
<b>Draft Statement of Accounts 2022/23</b>	

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

## 1.0 Purpose of the Report

- 1.1 This report presents the Council's draft 2022/23 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 2022/23 submitted to external audit.

### **3.0 Detail**

- 3.1 The council's draft Statement of Accounts for 2022/23 has now been published, following the delay advised to the Audit & Standards Advisory Committee on 6 June 2023.

### **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 No specific legal implication in agreeing this report.

### **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***

Corporate Director of Finance &  
Resources

DRAFT

London Borough of Brent

Statement of Accounts

2022/23

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# Narrative Report

## Introduction

I am very pleased to present Brent Council's Statement of Accounts for 2022/23. 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 which are likely to do so for the foreseeable future.

**Minesh Patel**  
Corporate Director of  
Finance and Resources

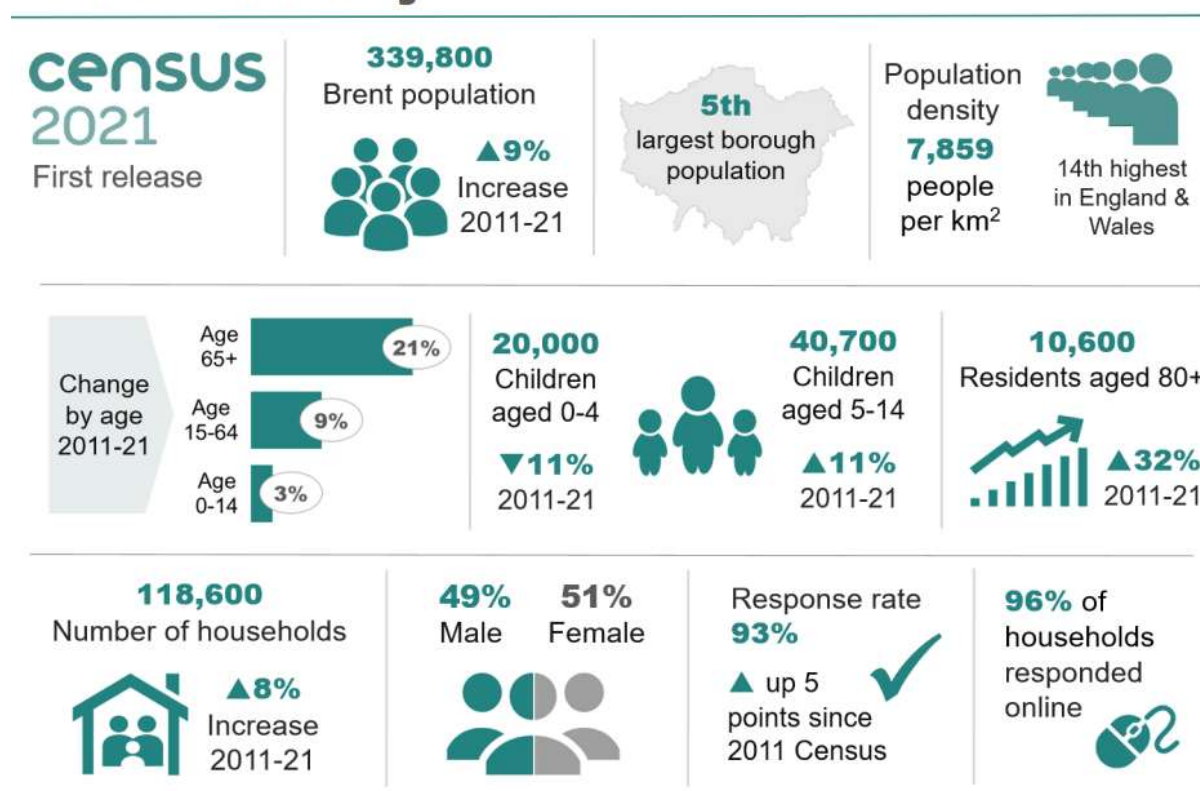
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## Background

1. Brent is situated in north-west London, bordering the boroughs of Harrow to the north-west, Barnet to the north-east, Camden to the east, the City of Westminster to the south-east, and the Royal Borough of Kensington and Chelsea, Hammersmith and Fulham to the west, and Ealing to the south.
2. It covers an area of 4,325 hectares, making it London's fifteenth largest borough; about 22% of this is green space. Brent's major districts are Kilburn, Willesden, Wembley and Harlesden as well as Stonebridge, Kingsbury, Kensal Green and Queen's Park. There is a mixture of residential, industrial and commercial land with districts in the east having an inner-city character, while the west is more suburban. Within Brent lie Wembley Stadium, the country's largest stadium by capacity, as well as other notable attractions such as the Kiln Theatre, the Swaminarayan Temple, Wembley Arena and the Welsh Harp reservoir.

## Brent Summary




3. Brent is the capital's fifth most populous borough, with a population of 339,800. It has a young population; the median age is 36, four years below the average for England; 24% of local people are under the age of 18. It is the second most ethnically diverse borough in London - 65% of the local population is from Black, Asian and other minority groups; the largest single group is the Indian population – who comprise 17% of residents – the fourth largest in London. Some 55% of Brent residents were born overseas. The borough has the second largest Hindu population in England and Wales, and the 10th largest Muslim population (as a percentage of the population). Over 149 languages are spoken in the borough; 37% of residents do not have English as their main language – the second highest proportion in London.

# Summary


**census**  
2021

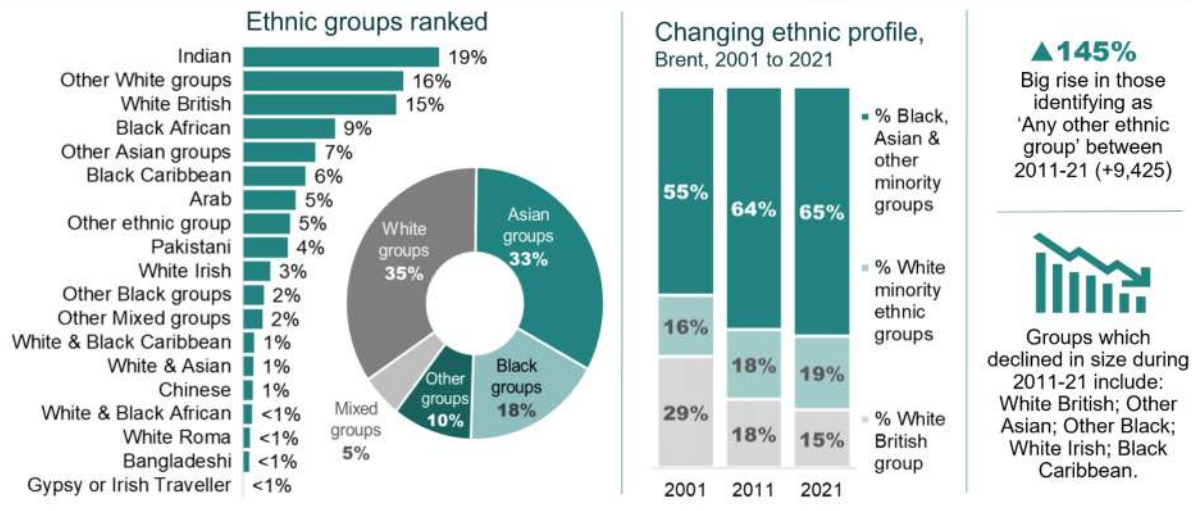
Ethnicity in  
Brent

**65%**   
of residents from  
Black, Asian &  
minority ethnic groups  
▲ 2nd highest rate in  
England & Wales

**1 in 5**  
of residents from  
White minority  
ethnic groups  


**15%**  
of residents are  
White British -  
▼ 2<sup>nd</sup> lowest  
rate in England  
& Wales

**23%**   
of households are  
multi-ethnic,  
containing residents  
from different ethnic  
groups



## Financial Context

4. In the current and medium term, the economic environment is volatile and uncertain with high inflation, particularly affecting energy costs, rising interest rates, a potential banking crisis and war in Ukraine, precipitating the cost-of-living crisis. Looking to the future, there is political uncertainty with a general election likely in 2024 and economic forecasts of little or no growth.
5. The Bank of England's view is that inflation peaked towards the end of 2022 and will now reduce in 2023 before reverting to its 2% target in 2024. Interest rates are high and increasing with forecasts that the base rate will be 6% by the end of 2023.
6. The residents of Brent face an equally challenging economic environment with the effects of the cost-of-living crisis exacerbated by levels of unemployment above national and London averages. Persistently high levels of inflation, interest rates and energy costs mean that the cost-of-living crisis is unlikely to end in the near future.
7. The Council will need to assist residents and local businesses through these difficult economic times, for instance by extending the temporary Resident Support Fund.
8. The Council is seeing the effect of Brent's precarious economic position through a post COVID-19 decline in both council tax and business rates collection which is below the London average.
9. The impact of COVID-19 scarring is another issue, and it will not be known for some time the exact extent of any impact from this.

## **Local Government Funding**

10. The government's Autumn Statement and Local Government Finance Settlement provided figures in sufficient detail to enable effective resource planning for the next two years. This brings welcome certainty after a protracted period of one-year settlements. However, the Autumn Statement in particular reveals that hard decisions on reducing public sector spending have been put back until the 2025/26 budget round. That is likely to be after the next general election and the task of making substantial reductions in public expenditure will therefore fall to the incoming government. There is no indication how much of any expenditure reductions will be targeted at local government but given the high level of the national savings requirement from 2025/26 onwards set out in the Autumn Statement, it would be reasonable to assume that most parts of the public sector will be affected including local government. There is therefore a real risk of a new round of austerity.
11. Whilst there is cross-party recognition of adult social care funding pressures and in particular the adverse effect bed blocking has on the NHS, that consideration alone is unlikely to protect local government from a significant reduction in funding.
12. Future cuts to public sector expenditure may have been put off until 2025/26, but they are not the only items deferred until then. The fair funding review of local government finances, the reset of the business rates baseline, and the introduction of a cap on care costs are just some of the other major policy decisions currently on hold until after the next general election.

## **Medium Term Financial Strategy (MTFS)**

13. When updating the MTFS, the Council's budget approach has very much focused on delivering efficiencies in order to achieve 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 adverse impact on the most vulnerable. There is a limit on the level of efficiencies that can be made and significant cuts in government funding could eventually lead to reductions in service provision.
14. The MTFS has also been successful in providing a framework that has allowed the Council to fund essential growth resulting from both demographic pressures and the changing needs of its vulnerable residents, while investing in the local economy.
15. The financial outlook is uncertain with potential funding reductions on the horizon. The Council therefore needs to be cautious and prudent in its financial planning by acting to strengthen its financial resilience so that it can overcome future funding risks, particular in the 2025/26 cliff edge year.

## **Strategic Vision - Borough Plan**

16. The 2022/23 financial year was the final year of the 2019-23 Borough Plan. A new Borough Plan was agreed during this period.
17. The Borough Plan 2023-27 sets out the Council's vision for the next four years and its primary aim is 'Moving Forward Together'. There is an emphasis how the Council will work with others to support people through the cost-of-living crisis, realise climate

change ambitions and harness the diverse range of communities. Central to these ambitions is making Brent the best it can be for everyone who lives and works in the borough.

18. In his introduction to the new 2023-27 Borough Plan, Cllr Muhammed Butt, Leader of Brent Council, set out his vision for the borough:

“We will look to continue our record as the Council of the Year, the award we received back in 2020 – recognising that despite the challenges, Brent Council will always take tough decisions in seeking to ensure that no one is left behind. We will continue to prioritise the most vulnerable in our community and make sure that essential services like waste collection, libraries, education, public health and care are protected.

“In Brent, like every London borough – we face a constant balancing act between the many challenges that await us. We face unprecedented demand in housing services; many more residents requiring round the clock care in later life; an increase in interventions by children’s social services; and the ever present need to keep our borough safe, secure and clean.”

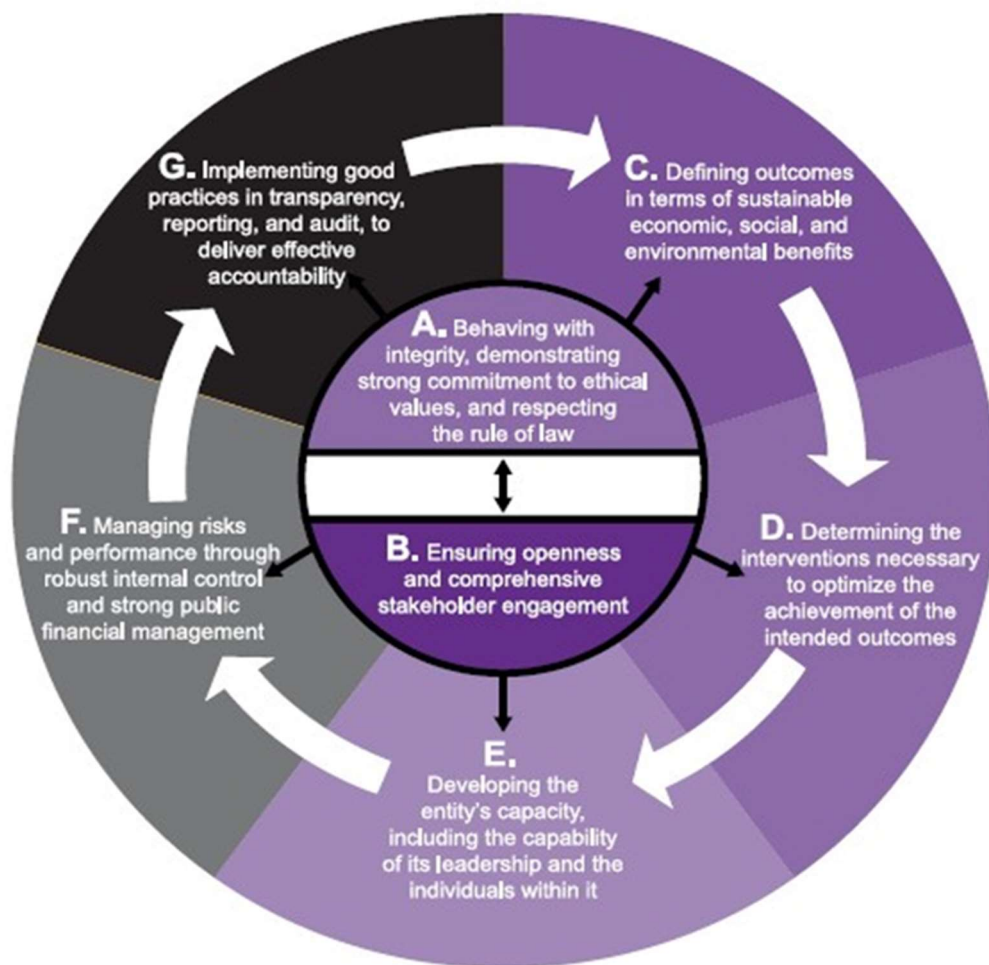
## 2022-23 Strategic themes



19. The Borough Plan is reviewed regularly to ensure it is still relevant, reflects the national policy landscape, local priorities and context. The council monitors progress against the outcomes set out in the Plan based on a suite of performance measures. These are reported to Cabinet twice a year.

## Governance

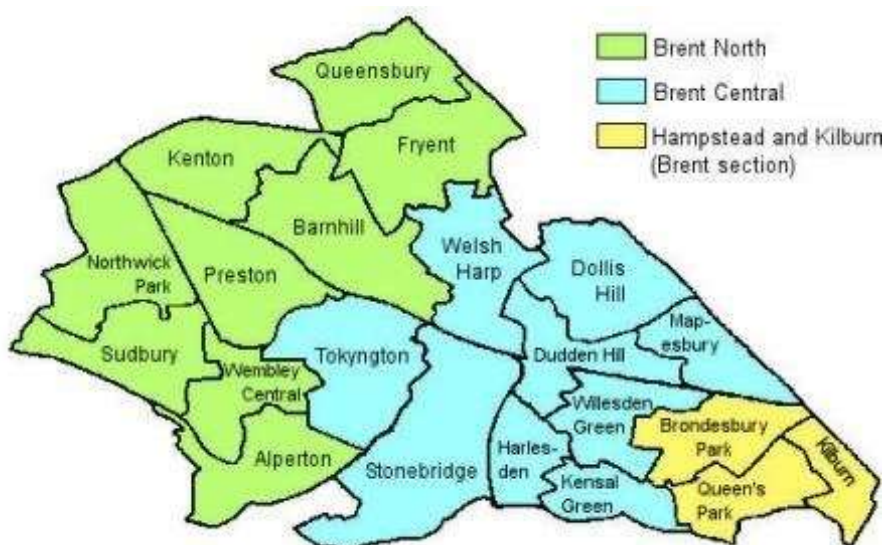
20. The Council has a well-established and robust corporate governance framework. This includes the statutory elements such as the posts of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements. An overview of this governance framework is provided within the Annual Governance Statement for 2022/23. This includes a detailed review of the effectiveness of the Council's governance arrangements.
21. The principles that underpin the governance framework are shown in this graphic:



22. The Finance Department undertakes periodic reviews of the financial governance arrangements to ensure decisions to commit resources are at all times robust. The Council has 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 risks such as staff absences.

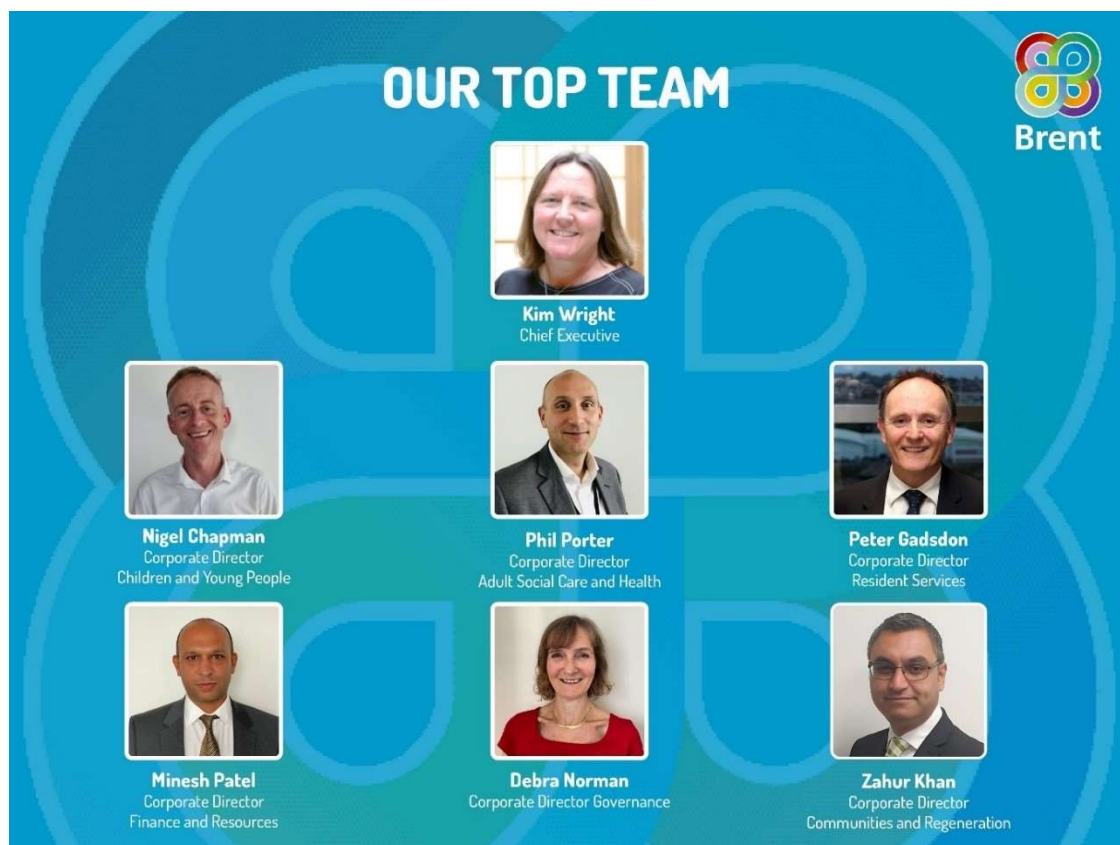
## Political Structure

23. In 2022/23 Brent was divided into 21 electoral wards and three parliamentary constituencies: Brent North, Brent Central, and Hampstead and Kilburn, which includes part of the London Borough of Camden.



## Chief Officer Structure

24. During 2022/23 the Council restructured its departments and appointed a new Chief Executive. This chart shows the revised senior management arrangements:



## **Review of Financial Year**

25. The 2022/23 financial year proved challenging for the Council. The impact of the COVID-19 pandemic has yet to work its way out of the system, with the Council continuing to experience reduced income from fees and charges and lower than normal collection rates for both Council Tax and Business Rates. Meanwhile, inflation remains high, with energy costs particularly at above normal levels. This is exacerbated by the on-going war in Ukraine. Interest rates continue to rise, which undermines the affordability of a number of capital projects, particularly those related to building new housing. Nationally, economic growth remains sluggish and in Brent this leads to unemployment rates above the national and London averages. The cost-of-living crisis continues to affect Brent residents requiring the Council to provide support to alleviate the worst of its impacts.
26. The local government financial settlement for 2022/23 was no worse than expected and the settlement announced in 2022 provided details of funding allocations to the end of this Parliament – a welcome change after a period of one-year funding announcements. The government has however pushed a number of significant funding decisions to the other side of the general election, meaning that the 2025/26 financial year could see substantial reductions in government support for local authorities. At present this is considered a significant risk that needs to be factored into the Council's financial plans.
27. Demographic changes, compounded by the adverse economic environment, have increased service demand for social care across both the Children and Young People's and Care, Health and Wellbeing departments. Providers are also increasing their prices, resulting in significant inflationary pressures. Homelessness continues to be a significant pressure. The upwards trend is compounded by the negative economic environment and increased evictions following end of the COVID-19 freeze and in advance of the government's proposed ban on no-fault section 21 evictions. Reshaping local services, through the reletting of major contracts in Residents Services, will add further uncertainty to an already challenging position.

## **Summary of Financial Performance**

28. The Council's General Fund position is break even as a transfer from corporate contingency covered overspends in the Children and Young People (CYP) service of £3.7m and Care, Health and Wellbeing of £0.9m, while other General Fund services outturned with modest variations. Both the Dedicated Schools Grant (DSG) shows a break -even position with an in-year under spend of £1.3m transferred to reserves while the Housing Revenue Account (HRA) outturned at breakeven. This is detailed in table 1.

## Revenue Expenditure

Table 1  
– Outturn Position 2022/23

Area	Revised Budget £m	Actual Transactions £m	Over/(Under) Spend £m
Care, Health and Wellbeing	128.6	129.4	0.8
Children and Young People	65.2	68.8	3.6
Communities and Regeneration	10.1	10.1	0.0
Finance and Resources	14.9	14.6	(0.3)
Governance	14.8	14.5	(0.3)
Resident Services	78.3	78.6	0.3
Service Expenditure	311.9	316.0	4.1
Central Items and Budgeted Contingency	(311.9)	(318.7)	(6.8)
<b>General Fund (GF) Budgets / Outturn</b>	<b>0.0</b>	<b>(2.7)</b>	<b>(2.7)</b>
DSG Funded Activity	0.0	0.0	0.0
Housing Revenue Account (HRA)	0.0	(0.0)	(0.0)
<b>Total (GF, HRA, DSG)</b>	<b>0.0</b>	<b>(2.7)</b>	<b>(0.0)</b>

*The detailed breakdown of these figures is in Note 14.*

## Service Revenue Expenditure

### *Care, Health and Wellbeing (CHW)*

29. The CHW department changed its name from Adult Social Care and Health in 2023. The department has overspent by £0.8m.
30. Whilst Public Health reports a break-even position, a £2.5m underspend on the main Public Health grant has been transferred to earmarked reserves.
31. The overspend therefore comes from the Adult Social Care department. This largely results from growth in client numbers; in particular, Elderly Nursing Care clients which grew by 18% between April 22 and March 2023. There was also growth in the number of 'transition' clients moving from the CYP service to ASC. These clients tend to transition initially at a higher package cost, increasing costs in-year for the Learning Disability service.
32. Conversely client numbers in Day Care showed a slight 2% decline, as packages continue to remain below pre-pandemic levels.

33. Brent received an additional £2.4m funding from the government in 2022/23 (£1.1m funding directly to the local authority and £1.3m via the Integrated Care Board – these amounts are to be pooled together) to support with the pressures continuing to be faced by local authorities with delays to discharging people from hospital. The additional funding was utilised to provide additional staffing, funding for home care and reablement.

*Children and Young People (CYP)*

34. The Children and Young People department's General Fund budget overspent by £3.6 million. This pressure has mainly arisen because of two cost drivers:
- the demand for placements for looked after children.
  - the use of agency staff to fill vacant social worker roles because of the challenge of recruiting and retaining social workers.
35. Pressures against the placement budgets are a combination of the impact of inflation and increased costs arising because Brent's looked after children often enter care late, with complex needs that require higher levels of support.
36. The department continues to face pressures due to the national challenge of recruitment and retention of social workers leading to a reliance on agency staff. A shortage of social workers and other case holding staff is also an acknowledged regional issue, which requires a coordinated regional approach over the medium term. CYP management continue to take steps to improve recruitment and retention of social workers.

*Resident Services*

37. The Resident Services department is reporting a net overspend of £0.3m for 2022/23.
38. Within Customer Services there is an overspend of £0.1m, which is primarily due to overspends on staffing related costs being partially offset by higher than budgeted income within the Registration and Nationality service, largely from bookings related to marriage ceremonies. Customer Services also continued to support residents through the cost-of-living crisis. The Council allocated £6m from reserves to the Resident Support Fund to support residents experiencing financial difficulty, and this was spent in full. The Government continued to fund the Household Support Fund and the Council has been granted £2.8m which was used in full to fund vouchers for school holidays for children in receipt of benefits or free school meals.
39. Environment and Leisure are reporting a net underspend of £0.2m. This position is predominately a result of under recovery of parking income and additional costs associated with data cleansing and settling historic water bills which are more than offset by underspends on staffing costs due to vacancies, as well as general efficiencies across the service and early achievement of savings.
40. Housing report an overspend of £0.3m, which is largely due to increasing demand in this area. The cost-of-living crisis, and the contraction of the affordable Private Rented Sector (PRS) has resulted in a rise of homelessness applications. Housing have also had an additional £1.1m top-up of the Homelessness Prevention grant. This was spent on a combination of working with PRS tenants and their landlords to clear rent arrears to prevent homelessness, making incentive payments to PRS landlords to secure

accommodation to prevent and relieve homelessness, as well as making payments to temporary accommodation providers to meet statutory homelessness duties.

41. The Redefining Local Services (RLS) programme was initiated in May 2019 to develop and implement a commissioning strategy for the outsourced environmental services. The final delivery model was approved to operate as a “specialist contracts delivery model with low to moderate levels of insourcing” and the procurement is largely complete for these specialist contracts which will start in 2023/24. The cost of relet contracts has been taken into account for budgeting purposes for future years; however, these contracts will face their first indexation next year and given the uncertainties over future inflation rates, and the size of these contracts, this is a significant financial risk for future years.

#### *Communities and Regeneration*

42. Communities and Regeneration has spent to their budget as forecast.

#### *Finance & Resources*

43. The Finance & Resources department underspent by £0.4m. Audit, Finance & Digital Services reported a break-even position; with the department underspend coming from Property & Assets.
44. Within the Property service around £0.2m of the underspend came from the early delivery of their 2024/25 savings. The remainder came from one-off contractual savings within Facilities Management.

#### *Governance*

45. The Governance department had a net underspend of £0.1m that is predominately attributable to underspends within the Human Resources service.

#### *Schools and Dedicated Schools Grant (DSG)*

46. The ring-fenced DSG funds local authority schools' budgets, and this is the main source of income for schools. In 2022/23, maintained school balances have decreased by £2m from £17m to £15m. This reduction in school balances is mainly attributable to inflationary pressures. Of the 56 maintained schools, 19 increased their balances and 37 decreased their balances. Also included in this total are 7 schools in deficit. The challenge remains that school budgets are under considerable pressure due to rising costs. In some cases, reduced funding levels have resulted from a reduction in the number of pupils on the school roll.
47. At the end of 2022/23, the overall DSG deficit which began in 2019/20 has reduced from the brought forward balance of £15.1m to £13.8m following an in-year surplus of £1.3m. The in-year surplus is mainly driven by a £1m underspend against the Early Years block due to the DfE's in-year adjustment based on the result of the January 2022 census. The High Needs Block (HNB) also ended the year with an in-year surplus of £0.3m. However, the cumulative HNB deficit remains high. The increasing number of children with Education, Health, and Care Plans (EHCPs) continues to impact on the HNB. In 2022/23 there was an 11% increase in the number of EHCPs; however, the increased funding allocation in 2022/23 of 13% and work undertaken as part of the HNB Deficit Recovery Management Plan, has resulted in the positive in-year position.

48. The £1.3m in-year surplus will be disclosed as an earmarked usable reserve to support the DSG in future years.
49. The deficit will be disclosed as an earmarked unusable reserve in line with DfE regulations (the School and Early Years Finance (England) Regulations 2022). 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. The initial arrangement was in place until the end of the financial year 2022/23; however, the government has extended the arrangement for the next three financial years (2023/24 to 2025/26).
50. The cumulative deficit of £13.8m will be carried forward to 2023/24. A HNB Deficit Recovery Management Plan is in place with longer-term actions 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 (Special Educational Needs) students.
51. As a result of the deficit, in 2022/23 Brent participated in the DfE programme called Delivering Better Value (DBV) in SEND to provide dedicated support and funding to help local authorities reform their high needs systems. The first phase of the programme included a comprehensive diagnostic to identify root cause cost drivers and mitigating solutions or reforms and support in developing a quality assured Management Plan and the opportunity to bid for a £1m grant to deliver the actions in the Management Plan. Brent was successful and will receive the £1m funding over two financial years i.e., 2023/24 and 2024/25. The DBV programme will not address the historic deficit, but the current Management Plan and efficiencies identified from the programme may allow funds to be released to address historic deficits. A combination of these longer-term recovery actions and anticipated funding increases will reduce the deficit.

#### *Housing Revenue Account (HRA)*

52. The Housing Revenue Account is a ring-fenced account, which manages income and expenditure in relation to 8,221 units of Council owned housing stock. When compared to the previous year, stock levels have a net increase of 83 units, which is a result of Granville stock transfer from First Wave Housing and ongoing investment in the affordable housing programme; additions are offset by stock reductions from Right to Buy sales. The Council has a target to develop 1,000 new council homes by 2024 and a further 700 homes by 2028. Against these targets, the Council has developed and let 684 new Council homes to Brent households and there are a further 639 homes being built on site.
53. The HRA reported a break-even position for 2022/23. Budgetary pressures associated with repairs on void properties and disrepair compensation payments were offset through underspends in staffing costs due to vacancies and additional income from properties added to stock. The HRA operating reserve balance stands at £0.4m, unchanged from the previous year. The reserve was reduced in 2021/22 to partially

fund a provision for capital works to the Granville New Homes blocks that were transferred to the HRA from First Wave Housing on 1st April 2022. This was an accounting adjustment where the HRA reserves were used to cover the timing difference and the provision will be released once the works commence returning the HRA reserves to their previous value.

54. During the year, tenants facing financial hardship continue to be supported through Brent's Resident Support Fund, which has helped to soften the impact of increasing rent arrears.
55. Looking ahead, high levels of uncertainty around the inflation and rising interest rates pose a financial risk to the HRA. This has an impact on the cost of materials and repairs, as well as the cost of new build contracts.
56. For 2023/24, the government has introduced a rent rise limitation. The average rent currently sits at £133.42 per week, an increase of 7% when compared to the previous year as opposed to an 11.1% increase if the CPI (Consumer Price Index) plus 1% continued. This represented a £2m reduction in investment into the HRA. The HRA has had to modify service delivery and achieve considerable savings in order to close the gap between the rental income raised and the increased cost of delivering the service as a result of inflation. A cap on rent rises does not only affect one financial year, but also has an impact on future rent levels. There is no provision in the current rent regulations to allow anything more than the maximum (CPI plus 1%) increases in future years and therefore no scope to catch up the income lost through the rent freeze. This will be continuously monitored with an updated position reported in the Medium-Term Financial Strategy (MTFS).

## **Capital Expenditure**

57. Capital expenditure is money spent on creating or improving assets where the benefits last for more than 12 months. This consists of spending on buying, constructing or improving buildings, land, vehicles or equipment which can be used over a long period of time. It also includes grants and advances that authorities make to other organisations that are for capital purposes.
58. The Council's corporate strategy drives an ambitious five-year capital investment programme totalling £827m which is financed from a combination of capital receipts, grants, contributions, reserves and external borrowing.
59. For 2022/23 the Council spent £191.5m which equates to 82% of the approved capital programme budget and was under spent compared to budget by £41.2m as shown in Table 2 below. Because of the project-based nature of capital expenditure, there can be relatively larger variance in expenditure as compared with revenue expenditure.

Table 2 – Capital Expenditure

Programme	Revised Budget (£m)	Outturn (£m)	Over / (Under) spend (£m)
Corporate Landlord	17.9	13.4	(4.5)
Regeneration	9.4	2.5	(6.9)
St. Raphael's Estate Regeneration	1.9	0.8	(1.1)
Housing Care and Investment	158.2	144.6	(13.6)
Schools	12.5	5.5	(7.0)
South Kilburn	11.5	11.2	(0.3)
Public Realm	21.3	13.5	(7.8)
<b>Grand Total</b>	<b>232.7</b>	<b>191.5</b>	<b>(41.2)</b>

60. The economic outlook throughout the year has been driven by high inflation which has posed significant challenges to viability for capital proposals not yet subject to contract. The schemes at Windmill Court, Kilburn Square, Lidding Road and Seymour Court delivering 212 affordable homes have been paused due to viability challenges. The Council is exploring alternative delivery options for these schemes to support viability; however, this is likely to become more prevalent in our housing delivery plans with inflation remaining high. These variances are further explained below:

*Corporate Landlord*

61. Corporate Landlord had an overall budget variance of £4.5m. ICT Investment Fund, Digital Strategy and Oracle Cloud account for a budget variance of £3.2m, driven by slippage of £1.2m for Digital Strategy and £1.4m for ICT Investment Fund as well as slippage of £0.6m on Oracle Cloud. Services such as Libraries, Family Well Being Centres and Property Management account for £0.7m of slippage, whilst the Civic Centre overspent by £0.4m. Energy is reporting slippage of £0.8m and Equipment for Flexible Working is reporting slippage of £0.2m.

*Regeneration*

62. Regeneration has experienced slippage of £6.9m across their programmes. The Morland Garden mixed development project experienced delays in the appointment of a design and build contractor for the development and delays in the delivery whilst the outstanding objections to the stopping up order are being considered. This led to slippage of £4.8m from 2022/23. The Picture Palace and Designworks schemes have also experienced slippage of £1.6m. The Wembley Housing Zones project, which will provide new homes, leisure, retail and workspace in Wembley town centre, experienced slippage of £0.5m.

*St Raphael's*

63. The St Raphael's budget of £1.9m relates to Phase 1 of the infill scheme. There have been viability challenges for the development causing slippage of £1.1m.

*Housing, Care and Investment*

64. Housing Care and Investment saw an outturn in expenditure totalling £13.6m below budget. Schemes onsite have seen delay due to material and labour shortages and some isolated planning issues; these issues have led to schemes onsite slipping by

£1.8m. Unused scheme contingency resulted in slippage of £21.5m variance. A loan drawdown by i4B Holdings Ltd saw £20.0m spend brought forward. A number of schemes at the pre contract stage had to be paused on the grounds they were no longer viable due to rising build costs. The schemes paused in the year were Kilburn Square, Windmill Court, Lidding Road and Seymour Court: the impact of the decision to pause resulted in slippage totalling £7.0m. Claire Court/Watling Gardens, a significant scheme at the pre contract award stage, saw delay due to the agreement of contractual terms and conditions resulting in slippage of £3.3m.

### *Schools*

65. The schools' programme has experienced slippage of £7m. The Special Educational Needs (SEND) Expansion programme has experienced slippage of £5.1m. Following the completion of the Uxendon Manor School expansion project, a £0.2m underspend has been realised. The schools' asset management programme has slippage of £0.8m. The Devolved Formula Capital has a £0.4m variance to budget and the relocation of Islamia Primary School a £0.2m of the variance, with the remaining £0.3m spread across other school projects.

### *South Kilburn*

66. The South Kilburn programme is a 15-year programme that aims to transform the South Kilburn area into a sustainable and vibrant neighbourhood. The Decentralised Energy Network has experienced slippage of £1.3m as the concept designs had to be updated to meet the revised London Plan low carbon district heat network requirements. The regeneration scheme has seen higher than anticipated leaseholder acquisitions of £1m at several sites within the remaining programme of which budgets can be brought forward from future years to cover the spend.

### *Public Realm*

67. The highways programme has experienced slippage of £4.6m owing to delays in the planned programme. The Wembley High Street project has experienced delays whilst a detailed investigation to identify the underlying structural issues is conducted. Other projects including the footways, carriageways, injection patching had their scheme of works run into 2023/24 which has resulted in slippage. There has been a delay to the Kilburn High Street project as the Council has been unsuccessful in bidding for funding for the project. The parks, landscaping, healthy streets and parking programmes have experienced delays in delivery which has led to slippage of £3.2m.

## **Pension fund**

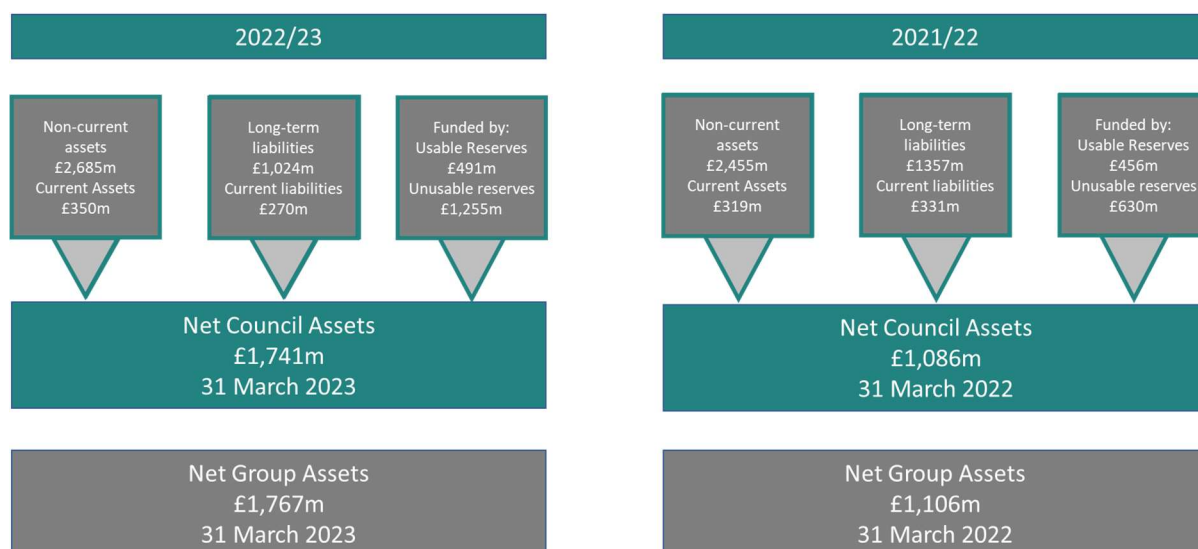
68. The Pension Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.
69. Brent Council had a net pension liability of £262m at 31 March 2023 which is a net reduction of £460m on an IAS 19 basis. This represents the difference between the estimated cost of pensions payable in the future (£1,243m), and the value of assets in the pension fund (£981m).

70. The net pension liability presented in this set of accounts is calculated on an accounting basis and is significantly higher compared to the basis used in the funding valuation. The method and assumptions used in the accounting valuation are different and most of the assumptions are prescribed by the relevant accounting standard.
71. The main reason for the decreased net liability on the IAS 19 basis is due to changes in financial assumptions, in particular the discount rate assumption, which is influenced by inflation and interest rates - this has increased since 2021/22. A higher discount rate results in a lower value being placed on the defined benefit obligation and an improvement in the overall position.
72. During 2022/23, the value of the Pension Fund's investments decreased to £1,120m (2021/22 £1,133m). This is due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.
73. Total contributions received from employers and employees was £68m for the year, an increase from the previous year. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £48m, an increase on the previous year's £47m. As in 2021/22, 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.
74. 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 2022 valuation that Council contributions can be reduced by 1.5% of pay per year for the next 3 years. This is consistent with the Fund's deficit recovery plan to clear its deficit within 20 years of the balance sheet date.
75. The 2022 Triennial Valuation was completed during the year and revealed that the Fund's assets, as at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 78% funding level as at the March 2019 valuation. 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.

## **Group Financial Performance**

76. The group accounts combine the Council's main accounts with its interests in subsidiaries, associates and joint ventures. The council has maintained a strong balance sheet with sufficient funding to repay both long- and short-term liabilities as these fall due. The group accounts consolidate the accounts of:
  - First Wave Housing - provide housing in Brent and is wholly owned by Brent Council.
  - Barham Park Trust - a charity that is controlled by the Council as the Council appoints all the trustees and is included in Brent's Group accounts as a subsidiary.

- I4B Holdings Limited - a company wholly owned by Brent Council to deliver the housing options defined in the Temporary Accommodation reform plan.
- LGA Digital Services - a company that is 50% owned by the Council and 50% owned by the Local Government Association.



## Other significant financial results

### *Borrowing*

77. The Council's external borrowing increased by £92.5m to £781.0m (2021/22: £688.5m), 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 3 – Borrowing

Short/Long Term	Loan type	2022/23 (£m)	2021/22 (£m)
Long-term	PWLB	529.8	399.7
Long-term	LOBO	70.5	70.5
Long-term	Other Fixed Rate	95.0	95.0
Short-term	PWLB	13.2	10.5
Short-term	Local Authority	70.0	112.8
<b>Short-term</b>	<b>Other Fixed Rate</b>	<b>2.5</b>	<b>-</b>
<b>Short and Long-term</b>	<b>Grand Total</b>	<b>781.0</b>	<b>688.5</b>

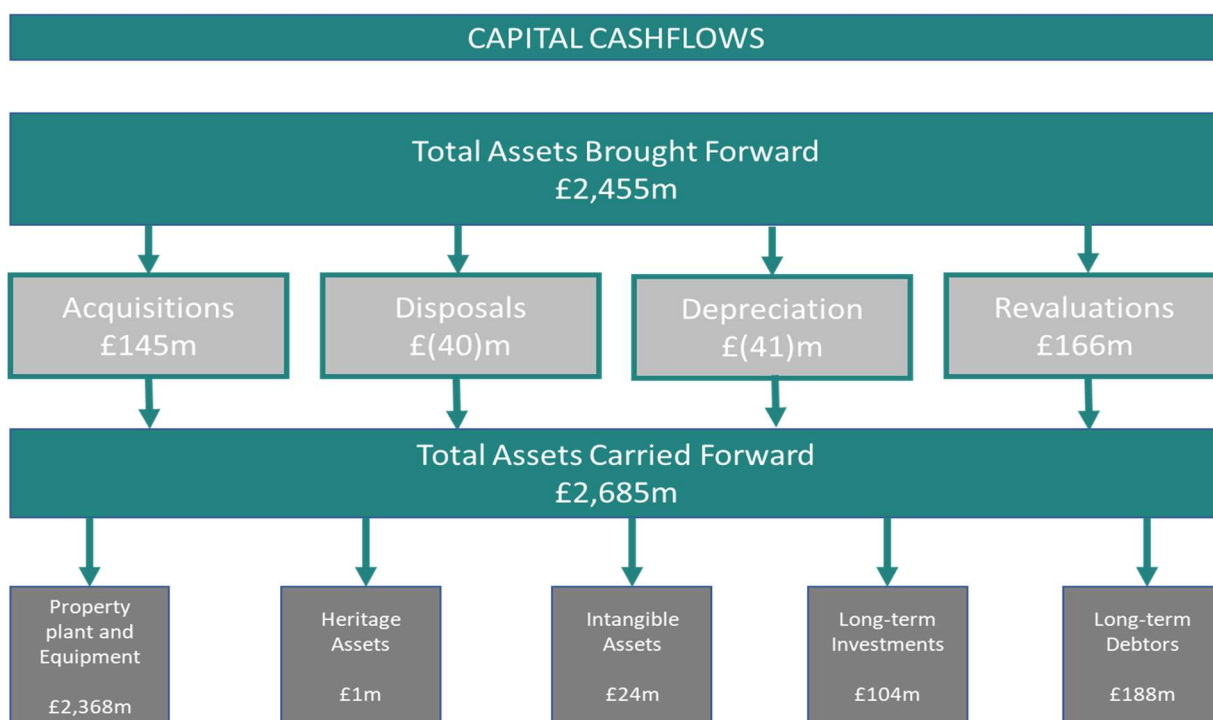
78. The Council found best value in borrowing from the PWLB during the year with £140m secured. This borrowing requirement was driven by the growing capital programme not already funded through grants, contributions, receipts or reserves. The Council has an overall under borrowed position with the Council's Capital Financing Requirement (or need to borrow) in excess of current borrowing levels however this had to be externalised once all internal resources were utilised.

79. The base rate rises seen throughout the year to curb inflation have resulted in a rise in new long-term and short-term borrowing costs partially offset with an increase in short term investment income. The base rate peak during the year was higher than anticipated at budget setting. A review of the Council's minimum revenue provision (the revenue charge to cover the repayment of borrowing) led to an additional charge in year for the Council's supported borrowing portfolio and a resulting drawdown from the capital financing reserve.

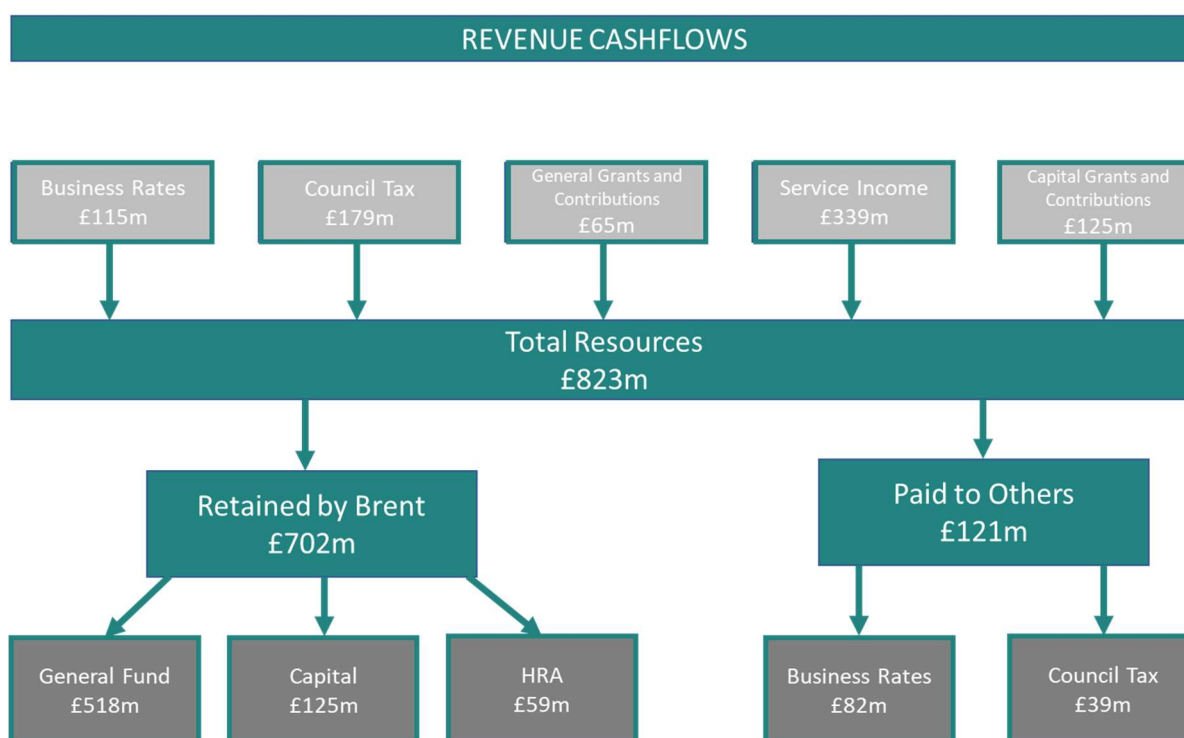
#### *Cashflow and Assets*

80. Brent manages cashflows and assets over £3 billion including:

- A portfolio of property, plant and equipment and Investment property valued at £2,368m on 31 March 2023.



- Collection of £115m of Business Rates.
- Collection of £179m of Council Tax.
- Receipt of £339m of fees, charges, rents, specific grants, and client contributions.
- Receipt of £190m of general and capital grant funding.



## Staffing

81. During the year the number of school staff and Council officers paid over £50,000 in 2022/23 has decreased by 12 compared to 2021/22. The number of schools staff has increased by 36 whereas the number of council officers has decreased by 48 compared to 2021/22.

## Key Risks

### *COVID-19 and the Cost-of-Living Crisis*

82. Local government has faced an extremely challenging financial outlook following a prolonged period of austerity, disproportionate growth in demand for services as well as the COVID-19 pandemic. Since 2010 the Council has delivered savings of £196m including £2.7m agreed as part of the 2022/23 budget. 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. The pandemic has also continued to have ongoing impact on the Council's finances throughout 2022/23.
83. The cost-of-living crisis has continued to hit Brent residents who face high levels of unemployment, rising interest rates, sluggish economic growth and high rates of inflation. To provide assistance to the most vulnerable and needy, the Council has created a Resident Support Fund. This has dispersed £3m in 2020/21 and 2021/22 and £6m in 2022/23. This is funded from reserves. There is currently no reoccurring funding identified for this.

84. The 2022/23 budget includes ongoing funding to tackle the effects of COVID-19 on the Council. No additional funding is built into the MTFS for future years. The level of COVID scarring will need to be kept under review and is hard to assess. This is likely to lead to a permanent increase in the cost of the local Council Tax Support scheme, lower income levels from sales, fees and charges and a higher cost for social care placements.

## Financial Outlook

### *Current reserves position*

85. The financial outturn position 2022/23 shows a balanced position on the General Fund. At 31 March 2023 the Council held total usable reserves of £491.2m made up of the general fund balance of £17.9m and reserves set aside for a specific purpose of £473.3m.
86. The Council has a Reserves Strategy which defines the operational framework for the type of reserve that the Council holds.

Table 4 – Usable Reserves

Reserves Summary	£m
Working Balances	33.3
Contingency Reserves	11.0
Capital Reserves	311.6
Statutory and Ring-fenced	83.5
Uncertainty and Smoothing	18.6
Service Reserves	33.1
	<b>491.2</b>

87. **Working Balances** (£33.3m) – These include the General Fund balance (£17.9m) – this has been increased from £15.1m in 2021/22 to ensure that the Council continues to meet its requirement for a minimum level of balance that is at least 5% of net revenue expenditure. Schools' balances are £15.0m and the HRA Balance is £0.4m. The last two items can only be used to support schools and the HRA respectively. The working balances are used to cushion the impact of uneven cash flows.
88. **Contingency Reserves** (£11.0m) – these reserves exist both to cover unexpected events and forecast future expenditure requirements where the level of the expenditure is unknown. At present the Council maintains a Future Funding Risks reserve, which is 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, and inflationary pressures expected to continue after 2022/23.
89. **Capital Reserves** (£311.6m) - These include the Capital Receipts Reserve, the Major Repairs Reserve and the Capital Grants Unapplied reserve. The reserves relating to the Community Infrastructure Levy (CIL) and s106 are held as part of the Capital Grants Unapplied reserve. The total value of CIL and s106 is £181.8m. These reserves can only be used to support capital expenditure.

90. **Statutory and Ring-fenced Reserves** (£83.5m) - These reserves can only be used for a specific purpose. They can be capital or revenue. This category includes reserves legally ring fenced for bodies such as the maintained schools, the Housing Revenue Account and Public Health.
91. **Uncertainty and Smoothing Reserves** (£18.6m) – these reserves are used to smooth out expenditure that by its nature will vary considerably from year to year and to avoid uncontrollable under- and over-spends, for example insurance claims, PFI contracts, redundancy and pension costs.
92. **Service Reserves** (£33.1m) – These are set aside by departments to cover specific initiatives.

*Summary of reserves position*

93. The overall level of reserves may appear high, but an analysis of the reserves shows that £473.3m (96%) can only be used for a specific purpose, leaving only £17.9m (4%) which is generally usable for any purpose.
94. Generally usable reserves are necessary for the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of financial resilience. As part of the Reserves Strategy, the Corporate Director of Finance and Resources has assessed that the optimum level of general reserves to be held by the Council is 5% of net expenditure. As at 31 March 2023 general reserves at the increased value of £17.9m were at 5.54% of the budgeted net revenue expenditure for 2022/23 of £323.1m. 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*

95. Despite the unprecedented financial situation, the Council has set a balanced budget for 2023/24. The budget includes £48.95m of growth and £13.5m of efficiency savings, all of which have been identified and are 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 £196m since 2010, demonstrating a good track record of strong financial management.
96. 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 2023/24 to 2026/27 totalling £827m.

*The Council's balance sheet*

97. The balance sheet shows a net non-current assets of £2,685m at 31 March 2023 (£2,455m at 31 March 2022) This excludes the pension liability of £262.1m at 31 March 2023 (£722.0m at 31 March 2022). 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.

## Basis of Preparation

### *Going Concern*

98. 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 2022-23. 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.

### *Statute and regulations*

99. 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.

## Explanation of Accounting Statements

100. The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2023. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which in turn is underpinned by International Financial Reporting Standards.
101. The Core Statements are:
102. The **Comprehensive Income and Expenditure Statement** (CIES) – records the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area; the bottom half deals with corporate transactions and funding.
103. The **Movement in Reserves Statement** (MiRs) - summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects, smoothing change over time or service improvements, and "unusable" which must be set aside for specific legal or accounting purposes.
104. The **Balance Sheet** - "snapshot" of the Council's assets, long- and short- term liabilities, cash balances and reserves at the year-end date.
105. The **Cash Flow Statement** – explanation of the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities,

new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

106. The **Annual Governance Statement** - the statement that sets out the governance structures of the Council and its key internal controls.
107. The **Group Accounts**
108. The statements of the single entity accounts combined with the assets and liabilities of companies and similar entities, which the Council either controls or significantly influences.
109. The **Supplementary Financial Statements** are:
110. The **Housing Revenue Account** – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
111. The **Collection Fund**, which summarises the collection and redistribution of council tax and business rates income
112. The **Pension Fund Account**, which reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme.
113. The Notes to these financial statements provide further detail about the Council's accounting policies and individual transactions.
114. A **Glossary** of key terms can be found at the end of this publication.

## FINANCIAL STATEMENTS

### Core Statements

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

#### Balance Sheet

Balance Sheet Detail	31-Mar 2023 £m	31-Mar 2022 £m	Notes
Property, Plant & Equipment	2,368.2	2,186.9	1
Heritage Assets	0.5	0.5	-
Intangible Assets	23.9	19.3	1
Long Term Investments	103.8	91.8	24
Long Term Debtors	188.3	156.2	24
<b>Long Term Assets</b>	<b>2,684.7</b>	<b>2,454.7</b>	-
Short Term Investments	0.2	0.3	24
Short Term Debtors	205.9	182.7	2
Assets Held for Sale	2.8	0.0	-
Cash and Cash Equivalents	134.5	136.4	3
<b>Current Assets</b>	<b>343.4</b>	<b>319.4</b>	-
Short Term Borrowing	(85.7)	(123.3)	24
Short Term Creditors	(177.7)	(195.5)	7
Grant Receipts in Advance- Revenue	(1.4)	(9.6)	19
Provisions	(2.2)	(2.2)	9
<b>Current Liabilities</b>	<b>(267.0)</b>	<b>(330.6)</b>	-
Long Term Creditors	0.0	0.0	24
Provisions	(27.6)	(29.7)	9
Long Term Borrowing	(695.3)	(565.2)	24
Other Long Term Liabilities	(297.1)	(762.4)	8
<b>Long Term Liabilities</b>	<b>(1,020.0)</b>	<b>(1,357.3)</b>	-
<b>Net Assets</b>	<b>1,741.1</b>	<b>1,086.2</b>	-
Usable Reserves	(491.1)	(455.9)	-
Unusable Reserves	(1,250.0)	(630.3)	-
<b>Total Reserves</b>	<b>(1,741.1)</b>	<b>(1086.2)</b>	-

### The Movement in Reserves Statement

<b>Movement in reserves 2022/23</b>	<b>General Fund Balance (£m)</b>	<b>School Balances (£m)</b>	<b>Earmarked General Fund Reserves (£m)</b>	<b>HRA (£m)</b>	<b>Earmarked HRA Reserves (£m)</b>	<b>Capital Receipts Reserve (£m)</b>	<b>Major Repairs Reserve (£m)</b>	<b>Capital Grants Unapplied (£m)</b>	<b>Total Usable Reserves (£m)</b>	<b>Unusable Reserves (£m)</b>	<b>Total Reserves (£m)</b>
<b>Balance as at 31 March 2022</b>	<b>(15.1)</b>	<b>(17.0)</b>	<b>(193.7)</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>(7.0)</b>	<b>(0.9)</b>	<b>(220.1)</b>	<b>(455.9)</b>	<b>(630.3)</b>	<b>(1,086.2)</b>
<b>Movement in reserves during 2022/23:</b> (Surplus) or deficit on the provision of services	(44.2)	0.0	0.0	8.5	0.0	0.0	0.0	0.0	(35.7)	0.0	<b>(35.7)</b>
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(619.2)	<b>(619.2)</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>(44.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>8.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(35.7)</b>	<b>(619.2)</b>	<b>(654.9)</b>
Adjustments between accounting basis & funding basis under regulations	92.0	0.0	0.0	(7.9)	0.0	(8.4)	(2.0)	(73.2)	0.5	(0.5)	<b>0.0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>47.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>	<b>(8.4)</b>	<b>(2.0)</b>	<b>(73.2)</b>	<b>(35.2)</b>	<b>(619.7)</b>	<b>(654.9)</b>
Transfers (to)/from earmarked reserves	(50.5)	1.9	49.2	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>(Increase)/decrease in 2022/23</b>	<b>(2.7)</b>	<b>1.9</b>	<b>49.2</b>	<b>0.0</b>	<b>0.0</b>	<b>(8.4)</b>	<b>(2.0)</b>	<b>(73.2)</b>	<b>(35.2)</b>	<b>(619.7)</b>	<b>(654.9)</b>
<b>Balance as at 31 March 2023</b>	<b>(17.8)</b>	<b>(15.1)</b>	<b>(144.5)</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>(15.4)</b>	<b>(2.9)</b>	<b>(293.3)</b>	<b>(491.1)</b>	<b>(1,250.0)</b>	<b>(1,741.1)</b>

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.

<b>Movement in reserves 2021/22</b>	<b>General Fund Balance (£m)</b>	<b>School Balances (£m)</b>	<b>Earmarked General Fund Reserves (£m)</b>	<b>HRA (£m)</b>	<b>Earmarked HRA Reserves (£m)</b>	<b>Capital Receipts Reserve (£m)</b>	<b>Major Repairs Reserve (£m)</b>	<b>Capital Grants Unapplied (£m)</b>	<b>Total Usable Reserves (£m)</b>	<b>Unusable Reserves (£m)</b>	<b>Total Reserves (£m)</b>
<b>Balance as at 31 March 2021</b>	<b>(15.1)</b>	<b>(17.8)</b>	<b>(210.5)</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>(7.0)</b>	<b>(0.6)</b>	<b>(189.2)</b>	<b>(443.3)</b>	<b>(364.6)</b>	<b>(807.9)</b>
<b>Movement in reserves during 2021/22:</b> (Surplus) or deficit on the provision of services	(22.4)	0.0	0.0	63.8	0.0	0.0	0.0	0.0	41.4	0.0	<b>41.4</b>
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(319.7)	(319.7)
<b>Total comprehensive income &amp; expenditure</b>	<b>(22.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>63.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>41.4</b>	<b>(319.7)</b>	<b>(278.3)</b>
Adjustments between accounting basis & funding basis under regulations	40.0	0.0	0.0	(62.8)	0.0	0.0	(0.3)	(30.9)	(54.0)	54.0	<b>0.0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>17.6</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(30.9)</b>	<b>(12.6)</b>	<b>(265.7)</b>	<b>(278.3)</b>
Transfers (to)/from earmarked reserves	(17.6)	0.8	16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>(Increase)/decrease in 2021/22</b>	<b>0.0</b>	<b>0.8</b>	<b>16.8</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(30.9)</b>	<b>(12.6)</b>	<b>(265.7)</b>	<b>(278.3)</b>
<b>Balance as at 31 March 2022</b>	<b>(15.1)</b>	<b>(17.0)</b>	<b>(193.7)</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>(7.0)</b>	<b>(0.9)</b>	<b>(220.1)</b>	<b>(455.9)</b>	<b>(630.3)</b>	<b>(1,086.2)</b>

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

Directorate	2022/23 Gross Expenditure (£m)	2022/23 Gross Income (£m)	2022/23 Net Expenditure (£m)	*Restated 2021/22 Gross Expenditure (£m)	*Restated 2021/22 Gross Income (£m)	*Restated 2021/22 Net Expenditure (£m)	Notes
Care, Health and Wellbeing	164.4	(35.5)	128.9	164.2	(44.3)	119.9	
Children & Young People (GF)	104.6	(32.8)	71.8	91.4	(24.2)	67.2	-
Children & Young People (DSG)	222.7	(223.5)	(0.8)	231.9	(221.7)	10.2	-
Communities and Regeneration	27.7	(14.9)	12.8	26.3	(11.8)	14.5	
Finance and Resources	32.7	(6.7)	26.0	47.7	(19.2)	28.5	
Governance	16.0	(1.3)	14.7	16.3	(1.2)	15.1	
Resident Services (GF)	191.1	(86.9)	104.2	179.4	(90.8)	88.6	
Resident Services (HRA)	63.8	(58.5)	5.3	115.2	(55.9)	59.3	-
Central Items	249.0	(296.2)	(47.2)	235.5	(298.7)	(63.2)	-
<b>Cost of Services</b>	<b>1,072.0</b>	<b>(756.3)</b>	<b>315.7</b>	<b>1,107.9</b>	<b>(767.8)</b>	<b>340.1</b>	-
Other operating expenditure	-	-	25.4	-	-	5.3	11
Financing and investment income & expenditure	-	-	33.1	-	-	33.7	12
Taxation and non-specific grant income	-	-	(409.9)	-	-	(337.7)	13
<b>(Surplus) or Deficit on Provision of Services</b>	-	-	<b>(35.7)</b>	-	-	<b>41.4</b>	-
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	-	-	(127.2)	-	-	(147.5)	-
Actuarial (gains)/losses on pension assets and liabilities	-	-	(492.0)	-	-	(172.2)	-
<b>Other Comprehensive Income and Expenditure</b>	-	-	<b>(619.2)</b>	-	-	<b>(319.7)</b>	-
<b>Total Comprehensive Income and Expenditure</b>	-	-	<b>(654.9)</b>	-	-	<b>(278.3)</b>	-

\*The prior year figures have been restated due to a restructure of the Council's directorates in October 2022

## Cash Flow Statement

<b>Cash Flow</b>	<b>2022/23 (£m)</b>	<b>2021/22 (£m)</b>	<b>Notes</b>
Net surplus or (deficit) on the provision of services	35.7	(41.4)	-
Adjustment to surplus or deficit on the provision of services for non-cash movements	20.4	151.7	4
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(136.3)	(95.2)	4
<b>Net cash inflows/(outflows) from Operating Activities</b>	<b>(80.2)</b>	<b>15.1</b>	-
Net cash inflows/(outflow) from Investing activities	(8.3)	(43.5)	5
Net cash inflows/(outflow) from Financing activities	86.6	22.8	6
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1.9)</b>	<b>(5.6)</b>	-
Cash and cash equivalents at the beginning of the reporting period	136.4	142.0	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>134.5</b>	<b>136.4</b>	3

# Notes and Disclosures to the Core Statements

## Non-Current Assets

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

Movements in 2022/23	Council Dwellings (£m)	Land & Buildings (£m)	VPF&E (£m)	Surplus Assets (£m)	Asset under Construction (£m)	Total (£m)	**PFI Assets (£m)
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#### Cost or Valuation

<b>At 1 April 2022</b>	<b>808.1</b>	<b>1,034.0</b>	<b>57.2</b>	<b>11.1</b>	<b>103.2</b>	<b>2,013.6</b>	<b>93.2</b>
<b>Additions</b>	19.8	11.0	1.1	13.6	72.2	<b>117.7</b>	1
Depreciation written out	(10.7)	(11.8)	0.0	0.0	0.0	<b>(22.5)</b>	(1.1)
Revaluation increases (decreases) in the Revaluation Reserve	36.3	92.5	0.0	0.0	0.0	<b>128.8</b>	10.3
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(14.5)	7.6	0.0	(0.1)	0.0	<b>(7.0)</b>	0.0
Derecognition – Disposals	(2.9)	(18.3)	0.0	(10.2)	(5.7)	<b>(37.1)</b>	0.0
Reclassifications (to/from Assets Held for Sale)	(2.8)	0.0	0.0	0.0	0.0	<b>(2.8)</b>	0.0
Other movements in Cost or Valuations	6.3	0.0	0.0	0.0	(6.3)	<b>0.0</b>	0.0
<b>At 31 March 2023</b>	<b>839.6</b>	<b>1,115.0</b>	<b>58.3</b>	<b>14.4</b>	<b>163.4</b>	<b>2,190.7</b>	<b>103.4</b>

#### Depreciation and Impairments

<b>At 1 April 2022</b>	<b>(11.2)</b>	<b>(15.7)</b>	<b>(42.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>(69.2)</b>	<b>(8.5)</b>
Charge for 2022/23	(11.1)	(13.8)	(2.9)	0.0	0.0	<b>(27.8)</b>	(1.3)
Depreciation written out	10.7	11.8	0.0	0.0	0.0	<b>22.5</b>	1.1
Impairment losses (reversals) recognised in the Revaluation Reserve	(0.1)	(1.5)	0.0	0.0	0.0	<b>(1.6)</b>	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(0.1)	(2.2)	0.0	0.0	(1.3)	<b>(3.6)</b>	0.0
Derecognition – Disposals	0.0	4.2	0.0	0.0	0.0	<b>4.2</b>	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other Movements in Depreciation & Impairments	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
<b>At 31 March 2023</b>	<b>(11.8)</b>	<b>(17.2)</b>	<b>(45.2)</b>	<b>0.0</b>	<b>(1.3)</b>	<b>(75.5)</b>	<b>(8.7)</b>

#### Balance Sheet Net Book Values (NBV)

<b>Balance Sheet NBV at 31 March 2023</b>	<b>827.8</b>	<b>1,097.8</b>	<b>13.1</b>	<b>14.4</b>	<b>162.1</b>	<b>2,115.2</b>	<b>94.7</b>
<b>Balance Sheet NBV at 1 April 2022</b>	<b>796.9</b>	<b>1,018.3</b>	<b>14.9</b>	<b>11.1</b>	<b>103.2</b>	<b>1,944.4</b>	<b>84.7</b>

\*\*Note 1: PFI Assets included within Land & Buildings, VP&E, intangibles and infrastructure are presented in a separate memorandum column to show their total value within the Council's overall PP&E. Intangible assets are shown in Note 1e.

<b>Movements in 2021/22</b>	<b>Council Dwellings (£m)</b>	<b>Land &amp; Buildings (£m)</b>	<b>VPF&amp;E (£m)</b>	<b>Surplus Assets (£m)</b>	<b>Asset under Construction (£m)</b>	<b>Total (£m)</b>	<b>*PFI Assets (£m)</b>
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#### **Cost or Valuation**

<b>At 1 April 2021</b>	<b>669.7</b>	<b>966.9</b>	<b>56.2</b>	<b>10.4</b>	<b>148.0</b>	<b>1,851.2</b>	<b>77.2</b>
<b>Additions</b>	26.9	12.8	1.0	0.7	69.6	<b>111.0</b>	0.9
Depreciation written out	(7.7)	(11.8)	0.0	0.0	0.0	<b>(19.5)</b>	(1.0)
Revaluation increases (decreases) in the Revaluation Reserve	103.9	43.7	0.0	0.0	0.0	<b>147.6</b>	16.1
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(65.0)	(2.8)	0.0	0.0	0.0	<b>(67.8)</b>	0.0
Derecognition – Disposals	(2.6)	(6.2)	0.0	0.0	(0.1)	<b>(8.9)</b>	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other movements in Cost or Valuations	82.9	31.4	0.0	0.0	(114.3)	<b>0.0</b>	0.0
<b>At 31 March 2022</b>	<b>808.1</b>	<b>1,034.0</b>	<b>57.2</b>	<b>11.1</b>	<b>103.2</b>	<b>2,013.6</b>	<b>93.2</b>

#### **Depreciation and Impairments**

<b>At 1 April 2021</b>	<b>(8.0)</b>	<b>(15.5)</b>	<b>(39.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>(62.9)</b>	<b>(8.1)</b>
Charge for 2021/22	(10.6)	(12.1)	(2.9)	0.0	0.0	<b>(25.6)</b>	(1.4)
Depreciation written out	7.7	11.8	0.0	0.0	0.0	<b>19.5</b>	1.0
Impairment losses (reversals) recognised in the Revaluation Reserve	(0.2)	0.0	0.0	0.0	0.0	<b>(0.2)</b>	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	<b>(0.1)</b>	0.0
Derecognition – Disposals	0.0	0.1	0.0	0.0	0.0	<b>0.1</b>	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other Movements in Depreciation & Impairments	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
<b>At 31 March 2022</b>	<b>(11.2)</b>	<b>(15.7)</b>	<b>(42.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>(69.2)</b>	<b>(8.5)</b>

#### **Balance Sheet Net Book Values (NBV)**

<b>Balance Sheet NBV at 31 March 2022</b>	<b>796.9</b>	<b>1,018.3</b>	<b>14.9</b>	<b>11.1</b>	<b>103.2</b>	<b>1,944.4</b>	<b>84.7</b>
<b>Balance Sheet NBV at 1 April 2021</b>	<b>661.7</b>	<b>951.4</b>	<b>16.8</b>	<b>10.4</b>	<b>148.0</b>	<b>1,788.3</b>	<b>69.1</b>

\*Note 1: PFI Assets included within Land & Buildings, VP&E, intangibles and infrastructure are presented in a separate memorandum column to show their total value within the Council's overall PP&E. Intangible assets are shown in Note 1e

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued every five years. Revaluation is carried out externally as at 1st April 2022. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Yearly desktop revaluation based on index rates are applied as at 31st March 2023, these are signed off by the Council's External Valuers.

#### Note 1b- Highways Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

<b>Infrastructure Assets</b>	<b>2022/23 £m</b>	<b>2021/22 £m</b>
Net Book Value at 1 April	<b>242.5</b>	<b>227.9</b>
Additions	19.2	21.2
Derecognition	0	0.0
Depreciation	(8.7)	(6.6)
Impairment	0	0.0
Other movements in cost	0	0.0
<b>Net Book Value at 1 April</b>	<b>253.0</b>	<b>242.5</b>

#### *Infrastructure reconciliation*

	<b>31 March 2023 £m</b>	<b>31 March 2022 £m</b>
Infrastructure assets	253.0	242.5
Other PPE assets	2,115.2	1,944.4
<b>Total PPE assets</b>	<b>2,368.2</b>	<b>2,186.9</b>

Note 1c- Capital Commitment

At 31 March 2023, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment.

<b>Capital Commitment</b>	<b>31/03/2023 £m</b>
Oman Avenue and Kinston House	0.1
Claire Court & Watlington Gardens	41.3
Gloucester Close & Frontenac	0.2
Grand Union	14.3
Honeypot Lane	0.7
Stonebridge	0.9
Aneurin Bevan	1.6
Pharamond	1.5
Preston Park Library	3.5
Knowles House	0.5
Learie Constantine Centre	6.7
Clock Cottages	3.7
BICC Redevelopment	8.5
Wembley Housing Zone	121.9
Newman Catholic College	1.9
London Road SEND School	1.7
New Bridge Park Development	2.1
<b>Total</b>	<b>211.1</b>

Note 1d- Valuation breakdown

The table below shows the value of assets revalued each year:

<b>Valuation of Assets</b>	<b>Council Dwellings £m</b>	<b>Land and Buildings* £m</b>	<b>Surplus Assets £m</b>
Valuation in 2022/23	2.5	410.6	10.9
Valuation in 2021/22	825.3	84.3	0.0
Valuation in 2020/21	0.0	96.3	0.8
Valuation in 2019/20	0.0	318.1	0.2
Valuation in 2018/19	0.0	187.7	2.5
<b>Total:</b>	<b>827.8</b>	<b>1,097.0</b>	<b>14.4</b>

\*Land and building under Note 1- significant movements on balances of property, plant and equipment contains £0.8m of Community assets which is excluded from this table as Community assets are held at depreciated historical cost.

Note 1e- Intangible Assets

<b>Movements</b>	<b>2022/23 Internally generated assets £m</b>	<b>2022/23 Other assets £m</b>	<b>2022/23 Total £m</b>	<b>2021/22 Internally generated assets £m</b>	<b>2021/22 Other assets £m</b>	<b>2021/22 Total £m</b>
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<b>Cost or Valuation at 1 April</b>	<b>27.8</b>	<b>1.3</b>	<b>29.1</b>	<b>20.4</b>	<b>1.3</b>	<b>21.7</b>
Additions	7.5	0.2	7.7	7.4	0.0	7.4
Depreciation written out	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation increases (decreases) in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition - Disposals	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
Other movements in Cost or Valuations	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cost or Valuation at 31 March</b>	<b>35.3</b>	<b>1.5</b>	<b>36.8</b>	<b>27.8</b>	<b>1.3</b>	<b>29.1</b>

<b>Amortisation and Impairments at 1 April</b>	<b>(9.6)</b>	<b>(0.2)</b>	<b>(9.8)</b>	<b>(7.4)</b>	<b>(0.2)</b>	<b>(7.6)</b>
Charge for the year	(3.0)	(0.1)	(3.1)	(2.2)	(0.0)	(2.2)
Amortisation written out	0.0	0.0	0.0	0.0	0.0	0.0
Impairment losses (reversals) recognised in the Revaluation Reserve	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	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition – Disposals	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
Other Movements in Amortisation & Impairments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Amortisation and Impairments at 31 March</b>	<b>(12.6)</b>	<b>(0.3)</b>	<b>(12.9)</b>	<b>(9.6)</b>	<b>(0.2)</b>	<b>(9.8)</b>

**Balance Sheet Net Book Values (NBV)**

<b>Balance Sheet NBV at 31 March</b>	<b>22.7</b>	<b>1.2</b>	<b>23.9</b>	<b>18.2</b>	<b>1.1</b>	<b>19.3</b>
<b>Balance Sheet NBV at 1 April</b>	<b>18.2</b>	<b>1.1</b>	<b>19.3</b>	<b>13.0</b>	<b>1.1</b>	<b>14.1</b>

## Current Assets

### Note 2 – Debtors

<b>Short Term Debtors</b>	<b>31-Mar-2023</b>	<b>31-Mar-2022</b>
	<b>£m</b>	<b>£m</b>
Trade receivables Outstanding	139.1	93.7
Less impairments	(25.2)	(26.4)
<b>Net Trade receivables</b>	<b>113.9</b>	<b>67.3</b>
<b>Prepayments</b>	<b>5.2</b>	<b>4.1</b>
Local Taxation receivables Outstanding	58.3	55.1
Less impairments	(25.4)	(32.3)
<b>Net Local Taxation receivables</b>	<b>32.9</b>	<b>22.8</b>
Other receivables amounts Outstanding	95.1	124.3
Less impairments	(41.2)	(35.8)
<b>Net Other receivable amounts</b>	<b>53.9</b>	<b>88.5</b>
<b>Total</b>	<b>205.9</b>	<b>182.7</b>

#### *Breakdown of net local taxation receivables*

<b>Local Taxation receivable amounts Outstanding</b>	<b>31-Mar-2023</b>	<b>31-Mar-2022</b>
	<b>£m</b>	<b>£m</b>
Less than one year	12.6	7.0
More than one year	20.3	15.8
<b>Total</b>	<b>32.9</b>	<b>22.8</b>

### Note 3 – Cash and Cash Equivalents

<b>Cash and Cash Equivalents</b>	<b>31-Mar-2023</b>	<b>31-Mar-2022</b>
	<b>£m</b>	<b>£m</b>
Bank current accounts	0.4	13.5
School bank accounts	17.9	24.3
Short-term deposits	116.2	98.6
<b>Total</b>	<b>134.5</b>	<b>136.4</b>

## Cash Flow Notes

### Note 4 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

Cash Flow Item	2022/23 £m	2021/22 £m
Interest received-cash inflow	14.4	7.3
Interest paid-cash (outflow)	(27.9)	(23.6)

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

Cash Flow Item	2022/23 £m	2021/22 £m
Depreciation	36.6	32.4
Impairment and downward valuations	10.6	67.8
Amortisation	3.1	2.2
Increase/(decrease) in creditors	(25.6)	53.6
(Increase)/decrease in debtors	(70.0)	(42.5)
(Increase)/decrease in impairment for bad debts	2.8	6.2
Movement in pension liability	32.1	31.2
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	32.8	8.8
Other non-cash items charged to the net surplus or deficit on the provision of services	(2.0)	(8.0)
<b>Total</b>	<b>20.4</b>	<b>151.7</b>

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

Cash Flow Item	2022/23 £m	2021/22 £m
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(0.5)	0.0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10.8)	(7.8)
Any other items for which the cash effects are investing or financing cash flows	(125.0)	(87.4)
<b>Total</b>	<b>(136.3)</b>	<b>(95.2)</b>

Note 5 – Cash Flow Statement - Investing Activities

<b>Cash Flow Item</b>	<b>2022/23 £m</b>	<b>2021/22 £m</b>
Purchase of property, plant and equipment, investment property and intangible assets	(144.6)	(139.6)
Purchase of short-term and long-term investments	0.0	0.6
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10.8	7.8
Proceeds of sale of short and long term investments	0.5	0.0
Other receipts from investing activities	125.0	87.7
<b>Net cash flows from investing activities</b>	<b>(8.3)</b>	<b>(43.5)</b>

Note 6 – Cash Flow Statement - Financing Activities

<b>Cash Flow Item</b>	<b>2022/23 £m</b>	<b>2021/22 £m</b>
Cash receipts of short and long term borrowing	210.0	147.0
Cash inflow/(outflow) relating to Private Finance Initiative schemes	(2.9)	(2.6)
Repayments of short and long term borrowing	(120.5)	(121.6)
<b>Total</b>	<b>86.6</b>	<b>22.8</b>

Liabilities

Note 7 – Short Term Creditors

<b>Short Term Creditors Item</b>	<b>31-Mar-2023 £m</b>	<b>31-Mar-2022 £m</b>
Trade payables	(94.6)	(112.9)
Other payables	(83.1)	(82.6)
<b>Total</b>	<b>(177.7)</b>	<b>(195.5)</b>

## Note 8 – Long-Term Liabilities

<b>Long Term Liabilities Item</b>	<b>31-Mar-2023</b>	<b>31-Mar-2022</b>
	<b>£m</b>	<b>£m</b>
Pension Fund Liability	(262.1)	(722.0)
Deferred Income	(8.1)	(10.1)
PFI Liability	(18.8)	(20.5)
Finance Leases	(7.7)	(7.7)
Other Liabilities	(0.4)	(2.1)
<b>Total</b>	<b>(297.1)</b>	<b>(762.4)</b>

## Note 9 – Provisions

### Short Term Provisions Detail:

<b>Short Term Provisions</b>	<b>Outstanding Legal Cases</b>	<b>Compensation Claims</b>	<b>Other Provisions</b>	<b>Total</b>
<b>Balance at 1 April 2022</b>	<b>0</b>	<b>(2.2)</b>	<b>0</b>	<b>(2.2)</b>
Net (additions) reductions to provisions made in 2021/22	0	0	0	<b>0</b>
<b>Balance at 31 March 2023</b>	<b>0</b>	<b>(2.2)</b>	<b>0</b>	<b>(2.2)</b>

### Long Term Provisions Detail:

<b>Long Term Provisions</b>	<b>Outstanding Legal Cases</b>	<b>Compensation Claims</b>	<b>Other Provisions</b>	<b>Total</b>
<b>Balance at 1 April 2022</b>	<b>(0.9)</b>	<b>(3.7)</b>	<b>(25.1)</b>	<b>(29.7)</b>
Net (additions) reductions to provisions made in 2021/22	0	0	2.1	<b>2.1</b>
<b>Balance at 31 March 2023</b>	<b>(0.9)</b>	<b>(3.7)</b>	<b>(23.0)</b>	<b>(27.6)</b>

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 £2.1 decrease in long term other provision consists of:

- NDR Appeals: net decrease of £0.4m due to reduction caused by fewer appeals cases.

- Housing BCE PFI: net reduction of £1.7m. As anticipated, there was an in-year difference in 22-23 on the Brent Co-Efficient PFI between the rent collected and the government PFI grant received, versus the unitary payments and base revenue costs. This difference amounted to £3.5m, which was released from the provision set aside for this purpose (a reduction in the provision). Furthermore, there was an indication that the provision required for the end of 28/29 contract life needed to be increased by £2.0m. There was an additional drawdown of £0.2m to cover the Housing GF overspend.

## 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.

#### **Capital and other statutorily ring-fenced reserves**

Reserve Type	Reserve	Balance at 31-03-2022 £m	Transfer to/from reserves £m	Balance at 31-03-2023 £m
Ring-fenced	HMO Licensing	(2.6)	0.1	(2.5)
Ring-fenced	Housing Revenue Account	(1.7)	0.0	(1.7)
Ring-fenced	Regeneration & Environment	(2.7)	1.4	(1.3)
Ring-fenced	Public Health	(8.1)	(2.5)	(10.6)
Ring-fenced	Schools and other DSG	(16.9)	1.9	(15.0)
Ring-fenced	Migration related	(0.4)	0.2	(0.2)
Ring-fenced	Edward Harvist Trust	(0.1)	(0.1)	(0.2)
<b>Ring-fenced</b>	<b>Total</b>	<b>(32.5)</b>	<b>1.0</b>	<b>(31.5)</b>
Capital Finance Related	South Kilburn	(5.5)	(0.1)	(5.6)
Capital Finance Related	Resident Services (GF)	(0.1)	0.1	0.0
Capital Finance Related	General Fund Capital funding	(67.2)	9.7	(57.5)
<b>Capital Finance Related</b>	<b>Total</b>	<b>(72.8)</b>	<b>9.7</b>	<b>(63.1)</b>
<b><i>Capital and other statutorily ring-fenced reserves</i></b>	<b><i>Overall Total</i></b>	<b><i>(105.3)</i></b>	<b><i>10.7</i></b>	<b><i>(94.6)</i></b>

#### **Committed reserves**

Reserve Type	Reserve	Balance at 31-03-2022 £m	Transfer to/from reserves £m	Balance at 31-03-2023 £m
Sinking fund and other smoothing reserves	PFI	(5.3)	0.3	(5.0)
Sinking fund and other smoothing reserves	Universal Credit staffing	(1.4)	(0.1)	(1.5)
Sinking fund and other smoothing reserves	Redundancy	(3.2)	1.5	(1.7)
Sinking fund and other smoothing reserves	Insurance	(5.3)	0.0	(5.3)
Sinking fund and other smoothing reserves	Children & Young People	(0.2)	0.0	(0.2)
Sinking fund and other smoothing reserves	Other Central	(24.5)	24.0	(0.5)

Reserve Type	Reserve	Balance at 31-03-2022 £m	Transfer to/from reserves £m	Balance at 31-03-2023 £m
Sinking fund and other smoothing reserves	Temporary Accommodation Housing Benefits	(5.6)	1.1	(4.5)
<b>Sinking fund and other smoothing reserves</b>	<b>Total</b>	<b>(45.5)</b>	<b>26.8</b>	<b>(18.7)</b>

#### Other Earmarked reserves

\*The Council restructured in October 2022 and as a result the names of the service reserves has been changed to align with the current directorate structure.

Reserve Type	*Restated Reserve	*Restated Balance at 31-03-2022 £m	Transfer to/from reserves £m	Balance at 31-03-2023 £m
Service reserves	Care, Health and Wellbeing	(6.4)	(0.7)	(7.1)
Service reserves	Children & Young People	(0.7)	(2.3)	(3.0)
Service reserves	Resident Services	(10.2)	(3.8)	(14.0)
Service reserves	Communities & Regeneration	(2.3)	(4.0)	(6.3)
Service reserves	Governance	(1.3)	(0.8)	(2.1)
Service reserves	Finance and Resources	(1.1)	0.5	(0.6)
<b>Service reserves</b>	<b>Total</b>	<b>(22.0)</b>	<b>(11.1)</b>	<b>(33.1)</b>
<b>Transformation/Service Pressures Reserves</b>	<b>Total</b>	<b>(19.2)</b>	<b>8.2</b>	<b>(11.0)</b>
<b>COVID-19 reserves</b>	<b>Total</b>	<b>(20.4)</b>	<b>16.5</b>	<b>(3.9)</b>
<b>Other Earmarked reserves</b>	<b>Overall Total</b>	<b>(61.6)</b>	<b>13.6</b>	<b>(48.0)</b>

\*The prior year figures have been restated due to a restructure of the Council's directorates in October 2022

Reserve	Balance at 31-03-2022 £m	Transfer to/from reserves £m	Balance at 31-03-2023 £m
<b>Grand Total</b>	<b>(212.4)*</b>	<b>51.1</b>	<b>(161.3)*</b>

\*This consist of the Schools Balance, Earmarked General Fund Reserves and HRA Earmarked Reserve from the Movement in Reserves Statement.

## 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 “smooth” 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 Note 39 Note to Movement in Reserves statement

## Comprehensive Income and Expenditure Notes

### Note 11 – Other Operating Expenditure

Other Operating Expenditure	2022/23	2021/22
	£m	£m
Levies	3.2	3.0
Payments to the Government Housing Capital Receipts Pool	0.1	1.3
(Gains)/losses on the disposal of non-current assets	22.1	1.0
<b>Total</b>	<b>25.4</b>	<b>5.3</b>

Note 12 – Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2022/23 £m	2021/22 £m
Interest payable and similar charges	27.9	23.6
Pensions interest cost and expected return on pensions assets	19.6	17.4
Interest receivable and similar income	(14.4)	(7.3)
<b>Total</b>	<b>33.1</b>	<b>33.7</b>

Note 13 – Taxation and non-Specific Grant Incomes

Taxation and non- Specific Grant Incomes	2022/23 £m	2021/22 £m
Council tax income	(138.0)	(124.6)
Business Rates	(82.4)	(74.4)
Other government grants & taxation	(64.5)	(51.3)
Capital grants and contributions	(125.0)	(87.4)
<b>Total</b>	<b>(409.9)</b>	<b>(337.7)</b>

## Expenditure and Funding Analysis Notes

### Note 14 – Expenditure and Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

#### Expenditure and Funding Analysis for 2022-23

Directorate	Total expenditure (£m)	Total income (£m)	Below cost of services on CIES (£m)	Subtotal (Surplus) or Deficit on Provision of Services (£m)	Adjustments for capital purposes (£m)	Net change for Pension Adjustments (£m)	Other Statutory Adjustments (£m)	Transfers to/from reserves (£m)	Subtotal Movement in Reserve (£m)	Position on HRA and General Fund* (£m)
Care, Health and Wellbeing	164.4	(35.5)	(1.0)	<b>127.9</b>	0.4	(1.2)	0.0	2.3	<b>1.4</b>	<b>129.4</b>
Children & Young People (GF)	104.6	(32.8)	0.6	<b>72.4</b>	(0.9)	(1.6)	0.0	(1.1)	<b>(3.6)</b>	<b>68.8</b>
Children & Young People (DSG)	222.7	(223.5)	0.7	<b>(0.1)</b>	2.7	(2.5)	0.3	(0.4)	<b>0.1</b>	<b>0.0</b>
Communities and Regeneration	27.7	(14.9)	(43.2)	<b>(30.4)</b>	37.3	(0.8)	0.0	4.0	<b>40.6</b>	<b>10.1</b>
Finance and Resources	32.7	(6.7)	1.1	<b>27.1</b>	(6.1)	(1.0)	0.0	(5.4)	<b>(12.5)</b>	<b>14.6</b>
Governance	16.0	(1.3)	0.0	<b>14.7</b>	0.0	(0.7)	0.0	0.5	<b>(0.2)</b>	<b>14.5</b>
Resident Services (GF)	191.1	(86.9)	29.3	<b>133.5</b>	(50.5)	(2.8)	0.0	(1.6)	<b>(54.9)</b>	<b>78.6</b>
Resident Services (HRA)	63.8	(58.5)	3.2	<b>8.5</b>	(7.4)	(0.5)	0.0	(0.6)	<b>(8.5)</b>	<b>0.0</b>
Central Items	249.0	(296.2)	(342.1)	<b>(389.3)</b>	110.4	(21.0)	29.9	(48.7)	<b>70.6</b>	<b>(318.7)</b>
<b>Total</b>	<b>1,072.0</b>	<b>(756.3)</b>	<b>(351.4)</b>	<b>(35.7)</b>	<b>85.9</b>	<b>(32.1)</b>	<b>30.2</b>	<b>(51.0)</b>	<b>33.0</b>	<b>(2.7)</b>

\*This is also the position on GF and HRA as per Table 1 Outturn position 2021/22 on the Narrative Statement

Expenditure and Funding Analysis for 2021-22

<b>*Restated Directorate</b>	<b>Total expenditure (£m)</b>	<b>Total income (£m)</b>	<b>Below cost of services on CIES (£m)</b>	<b>Subtotal (Surplus) or Deficit on Provision of Services (£m)</b>	<b>Adjustments for capital purposes (£m)</b>	<b>Net change for Pension Adjustments (£m)</b>	<b>Other Statutory Adjustments (£m)</b>	<b>Transfers to/from reserves (£m)</b>	<b>Subtotal Movement in Reserve (£m)</b>	<b>Position on HRA and General Fund (£m)</b>
Care, Health and Wellbeing	164.2	(44.3)	(0.1)	<b>119.8</b>	(0.2)	(1.4)	0.0	6.4	<b>4.8</b>	<b>124.6</b>
Children & Young People (GF)	91.4	(24.2)	0.0	<b>67.2</b>	(4.4)	(2.0)	0.0	1.5	<b>(4.9)</b>	<b>62.3</b>
Children & Young People (DSG)	231.9	(221.7)	4.1	<b>14.3</b>	(7.6)	(0.5)	(4.4)	(1.8)	<b>(14.3)</b>	<b>0.0</b>
Communities and Regeneration	26.3	(11.8)	(43.4)	<b>(28.9)</b>	36.2	(1.0)	0.0	2.2	<b>37.4</b>	<b>8.5</b>
Finance and Resources	47.7	(19.2)	0.0	<b>28.5</b>	(4.8)	(1.8)	0.0	(2.5)	<b>(9.1)</b>	<b>19.4</b>
Governance	16.3	(1.2)	0.0	<b>15.1</b>	0.0	(0.2)	0.0	0.3	<b>0.1</b>	<b>15.2</b>
Resident Services (GF)	179.4	(90.8)	3.9	<b>92.5</b>	(16.7)	(3.2)	0.0	2.8	<b>(17.1)</b>	<b>75.4</b>
Resident Services (HRA)	115.2	(55.9)	4.5	<b>63.8</b>	(62.2)	(0.6)	0.0	0.0	<b>(62.8)</b>	<b>1.0</b>
Central Items	235.5	(298.7)	(267.7)	<b>(330.9)</b>	56.6	(20.4)	15.8	(26.5)	<b>25.5</b>	<b>(305.4)</b>
<b>Total</b>	<b>1,107.9</b>	<b>(767.8)</b>	<b>(298.7)</b>	<b>41.4</b>	<b>(3.1)</b>	<b>(31.1)</b>	<b>11.4</b>	<b>(17.6)</b>	<b>(40.4)</b>	<b>1.0</b>

\*The prior year figures have been restated due to a restructure of the Council's directorate in October 2022

In Year Movements on Housing Revenue Account and General Fund Balances:

Opening Balance 2021-22 (£m)	Transfers to/from Earmarked Reserves (£m)	Movement on HRA and General Fund before transfers to/from Earmarked Reserves (£m)	Closing Balance 2021-22 (£m)	Balance	Opening Balance 2022-23 (£m)	Transfers to/from Earmarked Reserves (£m)	Movement on HRA and General Fund before transfers to/from Earmarked Reserves (£m)	Closing Balance 2022-23 (£m)
(1.4)	0.0	1.0	(0.4)	Housing Revenue Account	(0.4)	(0.6)	0.6	(0.4)
(1.7)	0.0	0.0	(1.7)	Housing Revenue Account Earmarked Reserves	(1.7)	0.0	0.0	(1.7)
<b>(3.1)</b>	<b>0.0</b>	<b>1.0</b>	<b>(2.1)</b>	<b>HRA Subtotal</b>	<b>(2.1)</b>	<b>(0.6)</b>	<b>0.6</b>	<b>(2.1)</b>
(15.1)	(17.6)	17.6	(15.1)	General Fund	(15.1)	(50.5)	47.8	(17.8)
(228.3)	17.6	0.0	(210.7)	General Fund Earmarked Reserves and Schools Balances	(210.7)	51.1	0.0	(159.6)
<b>(243.4)</b>	<b>0.0</b>	<b>17.6</b>	<b>(225.8)</b>	<b>General Fund Subtotal</b>	<b>(225.8)</b>	<b>0.6</b>	<b>47.8</b>	<b>(177.4)</b>
<b>(246.5)</b>	<b>0.0</b>	<b>18.6</b>	<b>(227.9)</b>	<b>TOTAL HRA and General Fund</b>	<b>(227.9)</b>	<b>0.0</b>	<b>48.4</b>	<b>(179.5)</b>

## Additional Disclosures

### Note 15 – Pooled Budgets

The Council has entered into two partnership agreements under Section 31 of the Health Act 1999, one with NHS Brent CCG for provision of occupational therapy equipment and the other with the Central and North West London NHS Foundation Trust (CNWLNFT) for provision of mental health services. The mental health services however came to an end of 2021/22 and no contributions were therefore made by either CNWLNFT or LB of Brent in 2022/23.

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

Partnership income and expenditure for 2022/23 is shown in the table below:

<b>Funding</b>	<b>Occupational Therapy  £m</b>	<b>The Better Care Fund  £m</b>
LB of Brent	(0.9)	(18.7)
NHS Brent CCG	(1.5)	(25.9)
<b>Total Funding</b>	<b>(2.4)</b>	<b>(44.6)</b>
Expenditure	2.9	44.6
<b>2022/23 Net Overspend/(Underspend)</b>	<b>0.5</b>	<b>0.0</b>
<b>2021/22 Net Overspend/(Underspend)</b>	<b>0.4</b>	<b>0.0</b>

For 2022/23, for Occupational Therapy, the share of overspend attributed to Brent CCG is £0.3m (£0.2m in 2021/22) and £0.2m to Brent Council (£0.1m in 2021/22).

### Note 16 – Members' Allowances

Total payments including National Insurance costs in 2022/23 were £1.1m (£1.2m in 2021/22). Details of the Members' Allowances scheme are available on Brent's website.

#### Note 17 – External Audit Costs

The Council's external auditor for 2022/23 and 2021/22 is Grant Thornton.

	<b>2022/23</b>	<b>2021/22</b>
<b>Detail</b>	<b>£'000</b>	<b>£'000</b>
External audit services for in-year	232.0	237.2
Certification of grant claims and returns for in- year	30.5	30.5
<b>Total</b>	<b>262.5</b>	<b>267.7</b>

#### Note 18 – 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 £1.4m (estimated at £4.6m in 2021/22), but due to the nature of the contingent liabilities this is subject to significant change.

Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

#### Note 19 – Grant Income – 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:

	<b>2022/23</b>	<b>2021/22</b>
<b>Revenue Grants: Housing Benefit</b>	<b>£m</b>	<b>£m</b>
Mandatory Rent Allowances: subsidy	(185.3)	(201.3)
Mandatory Rent Rebates outside HRA	(14.4)	(13.4)
Rent Rebates Granted to HRA Tenants: subsidy	(19.4)	(19.8)
Housing Benefit Administration	(1.5)	(1.6)
<b>Total</b>	<b>(220.6)</b>	<b>(236.1)</b>

	<b>2022/23</b>	<b>2021/22</b>
<b>Revenue Grants: Schools</b>	<b>£m</b>	<b>£m</b>
Dedicated Schools Grant (DSG)	(207.9)	(202.4)
Pupil Premium Grants	(6.3)	(5.4)
Sixth forms funding from Learning and Skills Council (LSC)	(4.1)	(3.9)
Universal Infant School Meal	(2.7)	(2.8)
Teachers' Pension Employer Contribution Grant	(0.5)	(0.5)
Teachers' Pay grant	(0.1)	(0.2)

<b>Revenue Grants: Schools</b>	<b>2022/23</b>	<b>2021/22</b>
<b>£m</b>	<b>£m</b>	
Other Schools	(1.3)	(0.5)
Schools Supplementary Grant	(3.1)	0.0
<b>Total</b>	<b>(226.0)</b>	<b>(215.7)</b>
<b>Revenue Grants: Other</b>	<b>2022/23</b>	<b>2021/22</b>
<b>£m</b>	<b>£m</b>	
COVID-19 Grants	(4.0)	(32.7)
Discretionary Housing payments	(1.6)	(2.3)
Private Finance Initiative	0.0	(5.5)
Public Health	(22.9)	(22.3)
Revenue Support Grant	(25.9)	(25.0)
Section 31	(33.1)	(2.2)
New Homes Bonus	(3.1)	(3.8)
Asylum Leaving Care (Post 18) Grant	(5.1)	(2.9)
Adults Social Care Support Grant	(13.7)	(10.1)
Adults Social Care Improved Better Care Fund	(13.3)	(13.0)
Flexible Homeless Grant	(8.2)	(8.5)
Winter Pressure	0.0	(0.1)
Rough Sleeping Initiative Grant	(1.7)	(1.4)
Adult Education	(3.5)	(3.3)
Supporting Families Grant	(2.4)	(1.2)
Household Support Grant	(5.7)	(2.9)
New Burdens Grant	(0.1)	(1.0)
Workplace Capacity Grant	0.0	(2.6)
Council Tax Energy Bill Rebate- Discretionary	(1.8)	0.0
Homes for Ukraine	(3.3)	0.0
DLUHC - Service Grant	(6.1)	0.0
Other Miscellaneous Grants & Contributions	(15.9)	(15.5)
<b>Total</b>	<b>(171.4)</b>	<b>(156.3)</b>

<b>Revenue Grants</b>	<b>2022/23</b>	<b>2021/22</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Total Revenue Grants</b>	<b>(618.0)</b>	<b>(608.1)</b>

<b>Capital Grants &amp; Contributions</b>	<b>2022/23</b>	<b>2021/22</b>
<b>Grants:</b>	<b>£m</b>	<b>£m</b>
Department for Business Energy and Industrial Strategy	0.0	(3.2)
School Condition Grant	(2.5)	(2.6)
Transport for London	(1.4)	(2.5)
Disabled Facilities	(5.3)	(5.3)

Other Grants	(4.3)	(0.8)
Education Funding- includes High and Basic Needs	(16.6)	(11.2)
Greater London Authority - Outer London Fund	(51.3)	(14.2)
South Kilburn Housing Infrastructure Fund	0.0	(4.3)
Section 106 & Construction Infrastructure Levy	(43.6)	(43.2)
<b>Total</b>	<b>(125.0)</b>	<b>(87.3)</b>

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:

<b>Current Liabilities: Grant receipts in advance (Revenue grant):</b>	<b>2022/23 £m</b>	<b>2021/22 £m</b>
Council Tax Energy Bill Rebate	0.0	(9.6)
Energy Bills Support Scheme Alternative Funding	(0.6)	0.0
Non-Government: Children's Home pilot project	(0.6)	0.0
Non- Government: Mental Health Well-Being Support Fund	(0.2)	0.0
<b>Total</b>	<b>(1.4)</b>	<b>(9.6)</b>

#### Note 20 – Capital Grants Unapplied

<b>Capital Grants Unapplied</b>	<b>2022/23 £m</b>	<b>2021/22 £m</b>
Section 106 & Community Infrastructure Levy	(181.3)	<b>(150.5)</b>
Basic Needs- Primary schools	(47.2)	(38.5)
School Condition Grant	(3.2)	(3.5)
Greater London Authority - Outer London Fund	(34.3)	(2.0)
Disabled Facilities	0.0	(1.8)
Transport for London	0.0	(0.9)
Adult Personal Social Services	(3.6)	(3.7)
Early Education	(1.6)	(1.6)
Devolved Formula Capital	(1.2)	(0.4)
Other Education grant	(5.4)	(5.4)
Other Grant	(15.2)	(9.2)
Department for Business Energy and Industrial Strategy	(0.2)	(2.6)
<b>Total</b>	<b>(293.2)</b>	<b>(220.1)</b>

#### Note 21 – Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG).

The DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools' budget, as defined in The School and Early Years Finance (England) Regulations 2022.

In 2022/23, 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 Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG received for 2022/23 are as follows:

<b>Dedicated Schools Grant (DSG)</b>	<b>Central Expenditure £m</b>	<b>Schools Budget £m</b>	<b>Total £m</b>
Final DSG for 2022/23 before academy recoupment			349.8
Academy recoupment figure for 2022/23			(140.8)
Total DSG after recoupment for 2022/23			209.0
Plus Brought Forward from 2021/22			0.0
Less Carry Forward to 2022-23 agreed in advance			0.0
<b>Agreed initial budgeted distribution in 2022/23</b>	<b>71.5</b>	<b>137.5</b>	<b>209.0</b>
In year adjustments	0.0	0.3	0.3
<b>Final budgeted distribution for 2022/23</b>	<b>71.5</b>	<b>137.8</b>	<b>209.3</b>
Less Actual Central Expenditure	(71.9)	0.0	(71.9)
Less Actual ISB deployed to schools	0.0	(136.1)	(136.1)
In-year carry forward to 2023/24	(0.4)	1.7	1.3
Plus carry forward to 2023/24 agreed in advance	0.0	0.0	0.0
Carry forward to 2023/24			1.3
DSG unusable reserve at the end of 2021/22			(15.1)
Addition to DSG unusable reserve at the end of 2022/23			0
<b>Total DSG unusable reserve at the end of 2022/23</b>			<b>(15.1)</b>
<b>Net DSG Position at the end of 2022/23</b>			<b>(13.8)</b>

At the end of 2022/23, the DSG has a deficit of £13.8 million, which will be carried forward into 2023/24 in line with the Department for Education (DfE) regulations (The School and Early Years Finance (England) Regulations 2022). The regulations require 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.

Details of the deployment of DSG received for 2021/22 are as follows:

<b>Dedicated Schools Grant (DSG)</b>	<b>Central Expenditure £m</b>	<b>Schools Budget £m</b>	<b>Total £m</b>
Final DSG for 2021-22 before academy recoupment	-	-	339.1
Academy recoupment figure for 2021-22	-	-	(136.6)
Total DSG after recoupment for 2021-22	-	-	<b>202.5</b>
Plus Brought Forward from 2020-21	-	-	
Less Carry Forward to 2022-23 agreed in advance	-	-	0.0
<b>Agreed initial budgeted distribution in 2021-22</b>	<b>48.5</b>	<b>154.0</b>	<b>202.5</b>
In year adjustments	-	-	-
<b>Final budgeted distribution for 2021-22</b>	<b>48.5</b>	<b>154.0</b>	<b>202.5</b>
Less Actual Central Expenditure	(49.9)	-	(49.9)
Less Actual ISB deployed to schools	-	(157.2)	(157.2)
In-year carry forward to 2022-23	(1.4)	(3.2)	(4.6)
Plus carry forward to 2022/23 agreed in advance			
Carry forward to 2022/23			(4.6)
DSG unusable reserve at the end of 2020/21			(10.5)
Addition to DSG unusable reserve at the end of 2021/22			(4.6)
<b>Total DSG unusable reserve at the end of 2021/22</b>			<b>(15.1)</b>

At the end of 2021/22, the DSG has a deficit of £15.1m, which will be carried forward into 2022/23 in line with the Department for Education (DfE) regulations (The School and Early Years Finance (England) Regulations 2021). 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 22 – 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 2022/23 have Brent Members as Directors, Trustees or employees.

There were no material transactions disclosed in the Declarations of Related Party Transactions for 2022/23 obtained from Chief Officers.

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 £1.3m for administering the fund in 2022/23 (£1.2m was charged in 2021/22).

Pooled Budgets - Details of partnerships with NHS Brent CCG and the North-West London Mental Health Trust are shown in Note 15 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). The total invoiced transactions with the Council for the 2022/23 financial year were £2.7m, of which £0.7m relates to interest for loans to FWH (£1.1m in 2021/22). As of 31st March 2023, there were outstanding loans to Brent Council totalling £34.7m (£35.1m in 2021/22), which are secured against the company's properties. The board of directors for FWH includes the Strategic Director for Resident Services and the Corporate Director for Adult Social Care and Health, as well as 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. Total invoiced transactions with the Council relating to the 2022/23 financial year amounted to £0.8m. The interest charge in 2022/23 on loans to I4B totalled £5.2m. As of 31<sup>st</sup> March 2023, Brent Council had provided loans totalling £182.1m to I4B (£126.0m in 2021/22), which are secured against the company's properties. The board of directors for I4B includes the Strategic Director for Resident Services and the Corporate Director for Adult Social Care and Health, as well as 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 the Head of Finance for Community Wellbeing.

### **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 £0.7m 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](http://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 23 – Capital Expenditure and Capital Financing

2021/22	2021/22	2021/22	Capital Investment	2022/23	2022/23	2022/23
£m	£m	£m		£m	£m	£m
HRA	GF	Total		HRA	GF	Total
50.6	89.0	139.6	Property, Plant & Equipment	44.6	99.1	143.7
0.0	6.7	6.7	REFCUS	0.0	7.9	7.9
0.0	0.0	0.0	Non-Enhancing	0.0	0.0	0.0
0.0	20.1	20.1	Loans to Third Parties	0.0	40.0	40.0
<b>50.6</b>	<b>115.8</b>	<b>166.4</b>	<b>Total</b>	<b>44.6</b>	<b>147.0</b>	<b>191.6</b>

2021/22	2021/22	2021/22	Capital Financing	2022/23	2022/23	2022/23
£m	£m	£m		£m	£m	£m
HRA	GF	Total		HRA	GF	Total
0.0	(12.3)	(12.3)	Minimum Revenue Provision	0.0	(22.7)	(22.7)

2021/22	*Restated	2021/22	Sources of Finance	2022/23	2022/23	2022/23
£m	2021/22	£m		£m	£m	£m
HRA	£m	Total		HRA	GF	Total
(5.4)	(2.2)	(7.6)	Capital Receipts	(0.2)	(2.9)	(3.1)
(9.5)	(26.0)	(35.5)	Grants	(4.0)	(35.3)	(39.3)
(0.0)	(14.0)	(14.0)	S106 & CIL	0.0	(6.5)	(6.5)
0.0	(2.3)	(2.3)	Direct Revenue Contribution	0.0	(5.4)	(5.4)
(10.6)	0.0	(10.6)	Major Repairs Reserve	(14.0)	0.0	(14.0)
0.0	(2.6)	(2.6)	Earmarked Reserves	0.0	(3.5)	(3.5)
0.0	0.0	0.0	Appropriation between General Fund and HRA	0.0	0.0	0.0
<b>(25.5)</b>	<b>(47.1)</b>	<b>(72.6)</b>	<b>Total</b>	<b>(18.2)</b>	<b>(53.6)</b>	<b>(71.8)</b>

2021/22	*Restated	2021/22	Explanation for Movements	2022/23	2022/23	2022/23
£m	2021/22	£m		£m	£m	£m
HRA	£m	Total		HRA	GF	Total
<b>243.5</b>	<b>724.3</b>	<b>967.8</b>	<b>Opening Capital Financing Requirement</b>	<b>268.6</b>	<b>780.7</b>	<b>1,049.3</b>
25.1	56.4	81.5	(Decrease) / Increase in the underlying need to borrow	26.4	70.7	97.1
<b>268.6</b>	<b>780.7</b>	<b>1,049.3</b>	<b>Closing Capital Financing Requirement</b>	<b>294.9</b>	<b>851.4</b>	<b>1,146.4</b>

\*The 2021/22 opening balance and the Capital Receipts sources of finance has been restated as previously this note has omitted soft loans issued to the West London Waste Alliance (WLWA) and the Alpertown Academy. For more detail please see page 127

## Financial Instruments

### Note 24 – 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;
- Lease payables detailed in note 27;
- Private Finance Initiative contracts detailed in note 28; 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 27; 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:

<b>Financial Liabilities</b>	Non-Current: Borrowings 31 March 2023 £m	Non-Current: Borrowings 31 March 2022 £m	Non-Current: Liabilities 31 March 2023 £m	Non-Current: Liabilities 31 March 2022 £m	**Current: Borrowings 31 March 2023 £m	Current: Borrowings 31 March 2022 £m	Current: Liabilities 31 March 2023 £m	Current: Liabilities 31 March 2022 £m	Total 31 March 2023 £m	Total 31 March 2022 £m
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Amortised cost	695.3	565.2	35.0	30.3	85.7	123.3	130.9	116.8	946.8	835.6
<b>Total financial liabilities</b>	<b>695.3</b>	<b>565.2</b>	<b>35.0</b>	<b>30.3</b>	<b>85.7</b>	<b>123.3</b>	<b>130.9</b>	<b>116.8</b>	<b>946.8</b>	<b>835.6</b>
Liabilities not defined as financial instruments	-	-	262.1	-	-	-	46.8	78.6	308.9	78.6
<b>Total</b>	<b>695.3</b>	<b>565.2</b>	<b>297.1</b>	<b>30.3</b>	<b>85.7</b>	<b>123.3</b>	<b>177.7</b>	<b>195.4</b>	<b>1,255.8</b>	<b>914.2</b>

The total short-term borrowing includes £14.0m (2021/22: £2.4m) 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:

<b>Financial Assets</b>	<b>Non-Current: Investments 31 March 2023 £m</b>	<b>Non-Current: Investments 31 March 2022 £m</b>	<b>Non-Current: Debtors 31 March 2023 £m</b>	<b>Non-Current: Debtors 31 March 2022 £m</b>	<b>Current: Investments 31 March 2023 £m</b>	<b>Current: Investments 31 March 2022 £m</b>	<b>Current: Debtors 31 March 2023 £m</b>	<b>Current: Debtors 31 March 2022 £m</b>	<b>Total 31 March 2023 £m</b>	<b>Total 31 March 2022 £m</b>
Fair Value through profit or loss (FVTPL)	-	-	-	-	-	98.6	-	-	-	98.6
Amortised cost - soft loans	103.5	91.5	152.8	120.7	-	0.3	0.1	5.0	256.4	217.5
Amortised cost - other	0.3	0.3	35.5	35.5	0.2	37.8	126.6	83.2	162.6	156.8
Fair value through other comprehensive income (FVOCI) - designated equity instruments	-	-	-	-	-	-	-	-	-	-
Fair value through other comprehensive income (FVOCI) - other	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets defined as financial instruments</b>	<b>103.8</b>	<b>91.8</b>	<b>188.3</b>	<b>156.2</b>	<b>0.2</b>	<b>136.7</b>	<b>126.7</b>	<b>88.2</b>	<b>419.0</b>	<b>472.9</b>
Assets not defined as financial instruments	-	-	-	-	-	-	79.3	94.5	79.3	94.5
<b>Total</b>	<b>103.8</b>	<b>91.8</b>	<b>188.3</b>	<b>156.2</b>	<b>0.2</b>	<b>136.7</b>	<b>206.0</b>	<b>182.7</b>	<b>498.2</b>	<b>567.4</b>

#### Note 25 - 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 2021/22 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. During the year the loan to FWH was restructured, ensuring the continued long term affordability of the loan to the subsidiary. The movements on material soft loan balance for FWH are as follows:

Movements	2022/23 £m	2021/22 £m
<b>Opening balance</b>	<b>21.5</b>	<b>30.3</b>
Nominal value of new loans granted in the year	0.0	35.1
Fair value adjustment on initial recognition	0.0	(13.6)
Loans repaid	(0.1)	(30.3)
Impairment losses	0.0	0.0
Increase in discounted Amount	0.0	0.0
Other changes	0.0	0.0
<b>Closing balance at end of year</b>	<b>21.4</b>	<b>21.5</b>
Nominal value at 31 March	35.1	35.1

#### Types of FWH Funding for 2022/23 and 2021/22

Type of Funding Provided	2022/23 £m	2021/22 £m
Soft Loan	21.4	21.5
Soft Loan Investment	13.6	13.6
Soft Loan Total	<b>35.0</b>	<b>35.1</b>
Cash Equity	-	-
Equity Total	-	-
<b>Overall Total</b>	<b>35.0</b>	<b>35.1</b>

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:

Movements	2022/23 £m	2021/22 £m
<b>Opening balance</b>	<b>98.7</b>	<b>87.8</b>
Nominal value of new loans granted in the year	40.0	16.1
Fair value adjustment on initial recognition	(9.7)	(6.2)
Loans repaid	0.0	0.0
Impairment losses	0.0	0.0
Increase in discounted Amount	0.0	0.0

Movements	2022/23 £m	2021/22 £m
Other changes	2.5	1.0
<b>Closing balance at end of year</b>	<b>131.5</b>	<b>98.7</b>
Nominal value at 31 March	185.0	142.1

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 2023, Brent Council had provided funding of £221.4m to I4B (£178.5 in 2021/22), comprised of a number of soft loans\* and equity. Loans provided in 2022/23 are provided over a 50-year term, better reflecting the economic life of the properties being acquired. The loans are secured against the company's 523 properties.

Types of I4B Funding for 2022/23 and 2021/22:

Type of Funding Provided	2022/23 £m	2021/22 £m
Soft Loan	131.5	98.7
Soft Loan Investment	53.5	43.4
<b>Soft Loan Total</b>	<b>185.0</b>	<b>142.1</b>
Cash Equity	36.4	36.4
<b>Equity Total</b>	<b>36.4</b>	<b>36.4</b>
<b>Overall Total</b>	<b>221.4</b>	<b>178.5</b>

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.

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).

#### 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:

	2022/23 Financial Liabilities:  Amortised Cost  £m	2022/23 Financial Assets:  Amortised Cost  £m	2022/23 Financial Assets:  Fair Value through Profit & Loss £m	2022/23  <b>Total (£m)</b>	2021/22 Financial Liabilities:  Amortised Cost  £m	2021/22 Financial Assets:  Amortised Cost  £m	2021/22 Financial Assets:  Fair Value through Profit & Loss £m	2021/22  <b>Total (£m)</b>
Interest Expense	27.9	-	-	27.9	23.6	-	-	23.6
<b>Interest payable and similar charges</b>	<b>27.9</b>	<b>-</b>	<b>-</b>	<b>27.9</b>	<b>23.6</b>	<b>-</b>	<b>-</b>	<b>23.6</b>
Interest income	-	(14.4)	-	(14.4)	-	(7.3)	-	(7.3)
Dividend income	-	-	(2.2)	(2.2)	-	-	(0.1)	(0.1)
<b>Interest &amp; Investment Income</b>	<b>-</b>	<b>(14.4)</b>	<b>(2.2)</b>	<b>(16.6)</b>	<b>-</b>	<b>(7.3)</b>	<b>(0.1)</b>	<b>(7.4)</b>
<b>Net Impact on surplus/deficit on provision on services</b>	<b>27.9</b>	<b>(14.4)</b>	<b>(2.2)</b>	<b>11.3</b>	<b>23.6</b>	<b>(7.3)</b>	<b>(0.1)</b>	<b>16.2</b>
<b>Impact on other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (Gain)/loss for the year</b>	<b>27.9</b>	<b>(14.4)</b>	<b>(2.2)</b>	<b>11.3</b>	<b>23.6</b>	<b>(7.3)</b>	<b>(0.1)</b>	<b>16.2</b>

## Note 26 – 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 2023, 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 rate, 2% in relation to Alperton and 2.53% in relation to PFI liabilities.
- 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

<b>Financial Liabilities - Fair Value Note</b>	<b>Fair Value Level</b>	<b>Balance sheet 31/03/2023 £m</b>	<b>Fair Value 31/03/2023 £m</b>	<b>Balance Sheet 31/03/2022 £m</b>	<b>Fair Value 31/03/2022 £m</b>
<b>Financial Liabilities held at fair value through profit and loss</b>				0.0	0.0
<b>Financial Liabilities held at amortised cost:</b>					
Loans from the PWLB	2	542.9	494.6	410.1	526.2
LOBO loans	2	70.5	87.6	70.5	119.4
Other loans	2	98.0	63.8	97.2	90.9
Loans from Local Authorities	2	70.0	70.0	112.8	112.8
Lease payables and PFI liabilities	2	36.2	31.4	28.1	27.2
Short term creditors		129.2	129.2	116.8	116.8
<b>Total liabilities defined as financial instruments</b>		<b>946.8</b>	<b>876.6</b>	<b>835.5</b>	<b>993.3</b>
<b>Liabilities not defined as financial instruments:</b>					
Short-term creditors	N/A	46.8	46.8	78.7	78.7
Long-term liabilities		262.1	262.1	-	-
<b>Grand Total</b>		<b>1,255.8</b>	<b>1,185.5</b>	<b>914.2</b>	<b>1,072.0</b>

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:

<b>Financial Assets - Fair Value</b>	<b>Fair Value Level</b>	<b>Balance sheet 31/03/2023</b>	<b>Fair Value 31/03/2023</b>	<b>Balance Sheet 31/03/2022</b>	<b>Fair Value 31/03/2022</b>
<b>Financial Assets held at Fair Value through profit or loss</b>					
Money Market Funds	1	116.2	116.2	98.6	98.6
<b>Financial Assets held at amortised cost:</b>					
Lease receivables	2	0.0	0.0	0.0	0.0
Long-term investments	2	103.8	36.1	91.8	57.2
Long-term debtors	2	188.3	76.9	156.2	93.7
Short-term deposits with Local Authorities	2	0.0	0.0	0.0	0.0
Short-term investments	3	0.2	0.2	0.3	0.3
Short-term debtors	3	126.7	126.7	88.2	88.2
Cash and cash equivalents	2	18.3	18.3	37.8	37.8
<b>Total Assets defined as Financial Instruments</b>		<b>553.5</b>	<b>374.4</b>	<b>472.8</b>	<b>375.8</b>
<b>Assets not defined as Financial Instruments</b>		<b>79.2</b>	<b>79.3</b>	<b>94.5</b>	<b>94.5</b>
<b>Total</b>		<b>632.7</b>	<b>453.7</b>	<b>567.4</b>	<b>470.3</b>

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 the Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

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 2022 that this was likely to crystallise. The Council's direct exposure to banks and building societies on 31 March 2022 was limited to 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.

#### Money Market Funds and Short Term Deposits Credit Rating:

<b>Credit Rating</b>	<b>31/03/2023 £m</b>	<b>31/03/2022 £m</b>
AAA	0.0	0.0
AA-	0.0	0.0
A+	98.4	84.8
A	17.8	13.8
Unrated Local Authorities	0.0	0.0
<b>Total Investments</b>	<b>116.2</b>	<b>98.6</b>

As at 31 March 2023, the portfolio above relates to money market funds which are categorised under Cash and Cash Equivalents on the Balance Sheet. In the prior year, £98.6m of the balance was classified under Cash & Cash Equivalents.

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.

#### Credit Risk: Trade Receivables

Trade receivables are general debtors to the Council, and includes 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 Council’s potential maximum exposure to credit risk. 81.9% is the element which has not been provided for, based on the authorities calculation for impairment for doubtful debts. Potential Maximum Exposure to Credit Risk:

Type	Amount at 31 March 2023 £m	Impairment for Doubtful Debts %	Estimated loss through non- recovery £m
Trade receivables	139.1	18.1%	25.2
Total	139.1	18.1%	25.2

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. The impairment for doubtful debts has been calculated based on historical collection rates, whilst also factoring in debts which are secured or highly likely to be collectible, to estimate the non-collection of our outstanding debt. Debts are deemed to be overdue when they are outstanding passed our payment terms.

#### 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:

Principal Sums Borrowing Lengths	£m
Less than one year	110.7
Between one and two years	25.9
Between two and five years	52.7
Between five and ten years	51.8
Between ten and twenty years	124.3
Between 20 and 30 years	121.3
Between 30 and 40 years	189.3
More than 40 years	105.0
<b>Total</b>	<b>781.0</b>

The Council has £70.5m (2021/22: £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 the higher interest rate environment, the Council has based the maturity date upon the next option date rather than the final maturity 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:

#### Impact of Interest Rates being 1% Higher:

Impact	£m
Increase in interest receivable on variable rate investments	(0.9)
Impact on Comprehensive Income and Expenditure	(0.9)
Decrease in fair value of fixed rate borrowings / liabilities*	104.1

\*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 (2021/22: £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 27 – 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

Leases are classified as finance leases where the terms of the agreement transfer substantially all the risks and rewards of ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, present value of the minimum lease payments in relation to the asset’s fair value and whether the Council obtains ownership of the asset at the end of the lease term.

The current lease for Brent Council’s 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.

On 8th March 2022, the London Borough of Brent Council signed (as lessee) a lease of property at 330 Ealing Road, Alperton, formerly the location of Alperton Bus Garage. The site will be developed into 155 units of affordable housing at the expense of the lessor, which the Council will then let to tenants. There are no lease payments during the first three years so will begin in 2025/26. The Council received a payment of £7.7m at the start of the lease which has been recorded as a long-term lease liability.

Balance Sheet Extract of Plant, Furniture, Vehicles and Equipment:

<b>31-Mar-22</b> <b>£m</b>	<b>Detail</b>	<b>31-Mar-23</b> <b>£m</b>
1.1	Plant, Furniture, Vehicles and Equipment	0.0

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:

Minimum Finance Lease Payments:

<b>31-Mar-22</b> <b>£m</b>	<b>Finance Lease Liabilities Details</b>	<b>31-Mar-23</b> <b>£m</b>
1.3	Current	0.0
7.7	Non-current	7.7
0.0	Finance costs payable in future years	0.0
<b>9.0</b>	<b>Minimum lease payments</b>	<b>7.7</b>

These minimum lease payments are payable over the following periods:

Total Minimum Lease Payments:

<b>Payment Period</b>	<b>2021/22</b> <b>£m</b>	<b>2022/23</b> <b>£m</b>
Not Later than one year	1.3	0.0
Later than one year and not later than five years	7.7	7.7
Later than five years	0.0	0.0
<b>Total</b>	<b>9.0</b>	<b>7.7</b>

Present Value of Minimum Lease Payments Repayable

<b>Payment Period</b>	<b>2021/22</b> <b>£m</b>	<b>2022/23</b> <b>£m</b>
Not Later than one year	1.2	0.0
Later than one year and not later than five years	7.2	7.2
Later than five years	0.0	0.0
<b>Total</b>	<b>8.4</b>	<b>7.2</b>

**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:

<b>2021/22 £m</b>	<b>Payment Period</b>	<b>2022/23 £m</b>
2.8	Not later than one year	2.7
10.7	Later than one year and not later than five years	12.3
1.8	Later than five years	0.1
<b>15.3</b>	<b>Total</b>	<b>15.1</b>

The Following Future sublease payments are receivable:

<b>2021/22 £m</b>	<b>Detail</b>	<b>2022/23 £m</b>
4.7	Future Minimum Sublease Payments Receivable	4.6

The Expenditure charged to Comprehensive Income and Expenditure Statement for these Leases:

<b>2021/22 £m</b>	<b>Comprehensive Income and Expenditure Detail</b>	<b>2022/23 £m</b>
0.6	Minimum Lease payments	0.6
(0.2)	(Sublease payments receivable)	(0.2)
<b>0.4</b>	<b>Total</b>	<b>0.4</b>

#### **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:

<b>31-Mar-22 £m</b>	<b>Finance Lease Debtor Detail</b>	<b>31-Mar-23 £m</b>
18.4	Non-Current	18.9
<b>18.4</b>	<b>Gross Investment in Lease</b>	<b>18.9</b>

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:

<b>Periods</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Not later than one year	<b>0.0</b>	<b>14.7</b>
Later than one year and not later than five years	14.7	0.0
Later than five years	3.7	4.2
<b>Total</b>	<b>18.4</b>	<b>18.9</b>

Present Value of Minimum Lease Payments:

<b>Period</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Not later than one year	<b>0.0</b>	<b>14.7</b>
Later than one year and not later than five years	14.7	0.0
Later than five years	3.7	4.2
<b>Total</b>	<b>18.4</b>	<b>18.9</b>

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:

<b>2021/22 £m</b>	<b>Period</b>	<b>2022/23 £m</b>
1.4	Not later than one year	1.4
4.3	Later than one year and not later than five years	3.5
41.3	Later than five years	66.5
<b>47.0</b>	<b>Total</b>	<b>71.4</b>

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

#### **Note 28 – 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 conversion 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.

Movement in PFI Balance Outstanding:

<b>2021/22 £m</b>	<b>PFI Detail</b>	<b>2022/23 £m</b>
23.5	Balance outstanding at start of year	22.1
(1.4)	Payments during the year	(1.7)
<b>22.1</b>	<b>Balance outstanding at end of year</b>	<b>20.4</b>

The Following Future Payments Expected to be Made on the PFIs and Service Concessions:

<b>Time Period Payable</b>	<b>Payment for Services £m</b>	<b>Reimbursement of Capital Expenditure £m</b>	<b>Interest £m</b>	<b>Total £m</b>
Payable in 2023/24	3.6	1.3	2.2	<b>7.1</b>
Payable with two to five years	16.0	6.5	7.3	<b>29.8</b>
Payable within 6 to 10 years	14.5	5.5	7.9	<b>27.9</b>
Payable within 11 to 15 years	5.1	3.9	4.9	13.9
Payable within 16 to 20 years	0.0	0.0	0.0	<b>0.0</b>
<b>Total</b>	<b>39.2</b>	<b>17.2</b>	<b>22.3</b>	<b>78.7</b>

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:

<b>2021/22 £m</b>	<b>Deferred Income Detail</b>	<b>2022/23 £m</b>
(12.1)	Deferred Income opening balance	(10.1)
2.0	Amortisation	2.0
<b>(10.1)</b>	<b>Deferred Income closing balance</b>	<b>(8.1)</b>

## Employee Benefits

### Note 29 – Senior Employees' Remuneration

Senior employees are Brent's Chief Executive, direct reports (other than administration staff), statutory chief officers and employees whose salary is £150k or more. No bonuses were paid during 2022/23.

#### Salary and Pension Contributions for Senior Employees for 2022/23:

Employee	Salary (including fees and allowances) £	Employers pension contributions £	Compensation for Loss of office £	Total remuneration including pension contributions £
Chief Executive – Carolyn Downs	218,063	0	0	218,063
Corporate Director Adult Social Care and Health- Philip Porter	165,593	58,103	0	223,696
Corporate Director Resident Services- Peter Gadsdon	166,010	58,103	0	224,113
Corporate Director Finance and Resources (section 151 officer)- Minesh Patel	150,502	53,143	0	203,645
Corporate Director Governance- Debra Norman	141,034	49,362	0	190,396
Corporate Director Children and Young People- Nigel Chapman	147,010	51,458	0	198,468
Corporate Director Communities and Regeneration- Zahur Khan (started 6 <sup>th</sup> February 2023)	21,847	7,647	0	29,494
Assistant Chief Executive - Shazia Hussain (left 29 <sup>th</sup> August 2022)	46,636	15,756	0	62,392
Strategic Director Children and Young People- Gail Tolley (left 31 <sup>st</sup> August 2022)	74,278	23,411	0	97,689
Strategic Director Regeneration & Environment- Alan Lunt (left 30 <sup>th</sup> September 2022)	87,887	28,093	40,610	156,590
Director of Public Health- Melanie Smith	130,223	43,895	0	174,118

<b>Employee</b>	<b>Salary (including fees and allowances)</b> <b>£</b>	<b>Employers pension contributions</b> <b>£</b>	<b>Compensation for Loss of office</b> <b>£</b>	<b>Total remuneration including pension contributions</b> <b>£</b>
Director of Environment and Leisure - Christopher Whyte	141,700	47,940	0	<b>189,640</b>
Director Regeneration Growth and Employment - Alice Lester	120,782	42,274	0	<b>163,056</b>
Integrated Care Partnership Director - Thomas Shakespeare	116,420	41,692	0	<b>158,112</b>
<b>Total</b>	<b>1,727,985</b>	<b>520,877</b>	<b>40,610</b>	<b>2,289,472</b>

Salary and Pension Contributions for Senior Employees for 2021/22:

Employee	Salary (including fees and allowances) £	Employers pension contributions £	Total remuneration including pension contributions £
Chief Executive – Carolyn Downs*	211,586	-	211,586
Assistant Chief Executive - Shazia Hussain	108,038	37,813	145,851
Strategic Director Children and Young People- Gail Tolley	160,533	56,187	216,720
Strategic Director of Community Wellbeing- Philip Porter	159,033	56,187	215,220
Strategic Director Regeneration & Environment- Alan Lunt	159,533	56,187	215,720
Strategic Director Customer and Digital services- Peter Gadsdon	154,360	54,026	208,386
Director of Finance (section 151 officer)- Minesh Patel	112,993	40,068	153,061
Director of Public Health- Melanie Smith	128,155	43,221	171,375
Director of Legal, HR and Audit- Debra Norman	135,047	47,266	182,313
<b>Total</b>	<b>1,329,278</b>	<b>390,955</b>	<b>1,720,232</b>

\*Within this salary there is £1,500 relating to Returning Officer fees which the Chief Executive has redistributed to other staff who helped with the elections.

# Note 30 – Officers' Remuneration

The table below presents the number of employees whose remuneration in 2022/23 and 2021/22 was £50,000 or more in bands of £5,000. The remuneration excludes employer's pension contributions and the table excludes senior employees whose individual remuneration disclosed in note 29,

2021/22 Schools Staff	2021/22 Officers	2021/22 Total	Remuneration Band £	2022/23 Schools Staff	2022/23 Officers	2022/23 Total
159	114	273	50,000 - 54,999	148	109	257
66	105	171	55,000 - 59,999	84	99	183
64	53	117	60,000 - 64,999	54	22	76
36	22	58	65,000 - 69,999	52	25	77
19	11	30	70,000 - 74,999	32	10	42
12	7	19	75,000 - 79,999	17	9	26
10	11	21	80,000 - 84,999	9	8	17
11	5	16	85,000 - 89,999	9	1	10
9	1	10	90,000 - 94,999	13	18	31
5	17	22	95,000 - 99,999	6	2	8
2	3	5	100,000 - 104,999	3	0	3
0	0	0	105,000 - 109,999	1	2	3
1	3	4	110,000 - 114,999	2	1	3
2	1	3	115,000 - 119,999	0	0	0
0	2	2	120,000 - 124,999	2	0	2
0	0	0	125,000 - 129,999	0	2	2
0	1	1	130,000 - 134,999	0	0	0
0	1	1	135,000 - 139,999	0	0	0
1	0	1	140,000 - 144,999	0	0	0
0	0	0	145,000 - 149,999	0	0	0
0	0	0	150,000 - 154,999	1	0	1
0	0	0	155,000 - 159,999	0	1	1
0	0	0	160,000 - 164,999	0	0	0
1	0	1	165,000 – 169,999	1	0	1
<b>398</b>	<b>357</b>	<b>755</b>	<b>Total</b>	<b>434</b>	<b>309</b>	<b>743</b>

This note reports the number of school staff and council officers paid over £50,000 in 2022/23. The number of schools staff has increased by 36 and council officers decreased by 48 compared to 2021/22.

During the year the number of school staff and Council officers paid over £50,000 in 2022/23 has decreased by 12 compared to 2021/22. The main reason for the decrease in these numbers is compulsory and voluntary redundancies.

# Note 31 – 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 for 2022/23:

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
£0 - £20,000	12	49	61	629
£20,001 - £40,000	2	15	17	461
£40,001 - £60,000	0	5	5	250
£60,001 - £80,000	0	3	3	206
£80,001 - £100,000	0	1	1	96
£100,000+	1	8	9	1,563
<b>Total cost included in bandings</b>	<b>15</b>	<b>81</b>	<b>96</b>	<b>3,206</b>
<b>ADD:</b> amounts provided for in CIES not included in bandings	-	-	-	<b>0</b>
<b>TOTAL cost included in CIES</b>	-	-	-	<b>3,206</b>
<b>Average cost of exit packages</b>	-	-	-	<b>33</b>

The number of exit packages increased from 50 in 2021/22 to 96 in 2022/23 whilst the total cost of exit packages has increased from £0.646m in 2021/22 to £3.206m in 2022/23.

The average cost of exit package has increased from £13k in 2021/22 to £33k in 2022/23 mainly because of redundancies of Brent staff in £80k+ band and 33.58 FTE accrued voluntary redundancies in 2022-23

Exit Package Cost for 2021/22:

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
£0 - £20,000	21	21	42	298
£20,001 - £40,000	1	4	5	135
£40,001 - £60,000	0	2	2	92
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,000+	0	1	1	122
<b>Total cost included in bandings</b>	<b>22</b>	<b>28</b>	<b>50</b>	<b>646</b>
<b>ADD:</b> amounts provided for in CIES not included in bandings	-	-	-	<b>0.0</b>
<b>TOTAL cost included in CIES</b>	-	-	-	<b>646</b>
<b>Average cost of exit packages</b>	-	-	-	<b>13</b>

## Pension Notes

### Note 32 – Pension Schemes Accounted for as Defined Contribution Schemes

In 2022/23, the Council paid £12.4m to Teachers' Pensions (£11.5m - 2021/22) in respect of teachers' retirement benefits, representing 23.68% in 2022/23 (23.69% - 2021/22) 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 33 – Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

#### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by the employees, rather than when the benefits are paid in due course as pensions. Actuarial gains and losses on pension assets and liabilities are recorded as other comprehensive income and expenditure. The charge which Council is required to make against council tax is based on the cash payable in the year, therefore the real cost of post-employment/retirement benefits is reversed out of the general fund through the movement in the 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:

Extract from Comprehensive Income and Expenditure Statement showing Transactions Relating to Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services:

<b>31 March 2022 £m</b>	<b>Comprehensive Income and Expenditure Statement Detail</b>	<b>31 March 2023 £m</b>
60.8	Current service cost (Cost of Services)	59.4
0.3	Past service costs (including curtailments) (Cost of Services)	1.4
0	Effects of business combinations and disposals (Cost of Services)	0
35.2	Interest cost (Financing and Investment Income and Expenditure)	45.9
(17.8)	Expected return on Scheme assets (Financing and Investment Income and Expenditure)	(26.3)
<b>78.5</b>	<b>Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>80.4</b>

Extract from Comprehensive Income and Expenditure Statement showing Transactions Relating to Post-Employment Benefits:

<b>31 March 2022 £m</b>	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>31 March 2023 £m</b>
(9.2)	Changes in demographic assumptions	(2.1)
(110.6)	Changes in financial assumptions	(581.2)
3.3	Other experience	53.2
(55.7)	Return on assets excluding amounts in net interest	38.1
78.5	Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	80.4
<b>(93.7)</b>	<b>Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(411.6)</b>

Extract from the Movement in Reserves Statement Relating to Post-Employment Benefits:

<b>31 March 2022 £m</b>	<b>Movement in Reserves Statement Detail</b>	<b>31 March 2023 £m</b>
43.2	Employers' contributions payable to the Scheme	44.5
4.0	Contributions in respect of unfunded benefits	3.8
<b>47.2</b>	<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>48.3</b>
(78.5)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(80.4)
<b>(31.2)</b>	<b>Total Post-Employment Benefit Charged to the Movement in Reserves Statement</b>	<b>(32.1)</b>

### Statements Pensions Assets and Liabilities Recognised 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:

<b>31 March 2022 £m</b>	<b>Balance Sheet Detail</b>	<b>31 March 2023 £m</b>
(1,690)	Present value of the defined benefit obligation	(1,243)
968	Fair value of plan assets	981
(722)	<b>Net liability arising from defined benefit obligation</b>	(262)

Note 34 – Reconciliation of Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of Assets and Liabilities in Relation to Post-Employment Benefits:

Scheme Assets 2021/22 £m	Pensions Obligations 2021/22 £m	Net Pensions Liability 2021/22 £m	Detail	Scheme Assets 2022/23 £m	Pensions Obligations 2022/23 £m	Net Pensions Liability 2022/23 £m
887.6	(1,750.6)	(863.0)	Opening Balance at 1 April	967.7	(1,689.7)	(722.0)
-	-	-	Service Costs	-	-	-
0.0	(60.8)	(60.8)	Current Service Cost	0.0	(59.4)	(59.4)
0.0	(0.3)	(0.3)	Past Service cost and gains/losses on curtailments	0.0	(1.4)	(1.4)
17.8	(35.2)	(17.4)	Interest Income and Expense	26.3	(45.9)	(19.6)
-	-	-	Re-measurements	-	-	-
55.7	(3.3)	52.4	Return on Plan Assets	(38.1)	0.0	(38.1)
0.0	9.2	9.2	Actuarial Gains and Losses arising from changes in demographic assumptions	0.0	2.1	2.1
0.0	110.6	110.6	Actuarial Gains and Losses from changes in Financial Assumptions	0.0	581.2	581.2
-	-	-	Contributions	-	-	-
47.3	0.0	47.3	The Council	48.3	0.0	48.3
7.6	(7.6)	0.0	Employees	8.4	(8.4)	0.0
-	-	-	Payments	-	-	-
(48.3)	48.3	0.0	Retirement Grants and Pensions	(46.1)	46.1	0.0
0.0	0.0	0.0	Effects of business combinations and disposals	0.0	0.0	0.0
967.7	(1,689.7)	(722.0)	Closing Balance at 31 March	981.2	1,243.3	(262.1)

## Note 35 – Sensitivity Analysis

### Change in Assumptions and Subsequent Effect on Employer Liability:

<b>Change in assumptions at 31 March 2023</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount £m</b>
0.1% decrease in Real Discount Rate	2%	20.2
1 year increase in member life expectancy	4%	49.7
0.1% increase in the Salary Increase Rate	0%	1.3
0.1% increase in the Pension Increase Rate	2%	19.2

## Note 36 – Explanation of Change in Net Pension Liability

The Net Pension Liability has decreased by £459.9m (decreased by £141.0m in 2021/22).

The discount rate has increased from 2.7% to 4.75% leading to increase in the net interest on the net defined benefit pension liability. There are also risks attached to the maturity of the members, as it can be seen that 45.7% of the liability related to pensioners.

Following the 2022 Triennial valuation, The Employer's contributions for the period to 31 March 2024 are estimated to be approximately £41.6m. The deficit recovery period is 20 years. Contributions will remain at 33.5% of pensionable pay in 2023/24.

### Type of Pension Liability Members:

<b>Type of Member</b>	<b>Liability split (£m) as at 31 March 2023</b>	<b>Liability split (%) as at 31 March 2023</b>
Active Members	319.7	26.5%
Deferred Members	334.9	27.8%
Pensioner Members	551.7	45.7%
<b>Total Members</b>	<b>1,206.3</b>	<b>100%</b>

### Note 37 – 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 2022. 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:

#### Principal Assumptions Used in Updating Latest Valuation of the Fund:

2021/22	Actuarial Assumptions:	2022/23
22.1	Longevity at 65 for current pensioners: Men	22.0
24.5	Longevity at 65 for current pensioners: Women	24.7
23.2	Longevity at 65 for future pensioners: Men	23.0
26.0	Longevity at 65 for future pensioners: Women	25.9
3.5%	Rate of increase in salaries	3.3%
3.2%	Rate of increase in pensions	3.0%
2.7%	Rate for discounting Scheme liabilities	4.8%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2008 service)	75%

#### 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. 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

Updated Government bond yield curves are available on a daily basis from the Bank of England so we can easily identify a spot yield on Government bonds at any duration and at any date. However, a similarly accessible yield curve for corporate bonds is not so readily available. To set the discount rate, we construct a "Hymans Robertson" corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.

##### Weighted average duration

The discount rate should reflect the 'term' of the benefit obligation. We interpret 'term' to be the weighted average duration of the benefit obligation. We calculate the weighted average duration for each employer and categorise each employer's duration. We set assumptions based on duration category as below:

#### Weighted Average Duration of the Benefit Obligation:

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)

We use a market implied inflation curve over a range of maturities, derived from yields available on fixed interest and index linked government bonds to be consistent with the derivation of the discount rate. For each duration category we derive a cashflow weighted single RPI rate from this market implied inflation curve. 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

We set the pension increases assumption 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 0.40% over short durations, 0.35% over medium durations and 0.30% over long durations.

#### Salary Increases

We set our standard assumption for salary growth relative to CPI, using the same methodology as the Fund's most recent funding valuation. See the Fund's formal valuation report for further details on the salary growth assumption.

#### Proposed financial assumptions for the Accounting Date

We use financial assumptions from the beginning of the accounting period to calculate the service cost and net interest components of the pension expense. We propose the following standard assumptions at the Accounting Date.

#### Weighted average duration at most recent Actuarial Valuation:

Accounting Date 31 March 2023	Short %p.a.	Medium %p.a.	Long %p.a.
Discount Rate	4.75%	4.75%	4.75%
Retail Price Inflation (RPI)	3.30%	3.20%	3.15%
Consumer Price Inflation (CPI) – Pension Increase Rate	3.00%	2.95%	2.95%

#### Demographic assumptions

##### Longevity

We use baseline longevity assumptions consistent with the assumptions used at the latest funding valuation. We use future longevity improvements assumptions in line with the latest Continuous Mortality

Investigation (CMI) results, namely the CMI 2021 model with a 10% weighting of 2021 (and 2020) data, smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.5% p.a. for both females and males.

#### Other demographic assumptions

We use other demographic assumptions (e.g. commutation, withdrawal, ill-health early retirements etc) which are the same as those used for the latest funding valuation. These were considered to be best estimate. Further 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. Where the Employer has requested different assumptions, we have shown these in the Results Schedule and noted whether these fall outside our standard acceptable range.

#### Risks and uncertainties in relation to the assumptions

We have adopted assumptions which are in effect projections of future investment returns and demographic experience many years into the future. There is inevitably a great deal of uncertainty 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 Fund's actual investment strategy. As such, the figures in the Results Schedule are not likely to reflect the actual cost of providing the benefits. Similarly, the Results Schedule is not used in any way to calculate or certify employer cash contributions.

#### Sensitivity to assumptions

"We have included details of the effect on the obligations of changes to the key assumptions in the Sensitivity Analysis section of the Results Schedule. The net discount rate is the difference between the discount rate and the assumed rates of increase of salaries/deferred pension revaluation/pension increases in payment. Changes in market conditions that affect the net discount rate 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."

#### 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 20 years from April 2022. 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 38 – 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: -

Quoted prices in active markets 31-Mar-22 £m	Quoted prices not in active markets 31-Mar-22 £m	Total 31-Mar-22 £m	Percentage of Total Assets 31-Mar-22 %	Asset Category	Quoted prices in active markets 31-Mar-23 £m	Quoted prices not in active markets 31-Mar-23 £m	Total 31-Mar-23 £m	Percentage of Total Assets 31-Mar-23 %
-	-	-	-	<b>Private Equity</b>	-	-	-	-
0	26.3	26.3	2.7%	All	0.0	24.8	24.8	2.5%
-	-	-	-	<b>Real Estate</b>	-	-	-	-
12.6	0.0	12.6	1.3%	UK Property	23.6	0.0	23.6	2.4%
0.0	0.0	0.0	0.0%	Overseas Property	0.0	0.0	0.0	0.0%
-	-	-	-	<b>Investment Funds &amp; Unit Trusts</b>	-	-	-	-
544.1	0.0	544.1	56.2%	Equities	551.4	0.0	551.4	56.2%
111.0	0.0	111.0	11.5%	Bonds	85.8	0.0	85.8	8.7%
0.0	41.4	41.4	4.3%	Infrastructure	0.0	51.6	51.6	5.3%
198.6	13.3	211.9	21.9%	Other	202.0	30.6	232.6	23.7%
-	-	-	-	<b>Cash and cash equivalents</b>				
20.4	0.0	20.4	2.1%	All	11.3	0.0	11.3	1.2%
<b>886.6</b>	<b>81.1</b>	<b>967.7</b>	<b>100.0%</b>	<b>Totals</b>	<b>874.1</b>	<b>107.0</b>	<b>981.1</b>	<b>100%</b>

[Note to Movement in Reserves Statement](#)

*Note 39 – Note to Movement in Reserves Statement 2022/23*

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total

nsive income & expenditure

(Surplus) or deficit on the provision of services	(44.2)	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(35.7)
Surplus or deficit on revaluation of Property, Plant and Equipment assets	0.0	0.0	0.0	0.0	0.0	0.0	(127.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(127.2)
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	(492.0)	0.0	0.0	0.0	(492.0)
<b>Total comprehensive income &amp; expenditure (a)</b>	<b>(44.2)</b>	<b>8.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(127.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(492.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(654.9)</b>

Adjustments between accounting basis & funding basis under regulations

Charges for depreciation and impairment of non-current assets	(27.4)	(12.8)	0.0	0.0	0.0	0.0	8.5	31.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation losses on Property Plant and Equipment	7.6	(14.6)	0.0	0.0	0.0	0.0	0.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Amortisation of intangible assets	(3.1)	0.0	0.0	0.0	0.0	0.0	0.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	(7.9)	0.0	0.0	0.0	0.0	0.0	0.0	7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amount 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	(29.5)	(3.3)	0.0	0.0	0.0	0.0	11.8	21.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory provision for the financing of capital investment	22.7	0.0	0.0	0.0	0.0	0.0	0.0	(22.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure charged against the General Fund and HRA balances	9.2	0.0	0.0	0.0	0.0	0.0	0.0	(9.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	118.7	0.0	0.0	0.0	(118.7)	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	45.5	0.0	0.0	(45.5)	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	2.9	7.4	0.0	(10.8)	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	2.4	0.0	0.0	0.0	(2.4)	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	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	16.0	0.0	0.0	0.0	(16.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	14.0	0.0	(14.0)	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.8)	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(77.7)	(2.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	80.4	0.0	0.0	0.0	0.0
Employers' pensions contributions and direct payments to pensioners payable in the year	46.2	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(48.3)	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
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	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0
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	29.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(29.2)	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Statutory transfer of Dedicated Schools Grant deficit to Dedicated Schools Grant Adjustment Account	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
<b>Total adjustments between accounting basis &amp; funding basis under regulations (b)</b>	<b>92.0</b>	<b>(7.9)</b>	<b>0.0</b>	<b>(8.4)</b>	<b>(73.2)</b>	<b>(2.0)</b>	<b>20.3</b>	<b>(23.1)</b>	<b>0.5</b>	<b>(0.8)</b>	<b>32.1</b>	<b>(0.3)</b>	<b>(29.2)</b>	<b>0.0</b>	<b>0.0</b>

Earmarked reserve transfers (c)	(50.5)	(0.6)	51.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2022/23 (a) + (b) + (c)	(2.7)	0.0	51.1	(8.4)	(73.2)	(2.0)	(106.9)	(23.1)	0.5	(0.8)	(459.9)	(0.3)	(29.2)	0.0	(654.9)
Opening balance 2021/22	(15.1)	(0.4)	(212.4)	(7.0)	(220.1)	(0.9)	(729.4)	(657.7)	(18.4)	14.6	722.1	3.9	19.4	15.2	(1,086.2)

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Closing balance 2022/23	(17.8)	(0.4)	(161.3)	(15.4)	(293.3)	(2.9)	(836.3)	(680.8)	(17.9)	13.8	262.2	3.6	(9.8)	15.2	(1,741.1)

\*Earmarked Reserves are analysed in Note 10

Note to Movement in Reserves Statement 2021/22

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total

Comprehensive income & expenditure

(Surplus) or deficit on the provision of services	(22.4)	63.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41.4
Surplus or deficit on revaluation of Property, Plant and Equipment assets	0.0	0.0	0.0	0.0	0.0	0.0	(147.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(147.5)
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	(172.2)	0.0	0.0	0.0	(172.2)
<b>Total comprehensive income &amp; expenditure (a)</b>	<b>(22.4)</b>	<b>63.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(147.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(172.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(278.3)</b>

Adjustments between accounting basis & funding basis under regulations

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Charges for depreciation and impairment of non-current assets	(21.6)	(10.9)	0.0	0.0	0.0	0.0	8.9	23.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation losses on Property Plant and Equipment	(2.8)	(65.0)	0.0	0.0	0.0	0.0	0.0	67.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	(2.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	(6.7)	0.0	0.0	0.0	0.0	0.0	0.0	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6.1)	(2.7)	0.0	0.0	0.0	0.0	5.5	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Statutory provision for the financing of capital investment	12.3	0.0	0.0	0.0	0.0	0.0	0.0	(12.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure charged against the General Fund and HRA balances	4.9	0.0	0.0	0.0	0.0	0.0	0.0	(4.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	80.4	0.0	0.0	0.0	(80.4)	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	49.5	0.0	0.0	(49.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.9	7.0	0.0	(7.4)	0.0	0.0	0.0	0.0	(0.5)	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	6.0	0.0	0.0	0.0	(6.0)	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	(0.1)	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0.0	(1.3)	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversal of Major Repairs Allowance credited to the HRA	0.0	10.9	0.0	0.0	0.0	(10.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	10.6	0.0	(10.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
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	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.7)	0.0	0.0	0.0	0.0	0.0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(75.5)	(3.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	78.5	0.0	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Employer's pensions contributions and direct payments to pensioners payable in the year	44.9	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(47.2)	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	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	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	15.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(15.3)	0.0	0.0
Statutory transfer of Dedicated Schools Grant deficit to Dedicated Schools Grant Adjustment Account	(4.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.7	0.0
<b>Total adjustments between accounting basis &amp; funding basis under regulations (b)</b>	<b>40.0</b>	<b>(62.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>(30.9)</b>	<b>(0.3)</b>	<b>14.4</b>	<b>20.3</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>31.3</b>	<b>(0.2)</b>	<b>(15.3)</b>	<b>4.7</b>	<b>0.0</b>

Movement in Reserves Detail	Usable Reserve: General Fund (£m)	Usable Reserve: HRA (£m)	Usable Reserve: Earmarked Reserves Balance (£m)*	Usable Reserve: Capital Receipts Reserve (£m)	Usable Reserve: Capital Grants Unapplied (£m)	Usable Reserve: Major Repairs Reserve (£m)	Unusable Reserve: Revaluation Reserve (£m)	Unusable Reserve: Capital Adjustment Account (£m)	Unusable Reserve: Deferred Capital Receipts (£m)	Unusable Reserve: Financial Instruments ADJ A/C (£m)	Unusable Reserve: Pensions Reserve (£m)	Unusable Reserve: Short Term Accumulating Compensated Absences Reserve (£m)	Unusable Reserve: Collection Fund ADJ A/C (£m)	Unusable Reserve: Dedicated Schools Grant Adjustment Account (£m)	Total
Earmarked reserve transfers (c)	(17.6)	0.0	17.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2021/22 (a) + (b) + (c)	0.0	1.0	17.6	0.0	(30.9)	(0.3)	(133.1)	20.3	(0.5)	(0.7)	(140.9)	(0.2)	(15.3)	4.7	(278.3)
*Restated Opening balance 2021/22	(15.1)	(1.4)	(230.0)	(7.0)	(189.2)	(0.6)	(596.3)	(678.0)	(17.9)	15.3	863.0	4.1	34.7	10.5	(807.9)
Closing balance 2021/22	(15.1)	(0.4)	(212.4)	(7.0)	(220.1)	(0.9)	(729.4)	(657.7)	(18.4)	14.6	722.1	3.9	19.4	15.2	(1,086.2)

\*Earmarked Reserves are analysed in Note 10

## 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.

#### 1.3 Schools

The CIPFA Code of Practice on Local Authority Accounting confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code of Practice also stipulates that those schools’ assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore schools’ transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

### 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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.

## **2.2 VAT**

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

## **2.3 Government grants and contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied,

it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital. However, a proportion of the charges may be used to fund revenue expenditure.

## **2.4 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 is 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.

## **2.5 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, and so is now acting as a principal and an 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.

## **2.6 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.

## **2.7 Jointly Controlled Operations**

The Council has jointly controlled operations in the form of pooled budgets in conjunction with Brent Clinical Commissioning Group (CCG) and the Central and North West London NHS Foundation Trust (CNWLNT). 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 CNWLNT 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. The value are disclosed in accordance to the fair value hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2: inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: unobservable inputs for asset or liability

- 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 historic cost on an accruals basis

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 the asset's 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.

Straight Line Depreciation Method per Asset Class

Asset Class	Depreciation Method (Straight Line)
Buildings (including HRA)	5 – 60 years as determined by the Valuer
Infrastructure	25 years

Asset Class	Depreciation Method (Straight Line)
Buildings (including HRA)	5 – 60 years as determined by the Valuer
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 Highways Network Infrastructure Assets**

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

#### **Recognition**

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

#### **Measurement**

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

#### **Depreciation**

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Highways department using industry standards where applicable as follows. These numbers were used together with estimated gross replacement cost data from 2018 to calculate a weighted average for the entire network of 50 years.

Part of the highways network	Useful economic life
Carriageway	25
Footways + cycle tracks	25
Structures	25
Lighting	25
Traffic management	25
Street furniture	25

### Disposals and derecognition

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

### 3.6 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 contract)** In accordance with IFRS 15 Revenue from Contracts with Customers where there is a contract the Code requires revenue to be recognised in a way that reflects the pattern in which goods or services are transferred to service recipients. It requires revenue to be transferred at an amount that reflects the consideration that are expected in exchanged for those goods or services.

As such the Council recognises its construction contracts by identifying performance obligations in a contract and determining the transaction price of each performance obligations, which is then allocated to each performance obligations. The Council recognises the transaction price when the relevant performance obligation has been met.

#### **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:

Model Number	Asset Classification	Measurement of Financial Asset
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.

Where debtor balances for the collection fund are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in CIES. The impairment loss as measured as the difference between the carrying amount and the revised future cash flows.

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 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 the balance sheet in line with IAS 17, using guidance from the Royal Institute of Chartered Surveyors as directed by 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 under the other long term liabilities category. 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 1<sup>st</sup> April 2024, as such there are no changes to current year's accounting policy.

From 2024/25 IFRS 16 removes the previous lease classifications of operating and finance leases for lessees, instead it requires that a lessee recognises right of use of asset with a corresponding lease liability representing the lesser obligation to make lease payments for the asset. Any lease that does not fit the right of use classification will be an operating lease.

For Lessors, the finance and operating lease classification 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 concluded it is likely to be immaterial.

### **7.2.1 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 liability 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 liability 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.

### **7.3 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 statutory guidance on Minimum Revenue Provision. 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 49 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.

For supported borrowing, the Council will use the asset life method (Option 3) and an 'annuity' approach for calculating repayments. A review of the useful economic lives of the Council's assets has resulted in the outstanding principal being repaid over the course of 49 years rather than the previous 100 year timeframe. This is as a result of land being recognised with a 50-year useful economic life as per the code rather than a 999 year useful economic life in line with the depreciation calculation. This has resulted in a retrospective charge of £7.5m and an additional in year charge for 2022/23 of £1.9m.

#### **7.4 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.

## 7.5 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 presented in accordance to The Code Interpretation of IAS40, 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:

- 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.

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

- **Plant, Property and Equipment Valuations -**
  - Both Council dwellings (£827.8m) and Land and Buildings (£1,097.8m) valuations are dependent on professional judgements made by the valuers, such as the exact methodology each individual uses to estimate a valuation when they have to extrapolate values from a limited number of recent sales. When this issue has been considered by the courts, they have set an expectation that valuations by different valuers should differ by no more than 10%. Therefore a change in the people carrying out the valuation could change the estimate by up to 10% as different people produce different reasonable estimates. If there was a change in valuer and this resulted in a 10% change in valuation, this would result in a £82.8m adjustment to council dwellings, and a £109.8m adjustment to Land And Buildings. Given that the council has a rolling five year revaluation programme it may take up to five years to see the full impact of this, but even one fifth of these adjustments would be material.
  - Land and Buildings Valuation – £363.9m of Land and Buildings is valued this year based on a Depreciated Replacement Cost (DRC) basis. The valuation is based on a modern equivalent replacement cost which estimates how much it would cost to replacement the building with a modern equivalent, and relies on estimating the cost of construction. If the cost of construction were to change significantly over the following year then these estimates would change materially. The Construction output price index (produced by the Office for National Statistics) shows 10.6% increase in March 2023 for the year. Given that this is a recent

statistic, and global events make it hard to be certain about the future, this is a reasonable scenario. An 10.6% increase due to increased construction costs used for these valuations would result in a £38.6m adjustment, this includes a residual value increase of £12.7m.

- **Fair Value estimates**

- The closing balance for the Council's long-term borrowing was £695.3m as at the 31<sup>st</sup> March 2023. A small shift in the interest rate market used to calculate the fair values of the financial instruments would result in a significant change to the disclosures in the accounts which is highly likely in the current high inflation environment and expected interest rate rises. 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. The discount rates for Lender Option Borrower Option loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software alongside our treasury advisors. If interest rates were to increase by 1% this would have resulted in a movement in fair value by £83.0m which would have a material impact on the statement of accounts.
- The carrying amount of the PFI liabilities as 31st March 2022 is £18.8m. The carrying amount of the lease liabilities as 31st March 2022 is £7.6m. A small shift in the interest rate market used to calculate the fair values of the financial instruments would result in a significant change to the disclosures in the accounts which is highly likely in the current high inflation environment and expected interest rate rises. The discount rate used for the fair values of finance lease assets and liabilities and PFI scheme liabilities have been calculated by discounting the contractual cash flows at the market rate of borrowing with similar remaining terms to maturity on 31st March for the PFI agreements and the long-term inflation forecast for our lease agreements. If rates were to move by 1% this would cause a movement in fair value by £1.0m for the PFI liabilities and £0.2m for lease liabilities which would have a material impact on the statement of accounts.
- The carrying value of the Council's long-term investments at year-end were £103.8m and £189.1m for long-term debtors. A small shift in the interest rate market used to calculate the fair values of the financial instruments would result in a significant change to the disclosures in the accounts which is highly likely in the current high inflation environment and expected interest rate rises. The fair values of long-term investments and debtors have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March. If interest rates were to increase by 1% this would result in a movement in fair value by £13.4m across both long-term investments and debtors.

- **Expected Credit Loss**

- The carrying value of the assets under the remit of an expected credit loss calculation are the long-term investment balance of £103.8m and long-term debtors of £189.1m. Any significant increase to the risk of a counterparty would require the Council to calculate a lifetime credit loss which recognises the expected 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 instruments would result in a significant change to the impairment required and is not likely given the credit quality of the counterparties the Council transacts with. The loss allowances have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. If a significant increase in the risk of a counterparty

occurred, a lifetime credit loss would be required. The movement in the expected credit loss impairment from a 12-month to a lifetime loss for a £10m investment made for 4 years would be £1.8m.

- **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 2021/22 and 2022/23 financial years, and their estimated impact are as follows:

Changes in Key Assumptions Regarding Rates in 2022/23 and 2021/22

Change in 2021/22	Estimated impact on the pension liability (£m)	Key Assumptions - Rates	Change in 2022/23	Estimated impact on the pension liability (£m)
0.35%	99.9	Inflation/pensions increase rate	(0.20%)	(38.5)
0.35%	5.4	Salary increase rate	(0.20%)	(2.6)
0.70%	(212.1)	Discount rate	2.05%	(414.2)

Changes in Key Assumptions Regarding Longevity in 2022/23 and 2021/22

Change in 2021/22	Estimated impact on the pension liability (£m)	Key Assumptions - Longevity	Change in 2022/23	Estimated impact on the pension liability (£m)
(0.2 years)	(13.5)	Current pensioners (Male)	(0.1 years)	(5.0)
(0.2 years)	(13.5)	Current pensioners (Female)	0.2 years	9.9

(0.3 years)	(20.3)	Future pensioners (Male)	(0.2 years)	(9.9)
(0.2 years)	(13.5)	Future pensioners (Female)	(0.1 years)	(5.0)

## 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 2022/23 Code which are likely to have a material effect on the accounts.

## 4. Significant changes in accounting policy introduced in 2022/23

There have been no significant changes introduced in 2021/22.

## 5. Events after the reporting period

There have been no events since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts

## 6. Prior Period Restatements

The Capital Financing Requirement has omitted soft loans previously issued to the West London Waste Alliance (WLWA) and the Alpertown Academy. As soft loans, these outstanding balances should have been included within the Capital Financing Requirement.

The impact of this amendment on the prior year figures is shown below:

	HRA £m	GF £m	Total £m
b/f per accounts 01/04/21	243.5	707.7	951.2
Addition of WLWA loan	0.0	15.8	15.8
Addition of Alperton Academy loan	0.0	0.8	0.8
Revised b/f 01/04/2021	243.5	724.3	967.8
In-year movement per accounts	25.1	57.2	82.3
Reduction in WLWA loan	0.0	-0.7	-0.7
Reduction in Alperton Academy loan	0.0	-0.1	-0.1
<b>Revised c/f 31/03/2022</b>	<b>268.6</b>	<b>780.7</b>	<b>1,049.3</b>

## Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2023

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.

Housing Income in 2021/22 and 2022/23:

<b>2021/22</b>		<b>2022/23</b>
<b>£m</b>	<b>Income Detail</b>	<b>£m</b>
(47.7)	Dwelling rents	(50.6)
(0.3)	Non-dwelling rents	(0.2)
(3.1)	Tenants charges for services and facilities	(3.1)
(0.6)	Contribution towards expenditure	(0.6)
(3.1)	Leaseholders charges for services and facilities	(3.0)
(1.1)	Other income	(1.0)
<b>(55.9)</b>	<b>Total Income</b>	<b>(58.5)</b>

Housing Expenditure in 2021/22 and 2022/23:

<b>2021/22</b>		<b>2022/23</b>
<b>£m</b>	<b>Expenditure Detail</b>	<b>£m</b>
14.3	Repairs and maintenance	15.0
15.2	Supervision and management	15.7
3.3	Rents, rates, taxes and others charges	4.0
10.9	Depreciation of non-current assets	11.3
0.3	Movement in the allowance for bad or doubtful debts	1.8
65.1	Impairments and revaluation losses to non-current assets	16.0
6.1	Granville refurbishment provision	0.0
<b>115.2</b>	<b>Total Expenditure</b>	<b>63.8</b>

Net Cost of Services included in the Council's Income and Expenditure Account in 2021/22 and 2022/23:

<b>2021/22</b>		<b>2022/23</b>
<b>£m</b>	<b>Income and Expenditure Detail</b>	<b>£m</b>
(55.9)	Total Income	(58.5)
115.2	Total Expenditure	63.8
<b>38.6</b>	<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	<b>5.3</b>

HRA Share of the operating income and expenditure included in the Council's income and expenditure:

<b>2021/22</b> <b>£m</b>	<b>HRA share of the operating income and expenditure included in the Council's income and expenditure</b>	<b>2022/23</b> <b>£m</b>
59.3	Net Cost of Services included in the Council's Income and Expenditure Account	5.3
1.3	Payment to capital receipts pool	0.0
(4.2)	(Gain) or loss on sale of HRA non-current assets	(4.0)
7.5	Interest payable and similar charges	7.6
(0.1)	Interest and investment income	(0.4)
<b>63.8</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>	<b>8.5</b>

Movement on the HRA Statement for 2020/21 and 2021/22:

<b>2021/22</b> <b>£m</b>	<b>Movement on the HRA Statement</b>	<b>2022/23</b> <b>£m</b>
(1.4)	<b>Housing Revenue Account balance brought forward</b>	(0.4)
63.8	(Surplus) or deficit on the provision of services	8.5
(62.8)	Adjustment between accounting basis and funding basis under regulations	(7.9)
<b>1.0</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>0.6</b>
0.0	Transfers to/(from) Earmarked Reserves	(0.6)
<b>1.0</b>	<b>(Increase) or decrease in year on the HRA</b>	<b>0.0</b>
<b>(0.4)</b>	<b>Balance as at 31 March carried forward</b>	<b>(0.4)</b>

HRA Adjustments between Accounting Basis and Funding Basis under Regulations for 2021/22 and 2022/23:

<b>2021/22</b> <b>£m</b>	<b>HRA adjustments between accounting basis and funding basis under regulations</b>	<b>2022/23</b> <b>£m</b>
4.3	Gain or loss on sale of HRA non-current assets	4.1
0.0	Capital expenditure funded by HRA	4.6
(65.0)	Downward revaluation of non-current assets	(14.6)
(1.3)	Payments to the capital receipts pool	0.0
(0.7)	Employer's pensions contributions and direct payments to pensioners payable in the year	(0.6)
10.9	Transfers to major repairs reserve	11.4

<b>2021/22</b> <b>£m</b>	<b>HRA adjustments between accounting basis and funding basis under regulations</b>	<b>2022/23</b> <b>£m</b>
(11.0)	Transfers to capital adjustment account	(12.8)
<b>(62.8)</b>	<b>Total adjustments between accounting basis and funding basis under Regulations</b>	<b>(7.9)</b>

## Notes to the Housing Revenue Account

### Note 1 – Housing Stock

The Council's stock of dwellings increased during the year from 8,138 to 8,221, a net increase of 83 dwellings. In addition to the units listed below, the Council also owns the freehold on 3,810 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:

<b>Stock Type</b>	<b>31-Mar-2022</b> <b>Dwellings Units</b>	<b>Disposals in</b> <b>Year</b>	<b>Additions in</b> <b>Year</b>	<b>31-Mar-2023</b> <b>Dwellings Units</b>
Flats	6,059	(18)	107	6,148
Houses	2,079	(10)	4	2,073
<b>Total Dwellings Units</b>	<b>8,138</b>	<b>(28)</b>	<b>111</b>	<b>8,221</b>

### Note 2 – Rent Arrears

The level of service charge and rent arrears at 31st March 2023 was £1.3m. Movement on the arrears and related allowances for future credit losses are shown below.

Movement on Rent Arrears between 31 March 2022 and 31 March 2023

<b>31-Mar-2022</b> <b>£m</b>	<b>Arrears Detail</b>	<b>31-Mar-2023</b> <b>£m</b>
2.0	Arrears from tenants	3.1
6.7	Arrears from Right to Buy Leaseholders	6.5
(7.9)	Allowance for Credit Losses	(8.3)
<b>0.8</b>	<b>Total Arrears</b>	<b>1.3</b>

### Note 3 – Non-current Assets

<b>Total Non-Current Assets in 2021/22</b> <b>£m</b>	<b>Non-Current Assets Detail</b>	<b>Council Dwellings in 2022/23</b> <b>£m</b>	<b>Non- Council Dwellings in 2022/23</b> <b>£m</b>	<b>Total Non-Current Assets in 2022/23</b> <b>£m</b>
<b>675.7</b>	<b>Opening Net Book Value at 1 April</b>	<b>796.9</b>	<b>13.2</b>	<b>810.1</b>
39.5	Revaluations	21.8	(0.2)	<b>21.6</b>
(0.3)	Impairment	(0.2)	0.0	<b>(0.2)</b>
26.9	Capital Expenditure	19.8	0.0	<b>19.8</b>

<b>Total Non-Current Assets in 2021/22 £m</b>	<b>Non-Current Assets Detail</b>	<b>Council Dwellings in 2022/23 £m</b>	<b>Non- Council Dwellings in 2022/23 £m</b>	<b>Total Non-Current Assets in 2022/23 £m</b>
(3.8)	Disposals	(2.9)	(0.5)	<b>(3.4)</b>
(10.8)	Depreciation for the year	(11.1)	(0.2)	<b>(11.3)</b>
82.9	Other Movements	6.3	0.0	<b>6.3</b>
0.0	Reclassification (to/from Assets Held for Sale)	(2.8)	0.0	<b>(2.8)</b>
<b>810.1</b>	<b>Closing Net Book Value at 31 March</b>	<b>827.8</b>	<b>12.3</b>	<b>840.1</b>

The £6.3m 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. As per the Council's Accounting policy for revaluing its assets on a 5 year basis, Council Dwellings was last revalued by our external Valuers as at 1<sup>st</sup> April 2021. The Council further calculates any arising revaluation loss or gain on the properties held within the HRA during the year through the application of a regional annual housing indexation factor.

The £21.6m upward revaluation shown on the table above is the net movement of revaluation consisting of £36.3m upward revaluations to the Revaluation Reserve and £14.7m downward revaluation charged to the surplus/deficit on the provision of service. This consist of:

- In accordance to the beacon principle of revaluation for Council Dwellings, as set out in the Accounting policies, once Council Dwellings are completed or expenditure capitalised these are valued at 25% of their Open Market Value (OMV). As per the table above there has been £6.3m of assets completed and £19.8m capital expenditure, the application of downward revaluation such that these assets are valued at 25% of their OMV resulted in a downward revaluation of £19.6m.
- There was a further upward revaluation of £40.9m for Council Dwellings due to indexation mentioned above.

The vacant possession value of dwellings within the HRA at 31 March 2022 was £3.311 billion (£3.187 billion at 31 March 2022). The difference between vacant possession value of the HRA dwellings and balance sheet value within the HRA shows the economic cost to the Government of providing Council housing at less than open market value.

#### Note 4 – HRA Capital Receipts

<b>2021/22 £m</b>	<b>Detail</b>	<b>2022/23 £m</b>
(5.9)	Dwellings	(6.8)
<b>(5.9)</b>	<b>Total Receipts</b>	<b>(6.8)</b>

Note 5 – Net Interest Charged to the HRA

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

<b>2021/22 £m</b>	<b>Detail</b>	<b>2022/23 £m</b>
7.4	Interest on HRA mid-year Capital Financing Requirement	7.6
<b>7.4</b>	<b>Total Interest</b>	<b>7.6</b>

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.

<b>2021/22 £m</b>	<b>Detail</b>	<b>2022/23 £m</b>
(0.6)	Balance at beginning of the year	(0.9)
(10.8)	Depreciation charge on HRA Assets	(11.4)
(0.3)	Other transfers to/(from) HRA	(4.6)
10.8	Reserve applied to fund the HRA capital programme	14.0
<b>(0.9)</b>	<b>Balance at end of year</b>	<b>(2.9)</b>

## Collection Fund Statement

Collection Fund Account for the Year ended 31 March 2023

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.

Collection Fund Total Income for 2021/22 and 2022/23

<b>2021/22 Council Tax £m</b>	<b>2021/22 Business Rates £m</b>	<b>2021/22 Total Collection Fund £m</b>		<b>2022/23 Council Tax £m</b>	<b>2022/23 Business Rates £m</b>	<b>2022/23 Total Collection Fund £m</b>
			<b>Statutory Collections Detail</b>			
(178.8)	(97.1)	<b>(275.9)</b>	Income from Tax Payers	(184.0)	(112.7)	<b>(296.7)</b>
-	(2.5)	<b>(2.5)</b>	Business Rates Supplement	-	(2.8)	<b>(2.8)</b>
(0.5)	(1.3)	<b>(1.8)</b>	Transitional Relief	-	-	-
<b>(179.3)</b>	<b>(100.9)</b>	<b>(280.2)</b>	<b>Total Income</b>	<b>(184.0)</b>	<b>(115.5)</b>	<b>(299.5)</b>

Collection Fund Total Expenditure for 2021/22 and 2022/23

<b>2021/22 Council Tax £m</b>	<b>2021/22 Business Rates £m</b>	<b>2021/22 Total Collection Fund £m</b>		<b>2022/23 Council Tax £m</b>	<b>2022/23 Business Rates £m</b>	<b>2022/23 Total Collection Fund £m</b>
			<b>Collection Fund Total Expenditure Detail</b>			
135.7	39.7	<b>175.4</b>	LB Brent Precepts, Demands and Shares	140.1	33.8	<b>173.9</b>
35.8	43.7	<b>79.5</b>	GLA Precepts, Demands and Shares	39.1	41.5	<b>80.6</b>
-	48.9	<b>48.9</b>	Central Government Precepts, Demands and Shares	-	37.1	<b>37.1</b>
-	2.5	<b>2.5</b>	GLA - Business Rates Supplement	-	2.8	<b>2.8</b>
(11.1)	(18.2)	<b>(29.3)</b>	LB Brent Share of Surplus/(Deficit)	(2.1)	(16.7)	<b>(18.8)</b>
(2.8)	(22.0)	<b>(24.8)</b>	GLA Share of Surplus/(Deficit)	(0.5)	(20.5)	<b>(21.0)</b>
-	(19.7)	<b>(19.7)</b>	Central Government Share of Surplus/(Deficit)	-	(18.3)	<b>(18.3)</b>
6.3	(7.5)	<b>(1.2)</b>	Provisions for uncollectable amounts	(6.4)	(6.5)	<b>(12.9)</b>
9.2	0.0	<b>9.2</b>	Write offs/(Write backs)	-	-	-
-	0.4	<b>0.4</b>	Cost of Collection Allowance	-	0.4	<b>0.4</b>
-	-	-	Transitional Relief	-	0.1	0.1
<b>173.0</b>	<b>67.8</b>	<b>240.9</b>	<b>Total Expenditure</b>	<b>170.2</b>	<b>53.7</b>	<b>223.9</b>

#### Calculation of Collection Fund (Surplus)/Deficit in 2021/22 and 2022/23

2021/22 Council Tax £m	2021/22 Business Rates £m	2021/22 Total Collection Fund £m	Collection Fund Detail	2022/23 Council Tax £m	2022/23 Business Rates £m	2022/23 Total Collection Fund £m
(179.3)	(100.9)	(280.2)	Total Income	(184.0)	(115.5)	(299.5)
173.0	67.8	240.9	Total Expenditure	170.2	53.7	223.9
(6.3)	(33.1)	(39.3)	(Surplus)/Deficit in year	(13.8)	(61.8)	(75.6)

#### Movement on Balances of Collection Fund (Surplus)/Deficit in 2021/22 and 2022/23

2021/22 Council Tax £m	2021/22 Business Rates £m	2021/22 Total Collection Fund £m	Movements on Balances	2022/23 Council Tax £m	2022/23 Business Rates £m	2022/23 Total Collection Fund £m
7.7	94.3	102.0	(Surplus)/Deficit brought forward	1.4	61.2	62.6
(6.3)	(33.1)	(39.3)	(Surplus)/Deficit in year	(13.8)	(61.8)	(75.6)
1.4	61.2	62.7	(Surplus)/Deficit carried forward	(12.4)	(0.6)	(13.0)

#### Allocation of Collection Fund Balance for 2021/22 and 2022/23

2021/22 Council Tax £m	2021/22 Business Rates £m	2021/22 Total Collection Fund £m	Allocation of Collection Fund Balances	2022/23 Council Tax £m	2022/23 Business Rates £m	2022/23 Total Collection Fund £m
1.1	18.4	19.5	LB Brent	(9.5)	(0.2)	(9.7)
0.3	22.6	22.9	GLA	(2.9)	(0.3)	(3.2)
-	20.3	20.3	Central Government	-	(0.1)	(0.1)
1.4	61.2	62.7	Total (Surplus)/Deficit	(12.4)	(0.6)	(13.0)

#### 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 2022/23 the standard Band D charge was £1,815.07 (£1,741.92 in 2021/22).

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:

<b>Band Name</b>	<b>Proportion of Band D Charge</b>	<b>Number of Band D Equivalent properties</b>
Band A	6/9	1,781
Band B	7/9	6,438
Band C	8/9	25,003
Band D	9/9	30,478
Band E	11/9	23,930
Band F	13/9	8,406
Band G	15/9	5,298
Band H	18/9	450

The total number of Band D equivalent properties is then multiplied by a percentage to allow for collection loss (97.0%) to give a tax base for budget setting purposes of 98,730. When multiplied by the Band D charge the total budgeted income is £179.2m, of which £140.1m is attributable to Brent and £39.1m to the GLA.*Note 2 – Non-Domestic Rate*

The total Non-Domestic Rateable Value for 2022/23 was £314.6m (£310.3m in 2021/22). The NDR Small Business Rate Multiplier for 2022/23 was £0.50 (£0.50 in 2021/22).*Note 3 – Collection*

For Council Tax, 93.4% of the debit relating to the 2022/23 financial year had been collected by 31 March 2023. This is up from the 92.3% achieved in 2021/22. For Non Domestic Rates the in-year collection rate increased from 91.3% to 93.0%.

## 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 following group financial statements have been prepared:

- Group Balance Sheet
- Group Movement in Reserves Statement (Group MIRS)
- 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.

### Group Accounting Policies

The group accounts have been prepared using the same accounting policies as the Brent single entity accounts shown in this document. Additional details are included in the Accounting Policies section below.

## Group Statements

### Group Balance Sheet

<b>31-Mar 2022</b>	<b>Group Accounts Detail</b>	<b>31-Mar 2023</b>
<b>£m</b>		<b>£m</b>
2,408.1	Property, Plant & Equipment	2,607.7
0.5	Heritage Assets	0.5
12.8	Investment Property	14.1
19.4	Intangible Assets	23.9
0.3	Long Term Investments	0.4
35.5	Long Term Debtors	36.2
<b>2,476.6</b>	<b>Long Term Assets</b>	<b>2,682.8</b>
0.0	Short Term Investments	0.3
0.0	Assets Held for Sale	2.8
175.9	Short Term Debtors	189.4
142.7	Cash and Cash Equivalents	156.2
<b>318.6</b>	<b>Current Assets</b>	<b>348.7</b>
(123.3)	Short Term Borrowing	(85.7)
(195.4)	Short Term Creditors	(153.4)
(9.6)	Grants Receipt in Advance- Revenue	(1.4)
(2.8)	Provisions	(2.9)
<b>(331.1)</b>	<b>Current Liabilities</b>	<b>(243.4)</b>
(0.0)	Long Term Creditors	0.0
(30.4)	Provisions	(28.8)
(565.2)	Long Term Borrowing	(695.3)
(762.4)	Other Long Term Liabilities	(297.1)
<b>(1,358.0)</b>	<b>Long Term Liabilities</b>	<b>(1,021.2)</b>
<b>1,106.1</b>	<b>Net Assets</b>	<b>1,766.9</b>

### Group Accounts Reserves for 2021/22 and 2022/23

<b>31-Mar 2022</b>	<b>Group Accounts Reserves</b>	<b>31-Mar 2023</b>
<b>£m</b>		<b>£m</b>
(437.7)	Usable Reserves	(467.6)
(668.4)	Unusable Reserves	(1,299.3)
<b>(1,106.1)</b>	<b>Total Reserves</b>	<b>(1,766.9)</b>

## Group Consolidated Income & Expenditure Statement for 2022/23

Income and Expenditure Detail	2022/23 Gross Expenditure £m	2022/23 Gross Income £m	2022/23 Net Expenditure £m
Care, Health and Wellbeing	164.4	(35.5)	<b>128.9</b>
Children & Young People (GF)	104.6	(32.8)	<b>71.8</b>
Children & Young People (DSG)	222.7	(223.5)	<b>(0.8)</b>
Communities and Regeneration	27.7	(14.9)	<b>12.8</b>
Finance and Resources	32.7	(6.7)	<b>26.0</b>
Governance	16.0	(1.3)	<b>14.7</b>
Resident Services (GF)	191.1	(87.0)	<b>104.1</b>
Reesident Services (HRA)	67.8	(70.5)	<b>(2.7)</b>
Central Items	249.1	(296.4)	<b>(47.3)</b>
<b>Cost of Services</b>	<b>1,076.1</b>	<b>(768.6)</b>	<b>307.5</b>
Other operating expenditure	-	-	24.5
Financing and investment income & expenditure	-	-	42.4
Taxation and non-specific grant income	-	-	(409.9)
<b>(Surplus) or Deficit on Provision of Services</b>	-	-	<b>(35.5)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	-	-	(133.2)
Deferred Tax Charge	-	-	0.0
Actuarial (gains)/losses on pension assets and liabilities	-	-	(492.0)
<b>Other Comprehensive Income and Expenditure</b>	-	-	<b>(625.2)</b>
<b>Total Comprehensive Income and Expenditure</b>	-	-	<b>(660.7)</b>

<b>*Restated Income and Expenditure Detail</b>	<b>2021/22 Gross Expenditure £m</b>	<b>2021/22 Gross Income £m</b>	<b>2021/22 Net Expenditure £m</b>
Care, Health and Wellbeing	164.2	(44.3)	<b>119.9</b>
Children & Young People (GF)	91.4	(24.2)	<b>67.2</b>
Children & Young People (DSG)	231.9	(221.7)	<b>10.2</b>
Communities and Regeneration	26.3	(11.8)	<b>14.5</b>
Finance and Resources	47.7	(19.2)	<b>28.5</b>
Governance	16.3	(1.2)	<b>15.1</b>
Resident Services (GF)	179.4	(92.0)	<b>87.4</b>
Reesident Services (HRA)	115.3	(65.8)	<b>49.5</b>
Central Items	234.8	(293.3)	<b>(58.5)</b>
<b>Cost of Services</b>	<b>1,107.3</b>	<b>(773.5)</b>	<b>333.8</b>
Other operating expenditure	-	-	5.3
Financing and investment income & expenditure	-	-	38.7
Taxation and non-specific grant income	-	-	(337.7)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>-</b>	<b>-</b>	<b>40.2</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	-	-	(149.5)
Deferred Tax Charge	-	-	0.7
Actuarial (gains)/losses on pension assets and liabilities	-	-	(172.2)
<b>Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(321.0)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(280.8)</b>

\*The prior year figures have been restated due to a restructure of the Council's directorates in October 2022

## Group Cashflow Statement

<b>2021/22</b> <b>£m</b>	<b>Cash Flow Detail</b>	<b>2022/23</b> <b>£m</b>
(40.2)	Net surplus or (deficit) on the provision of services	35.5
173.2	Adjustments for non-cash movements	72.6
(95.6)	Adjustments for investing and financing activities	(137.0)
<b>37.4</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>	<b>(28.9)</b>
(63.9)	Net cash inflows/(outflow) from Investing activities	(44.2)
22.5	Net cash inflows/(outflow) from Financing activities	86.6
<b>(4.0)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13.5</b>
146.7	Cash and cash equivalents at the beginning of the reporting period	142.7
<b>142.7</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>156.2</b>

# Group Movement In Reserves

Detail	General Fund Balance £m	School Balances £m	Earmarked Reserves General Fund £m	HRA Balance £m	Earmarked Reserves HRA £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m	Council's Share of Reserves of Subsidiaries, Associated and Joint Ventures £m	Total Group Reserves £m
<b>Balance as at 1 April 2022</b>	<b>(15.1)</b>	<b>(17.1)</b>	<b>(193.6)</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>(7.0)</b>	<b>(0.9)</b>	<b>(220.1)</b>	<b>(455.9)</b>	<b>(630.2)</b>	<b>(1,086.1)</b>	<b>(20.1)</b>	<b>(1,106.2)</b>
<b>Movement in reserves during 2022/23</b> (Surplus) or deficit on the provision of services	(44.3)	0.0	0.0	8.6	0.0	0.0	0.0	0.0	(35.7)	0.0	(35.7)	0.2	(35.5)
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(619.2)	(619.2)	(6.0)	(625.2)
<b>Total Comprehensive income &amp; expenditure</b>	<b>(44.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>8.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(35.7)</b>	<b>(619.2)</b>	<b>(654.9)</b>	<b>(5.8)</b>	<b>(660.7)</b>
Adjustments between Group Accounts and Council Accounts	<b>12.8</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>12.8</b>	0.0	12.8	<b>(12.8)</b>	0.0
<b>Net Increase/Decrease before Transfers</b>	<b>(31.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>8.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(22.9)</b>	<b>(619.2)</b>	<b>(642.1)</b>	<b>(18.5)</b>	<b>(660.7)</b>
Adjustments between accounting basis & funding basis under regulations	92.0	0.0	0.0	(7.9)	0.0	(8.4)	(2.0)	(73.2)	0.5	(0.5)	(0.0)	0.0	(0.0)
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>60.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>0.0</b>	<b>(8.4)</b>	<b>(2.0)</b>	<b>(73.2)</b>	<b>(22.4)</b>	<b>(619.7)</b>	<b>(642.1)</b>	<b>(18.5)</b>	<b>(660.7)</b>
Transfers (to)/from earmarked reserves	(50.5)	1.9	49.2	(0.6)	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>(Increase)/decrease in 2022/23</b>	<b>10.0</b>	<b>1.9</b>	<b>49.2</b>	<b>0.1</b>	<b>0.0</b>	<b>(8.4)</b>	<b>(2.0)</b>	<b>(73.2)</b>	<b>(22.4)</b>	<b>(619.7)</b>	<b>(642.1)</b>	<b>(18.5)</b>	<b>(660.7)</b>
<b>Balance as at 31 March 2023</b>	<b>(5.1)</b>	<b>(15.2)</b>	<b>(144.4)</b>	<b>(0.3)</b>	<b>(1.7)</b>	<b>(15.4)</b>	<b>(2.9)</b>	<b>(293.3)</b>	<b>(478.3)</b>	<b>(1,249.9)</b>	<b>(1,728.2)</b>	<b>(38.6)</b>	<b>(1,766.9)</b>

Group Movement in Reserves 2021/22

<b>Detail</b>	General Fund Balance £m	School Balances £m	Earmarked Reserves General Fund £m	HRA Balance £m	Earmarked Reserves HRA £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	<b>Total Usable Reserves £m</b>	Unusable Reserves £m	<b>Total Council Reserves £m</b>	Council's Share of Reserves of Subsidiaries, Associated and Joint Ventures £m	<b>Total Group Reserves £m</b>
<b>Balance as at 1 April 2021</b>	<b>(15.1)</b>	<b>(17.8)</b>	<b>(210.5)</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>(7.0)</b>	<b>(0.6)</b>	<b>(189.2)</b>	<b>(443.3)</b>	<b>(364.6)</b>	<b>(807.9)</b>	<b>(17.3)</b>	<b>(825.3)</b>
<b>Movement in reserves during 2021/22</b> (Surplus) or deficit on the provision of services	(13.1)	0.0	0.0	63.8	0.0	0.0	0.0	0.0	<b>50.7</b>	0.0	<b>50.7</b>	(10.5)	<b>40.2</b>
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	(319.7)	<b>(319.7)</b>	(1.3)	<b>(321.0)</b>
<b>Total comprehensive income &amp; expenditure</b>	<b>(13.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>63.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>50.7</b>	<b>(319.7)</b>	<b>(269.0)</b>	<b>(11.8)</b>	<b>(280.8)</b>
Adjustments between Group Accounts and Council Accounts	(9.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>(9.3)</b>	0.0	<b>(9.3)</b>	9.3	<b>0.0</b>
<b>Net Increase/Decrease before Transfers</b>	<b>(22.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>63.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>41.4</b>	<b>(319.7)</b>	<b>(278.3)</b>	<b>(2.5)</b>	<b>(280.8)</b>
Adjustments between accounting basis & funding basis under regulations	40.0	0.0	0.0	(62.8)	0.0	0.0	(0.3)	(30.9)	<b>(54.0)</b>	54.0	<b>0.0</b>	0.0	<b>0.0</b>
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>17.6</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(30.9)</b>	<b>(12.6)</b>	<b>(265.7)</b>	<b>(278.3)</b>	<b>(2.5)</b>	<b>(280.8)</b>
Transfers (to)/from earmarked reserves	(17.6)	0.8	16.8	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0	<b>0.0</b>	0.0	<b>0.0</b>
<b>(Increase)/decrease in 2021/22</b>	<b>(0.0)</b>	<b>0.8</b>	<b>16.8</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(30.9)</b>	<b>(12.6)</b>	<b>(265.7)</b>	<b>(278.3)</b>	<b>(2.5)</b>	<b>(280.8)</b>
<b>Balance as at 31 March 2022</b>	<b>(15.1)</b>	<b>(17.0)</b>	<b>(193.7)</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>(7.0)</b>	<b>(0.9)</b>	<b>(220.1)</b>	<b>(455.9)</b>	<b>(630.3)</b>	<b>(1,086.2)</b>	<b>(19.9)</b>	<b>(1,106.1)</b>

## 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.

### 2022/23 main adjustments

Adjustment Detail	Consolidated accounts £m	Brent Council £m	I4B £m	FwH £m	Barham Park £m	LGA £m	Adjustments £m
Property, Plant & Equipment	2,607.7	2,368.2	54.3	40.3	0.9	0.0	144.0
Investment Property	14.1	0.0	146.2	14.1	0.0	0.0	(146.2)
Long Term Investments	0.4	103.8	0.0	0.0	0.0	0.0	(103.4)
Long Term Debtors	36.2	188.3	0.0	0.0	0.0	0.0	(152.1)
Short Term Debtors	189.4	205.9	6.9	2.9	0.7	0.1	(27.1)
Short Term Investments	0.3	0.2	26.8	0.0	0.0	0.0	(26.7)
Cash and Cash Equivalents	156.2	134.5	7.4	11.0	0.0	0.2	3.1
Short Term Creditors	(153.4)	(177.7)	(17.9)	(8.4)	0.0	(0.3)	50.9
Long Term Creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Borrowing	(695.3)	(695.3)	(182.1)	(34.3)	0.0	0.0	216.4
Usable Reserves	(467.6)	(491.1)	(16.3)	0.0	(1.6)	0.0	41.4
Unusable Reserves	(1,299.3)	(1,250.0)	(24.2)	(25.1)	0.0	0.0	0.0
Resident Services (HRA)	(2.7)	5.4	(8.8)	(1.5)	0.0	0.0	2.2
Financing and investment income & expenditure	42.4	33.1	4.9	0.7	0.0	0.0	3.7
Taxation and non-specific grant income	(409.9)	(409.9)	0.0	0.0	0.0	0.0	0.0
(Surplus) or Deficit on Provision of Services	(35.5)	(35.7)	(3.9)	(0.9)	(0.1)	0.0	5.1
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(133.2)	(127.2)	(2.3)	(1.5)	0.0	0.0	(2.2)
Other Comprehensive Income and Expenditure	(625.2)	(619.2)	(2.3)	(1.5)	0.0	0.0	(2.2)

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 £146.2m transfer from Investment Properties to Property Plant and Equipment (PPE).

Removal of intra-group transaction relating to loans within the group, the main adjustments are £103.4m reduction in Long Term Investments and a £152.1m reduction in Long Term Debtors, combined with a £216.4m reduction in Long Term Borrowing and £41.4m reduction in Usable Reserves. Current Debtors have been reduced by £27.1m and Current Creditors have been reduced by £50.9m. These principally relate to:

- rents and housing benefit owed by the council to its subsidiaries,
- the remainder of the intra-company loan balances,
- monies owed by the subsidiaries to the council for services provided by the council,
- and amounts relating to money held by the council on behalf of Barham Park.

## 2021/22 main adjustments

Adjustment Detail	Consolidated accounts £m	Brent Council £m	I4B £m	I4B Opening Balance £m	FwH £m	Barham Park £m	LGA £m	Adjustments £m
Property, Plant & Equipment	2,408.1	2,186.9	54.2	(2.3)	43.0	0.9	0.0	125.4
Investment Property	12.8	0.0	130.9	(3.4)	12.8	0.0	0.0	(127.5)
Long Term Investments	0.3	91.8	0.0	0.0	0.0	0.0	0.0	(91.5)
Long Term Debtors	35.5	156.2	0.0	0.0	0.0	0.0	0.0	(120.7)
Short Term Debtors	175.9	182.7	4.2	(0.1)	3.0	0.6	0.4	(14.9)
Short Term Investments	0.0	0.3	0.0	0.0	0.0	0.0	0.0	(0.3)
Cash and Cash Equivalents	142.7	136.4	2.1	0.0	4.2	0.0	0.0	0.0
Short Term Creditors	(195.4)	(195.5)	(10.1)	1.5	(5.2)	0.0	(0.4)	14.3
Long Term Creditors	(30.3)	(30.3)	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Borrowing	(565.2)	(565.2)	(142.1)	0.0	(34.7)	0.0	0.0	176.8
Usable Reserves	(437.7)	(456.0)	(19.0)	0.7	(0.4)	(1.5)	0.0	38.5
Unusable Reserves	(668.4)	(630.3)	(19.4)	3.5	(22.2)	0.0	0.0	0.0
Community Wellbeing (HRA)	49.6	59.3	(5.9)	2.3	(4.7)	0.0	0.0	(1.4)
Central Items	(62.4)	(66.0)	0.0	0.0	0.0	0.0	0.0	3.6
Financing and investment income & expenditure	38.8	33.7	4.0	0.0	1.1	0.0	0.0	0.0
Taxation and non-specific grant income	(337.7)	(337.7)	0.0	0.0	0.0	0.0	0.0	0.0
(Surplus) or Deficit on Provision of Services	(40.2)	(41.4)	(1.9)	2.3	(3.6)	(0.1)	0.0	4.5
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(149.5)	(147.5)	(2.1)	0.0	0.1	0.0	0.0	0.0
Deferred Tax Charge	0.7	0.0	0.0	0.0	0.7	0.0	0.0	0.0
Other Comprehensive Income and Expenditure	(321.0)	(319.7)	1.0	0.0	(2.3)	0.0	0.0	0.0

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 £127.5m transfer from Investment Properties to Property Plant and Equipment (PPE).

Removal of intra-group transaction relating to loans within the group, the main adjustments are £91.5m reduction in Long Term Investments and a £120.7m reduction in Long Term Debtors, combined with a £176.8m reduction in Long Term Borrowing and £38.5m reduction in Usable Reserves. Current Debtors have been reduced by £14.9m and Current Creditors have been reduced by £14.3m. These principally relate to:

- rents and housing benefit owed by the council to its subsidiaries,
- the remainder of the intra-company loan balances,
- monies owed by the subsidiaries to the council for services provided by the council,
- and amounts relating to money held by the council on behalf of Barham Park.

#### **I4B Opening Balance Adjustment**

As a result of the audit of the 2020-21 I4B accounts, the following adjustments were made and have been included in the group accounts for 2021-22:

- investment properties were reduced by £3.4m due to a double count of construction costs,
- Plant Property and Equipment was reduced by £2.3 due to a valuation adjustment,
- debtors were reduced by £0.1m due to a reduction in deferred tax asset,
- creditors were increased by £0.1m due to a reduction in corporation tax,
- deferred tax was reduced by £1.6m to an adjusted capital gains tax calculation on Stamp Duty Land Tax.
- These changes meant that retained earnings were reduced by £0.7m and the Revaluation Reserve was reduced by £3.5m.

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

Movements in Consolidated Plant, Property and Equipment for 2022/23

<b>Movements in 2022/23</b>	<b>Council Dwellings £m</b>	<b>Land &amp; Buildings £m</b>	<b>VPF&amp;E £m</b>	<b>Surplus Assets £m</b>	<b>Asset under Construction £m</b>	<b>Total £m</b>	<b>**PFI Assets £m</b>
<b>Cost or Valuation At 1 April 2022</b>	<b>808.1</b>	<b>1,257.3</b>	<b>57.6</b>	<b>11.1</b>	<b>103.2</b>	<b>2,237.3</b>	<b>93.2</b>
Additions	19.8	24.2	1.1	13.6	72.2	<b>130.9</b>	1.0
Depreciation written out	(10.7)	(11.8)	0.0	0.0	0.0	<b>(22.5)</b>	(1.1)
Revaluation increases (decreases) in the Revaluation Reserve	36.3	100.7	0.0	0.0	0.0	<b>136.9</b>	10.3
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(14.5)	8.7	0.0	(0.1)	0.0	<b>(5.9)</b>	0.0
Derecognition - Disposals	(2.9)	(22.4)	0.0	(10.2)	(5.7)	<b>(41.2)</b>	0.0
Reclassifications (to/from Assets Held for Sale)	(2.8)	0.0	0.0	0.0	0.0	<b>(2.8)</b>	0.0
Other movements in Cost or Valuations	6.3	0.0	0.0	0.0	(6.3)	<b>0.0</b>	0.0
<b>At 31 March 2023</b>	<b>839.6</b>	<b>1,356.7</b>	<b>58.7</b>	<b>14.4</b>	<b>163.4</b>	<b>2,432.8</b>	<b>103.4</b>
<b>Depreciation and Impairments At 1 April 2022</b>	<b>(11.2)</b>	<b>(17.7)</b>	<b>(42.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>(71.6)</b>	<b>(8.5)</b>
Charge for 2022/23	(11.1)	(16.5)	(2.9)	0.0	0.0	(30.5)	(1.3)
Depreciation written out	10.7	14.3	0.0	0.0	0.0	25.0	1.1
Impairment losses (reversals) recognised in the Revaluation Reserve	(0.1)	(1.5)	0.0	0.0	0.0	(1.6)	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(0.1)	(2.2)	0.0	0.0	(1.3)	(3.6)	0.0
Derecognition - Disposals	0.0	4.2	0.0	0.0	0.0	4.2	0.0
Reclassifications (to/from Assets Held for Sale)	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
<b>At 31 March 2023</b>	<b>(11.8)</b>	<b>(19.4)</b>	<b>(45.6)</b>	<b>0.0</b>	<b>(1.3)</b>	<b>(78.1)</b>	<b>(8.7)</b>
<b>Balance Sheet NBV at 31 March 2023</b>	<b>827.8</b>	<b>1,337.3</b>	<b>13.1</b>	<b>14.4</b>	<b>162.1</b>	<b>2,354.7</b>	<b>94.8</b>
<b>Balance Sheet NBV at 1 April 2022</b>	<b>796.9</b>	<b>1,239.6</b>	<b>14.9</b>	<b>11.1</b>	<b>103.2</b>	<b>2,165.7</b>	<b>84.7</b>

<b>Movements in 2021/22</b>	<b>Council Dwellings £m</b>	<b>Land &amp; Buildings £m</b>	<b>VPF&amp;E £m</b>	<b>Surplus Assets £m</b>	<b>Asset under Construction £m</b>	<b>Total £m</b>	<b>**PFI Assets £m</b>
<b>Cost or Valuation At 1 April 2021</b>	<b>669.7</b>	<b>1,168.7</b>	<b>56.5</b>	<b>10.2</b>	<b>148.2</b>	<b>2,053.3</b>	<b>74.0</b>
Additions	26.9	32.9	0.9	0.9	69.4	<b>131.0</b>	0.9
Depreciation written out	(7.7)	(13.7)	0.0	0.0	0.0	<b>(21.4)</b>	(1.0)
Revaluation increases (decreases) in the Revaluation Reserve	103.9	45.1	0.0	0.0	0.0	<b>149.0</b>	16.1
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(65.0)	(0.8)	0.0	0.0	0.0	<b>(65.8)</b>	0.0
Derecognition - Disposals	(2.6)	(6.2)	0.0	0.0	(0.1)	<b>(8.9)</b>	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other movements in Cost or Valuations	82.9	31.4	0.0	0.0	(114.3)	<b>0.0</b>	0.0
<b>At 31 March 2022</b>	<b>808.1</b>	<b>1,257.4</b>	<b>57.6</b>	<b>11.1</b>	<b>103.2</b>	<b>2,237.2</b>	<b>93.2</b>
<b>Depreciation and Impairments At 1 April 2021</b>	<b>(8.1)</b>	<b>(17.4)</b>	<b>(39.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>(65.0)</b>	<b>(8.1)</b>
Charge for 2021/22	(10.6)	(14.7)	(2.9)	0.0	0.0	<b>(28.2)</b>	(1.4)
Depreciation written out	7.7	14.1	0.0	0.0	0.0	<b>21.8</b>	1.0
Impairment losses (reversals) recognised in the Revaluation Reserve	(0.2)	0.0	0.0	0.0	0.0	<b>(0.2)</b>	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	<b>(0.1)</b>	0.0
Derecognition - Disposals	0.0	0.1	0.0	0.0	0.0	<b>0.1</b>	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other Movements in Depreciation & Impairments	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
<b>At 31 March 2022</b>	<b>(11.3)</b>	<b>(17.9)</b>	<b>(42.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>(71.6)</b>	<b>(8.5)</b>
<b>Balance Sheet NBV at 31 March 2022</b>	<b>796.9</b>	<b>1,239.5</b>	<b>14.9</b>	<b>11.1</b>	<b>103.2</b>	<b>2,165.6</b>	<b>84.7</b>
<b>Balance Sheet NBV at 1 April 2021</b>	<b>661.7</b>	<b>1,151.2</b>	<b>16.8</b>	<b>10.4</b>	<b>148.0</b>	<b>1,988.1</b>	<b>69.1</b>

## Infrastructure Assets

	2022/23 £m	2021/22 £m
<b>Infrastructure Assets</b>		
<b>Net Book Value at 1 April</b>	<b>242.5</b>	<b>227.9</b>
Additions	19.2	21.2
Derecognition	0	0.0
Depreciation	(8.7)	(6.6)
Impairment	0	0.0
Other movements in cost	0	0.0
<b>Net Book Value at 1 April</b>	<b>253.0</b>	<b>242.5</b>

## Note 2 to the Group Accounts: Investment Property

Movements in Investment Property for 2022/23 and 2021/22

	2022/23 £m	2021/22 £m
<b>Movements</b>		
<b>Cost or Valuation At 1 April</b>	<b>12.9</b>	<b>12.6</b>
Additions	0.0	0.0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1.3	0.2
<b>At 31 March</b>	<b>14.2</b>	<b>12.8</b>

## Note 3 to the Group Accounts: Detailed Cashflow

2021/22 £m	Cash Flow Detail	2022/23 £m
(40.2)	Net surplus or (deficit) on the provision of services	35.5
35.6	Depreciation	39.8
64.0	Impairment and downward valuations	3.5
2.2	Amortisation	3.0
14.1	Increase/(decrease) in creditors	(53.9)
25.1	(Increase)/decrease in debtors	13.0
31.2	Movement in pension liability	32.1
8.8	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	32.8
(7.8)	Other non-cash items charged to the net surplus or deficit on the provision of services	0.5
0.0	Current tax	1.8
(7.8)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11.3)
(0.4)	Tax paid	(0.7)
(87.4)	Any other items for which the cash effects are investing or financing cash flows	(125.0)
<b>37.4</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>	<b>(28.9)</b>

<b>2021/22 £m</b>	<b>Cash Flow Detail</b>	<b>2022/23 £m</b>
(159.9)	Purchase of property, plant and equipment, investment property and intangible assets	(157.8)
0.0	Purchase of short-term and long-term investments	(26.8)
7.7	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14.9
0.6	Proceeds of sale of short and long term investments	0.5
87.7	Other receipts from investing activities	125.0
<b>(63.9)</b>	<b>Net cash inflows/(outflows) from Investing Activities</b>	<b>(44.2)</b>
147.4	Cash receipts of short and long term borrowing	210.4
(2.6)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(2.9)
(122.3)	Repayments of short and long term borrowing	(120.9)
<b>22.5</b>	<b>Net cash inflows/(outflows) from Financing Activities</b>	<b>86.6</b>
4.0	<b>Net increase/(decrease) in cash and cash equivalents</b>	13.5
146.7	Cash and cash equivalents at the beginning of the reporting period	142.7
<b>142.7</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>156.2</b>

#### **Note 4 to the Group Accounts: Audit fees**

Consolidated audit fees for Group Accounts for 2022/23 and 2021/22

<b>Audit Fee Detail</b>	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
External audit services for in-year	347.0	301.5
Fees for other services provided by external auditor for year (grants)	30.5	30.5
<b>Total</b>	<b>377.5</b>	<b>332.0</b>

**Note 5 to the Group Accounts: Short Term Debtors**

<b>Short Term Debtors</b>	<b>31-Mar-2023</b>	<b>31-Mar-2022</b>
	<b>£m</b>	<b>£m</b>
Trade receivables Outstanding	127.6	92.0
Less impairments	(26.4)	(26.4)
<b>Net Trade receivables</b>	<b>102.4</b>	<b>65.6</b>
<b>Prepayments</b>	<b>5.2</b>	<b>4.1</b>
Local Taxation receivables Outstanding	58.2	55.0
Less impairments	(25.4)	(32.3)
<b>Net Local Taxation receivables</b>	<b>32.8</b>	<b>22.7</b>
Other receivables amounts Outstanding	90.2	119.3
Less impairments	(41.2)	(35.8)
<b>Net Other receivable amounts</b>	<b>49.0</b>	<b>83.5</b>
<b>Total</b>	<b>189.4</b>	<b>175.9</b>

## 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 Corporate Director for Finance and Resources;
- 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 Corporate Director for Finance and Resources**

The Corporate Director for Finance and Resources 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 2022.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- 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 2023 and of its income and expenditure for the year then ended.

Minesh Patel

Corporate Director for Finance and Resources

## Additional Reconciliations

Nature of Income and Expenditure for 2021/22 and 2022/23:

<b>2021/22 £m</b>	<b>Income and Expenditure Detail</b>	<b>2022/23 £m</b>
102.4	Depreciation & Impairment Losses	50.3
315.3	Employee Expenses	330.4
80.6	Premises Related Expenditure	69.3
135.6	Supplies and Services	154.9
300.9	Third Party Payments	215.6
147.7	Transfer Payments	236.2
25.4	Transport Related Expenditure	15.3
<b>1,107.9</b>	<b>Total Gross Expenditure</b>	<b>1,072.0</b>
(177.0)	Customer and Client Receipts	(152.8)
(550.3)	Government Grants	(567.4)
(40.5)	Other Grants, Reimbursements & Contributions	(36.1)
<b>(767.8)</b>	<b>Total Gross Income</b>	<b>(756.3)</b>
<b>340.1</b>	<b>Net Cost of Services</b>	<b>315.7</b>
33.7	Financing and Investment Income & Expenditure	33.1
5.3	Other Operating Expenditure	25.4
(337.7)	Taxation & non-specific grant income	(409.9)
<b>(298.7)</b>	<b>Total Other Income &amp; Expenditure</b>	<b>(351.4)</b>
<b>41.4</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(35.7)</b>

## Brent Pension Fund Account

Pension Fund Accounts as at 31 March 2023

2021/22 £m	Dealings with members, employers and others directly involved in the fund	Notes	2022/23 £m
(64.1)	Contributions	7	(67.5)
(6.8)	Transfers in from other pension funds	8	(6.3)
<b>(70.9)</b>	<b>Total Additions</b>	-	<b>(73.8)</b>
46.8	Benefits	9	47.8
5.9	Payments to and on account of leavers	10	7.8
<b>52.7</b>	<b>Total Withdrawals</b>	-	<b>55.6</b>
<b>(18.2)</b>	<b>Net (additions)/withdrawals from dealings with members</b>	-	<b>(18.2)</b>
4.3	Management expenses	11	4.1
<b>(13.9)</b>	<b>Net (additions)/withdrawals including management expenses</b>	-	<b>(14.1)</b>
-	<b>Returns on investments</b>	-	-
(1.1)	Investment income	12	(1.1)
0.0	Taxes on income	13	2.9
(88.1)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	25.8
<b>(89.2)</b>	<b>Net return on investments</b>	-	<b>27.6</b>
<b>(103.1)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>	-	<b>13.5</b>
<b>(1,030.7)</b>	<b>Opening net assets of the scheme</b>	-	<b>(1,133.8)</b>
<b>(1,133.8)</b>	<b>Closing net assets of the scheme</b>	-	<b>(1,120.3)</b>

Net Assets Statement for the Pension Fund as at 31 March 2023

<b>31 March 2022</b> <b>£m</b>	<b>Net Assets Statement</b>	<b>Notes</b>	<b>31 March 2023</b> <b>£m</b>
1,127.7	Investment assets	14	1,116.1
8.6	Current assets	20	8.1
(2.5)	Current liabilities	21	(3.9)
<b>1,133.8</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>	<b>-</b>	<b>1,120.3</b>

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2023 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 42 employer organisations with active members within the Brent Pension Fund at 31 March 2023, 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  
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  
Roundwood School and Community Centre  
St Andrews and St Francis School  
St Claudine's Catholic School for Girls  
St Gregory's RC High School  
St Margaret Clitherow  
Sudbury Primary School  
The Village School  
Wembley High Technology College  
Woodfield School Academy

**Admitted bodies**

Barnardo's  
CATERLINK LTD  
Conway Aecom Ltd  
DB Services

FM Conway

Local Employment Access Project (LEAP)

National Autistic Society (NAS)

Prospects Services (BR)

Sudbury Neighbourhood Centre

Taylor Shaw

Veolia

Veolia (Ground Maintenance)

Employers with Active Members of Brent Pension Fund in 2021/22 and 2022/23

<b>31 March 2022</b>	<b>Brent Pension Fund</b>	<b>31 March 2023</b>
44	Number of employers with active members	42

Number of Employees in Brent Pension Fund Scheme in 2021/22 and 2022/23

<b>31 March 2022</b>	<b>Type of Employees in Scheme</b>	<b>31 March 2023</b>
4,399	Brent Council	4,303
1,640	Other employers	1,758
<b>6,039</b>	<b>Total</b>	<b>6,061</b>

Number of Pensioners in Brent Pension Fund Scheme in 2021/22 and 2022/23

<b>31 March 2022</b>	<b>Type of Pensioners</b>	<b>31 March 2023</b>
6,210	Brent Council	6,341
757	Other employers	819
<b>6,967</b>	<b>Total</b>	<b>7,160</b>

Number of Deferred Pensioners in Brent Pension Fund Scheme in 2021/22 and 2022/23

<b>31 March 2022</b>	<b>Type of Deferred Pensioners</b>	<b>31 March 2023</b>
7,188	Brent Council	7,218
1,280	Other employers	1,326
<b>8,468</b>	<b>Total</b>	<b>8,544</b>

### **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 2023. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. During 2022/23, 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](http://www.lgpsmember.org)

## **2. Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 18-19 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 o 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 the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 25.

j) **Foreign currency transactions**

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

k) **Derivatives**

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

l) **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits.

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

m) **Financial liabilities**

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

n) **Actuarial present value of promised retirement benefits**

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

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

**o) Additional voluntary contributions**

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

AVCs are not included in the accounts in accordance with Section 4(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 / private debt 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; infrastructure and private debt investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities; infrastructure and private debt investments at 31 March 2023 was £116m (£101m at 31 March 2022).

**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 2023 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
<b>Actuarial present value of promised retirement benefits (Note 19)</b>	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 0.1% p/a decrease in the discount rate assumption would result in an increase in the pension liability of approximately £24m. A 0.1% increase in Pension Increase Rate (CPI) would increase the value of liabilities by approximately £23m, and a one-year increase in assumed life expectancy would increase the liability by around 4% (c. £55m).
<b>Private equity / infrastructure / private debt</b>	Private equity/infrastructure/private debt investments are valued based on the latest available information, updated for movements in cash where relevant. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure/private debt investments in the financial statements are £116m. There is a risk that this investment may be under- or overstated in the accounts.

## 6. Events after the Reporting Date

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

### Contributions receivable by category for 2021/22 and 2022/23

Type of Contribution	2021/22 £m	2022/23 £m
Employees' contributions	9.7	10.6

Type of Contribution	2021/22 £m	2022/23 £m
Employers' contributions:	-	-
Normal contributions	49.9	55.0
Deficit recovery contributions	1.7	0.0
Augmentation contributions	2.8	1.9
Total employers' contributions	54.4	56.9
<b>Total</b>	<b>64.1</b>	<b>67.5</b>

Contributions receivable by authority for 2021/22 and 2022/23

Type of Authority	2021/22 £m	2022/23 £m
Administering Authority	50.8	54.3
Scheduled bodies	11.9	12.7
Admitted bodies	1.4	0.5
<b>Total</b>	<b>64.1</b>	<b>67.5</b>

## 8. Transfers in from other pension funds

Transfers from Other Pension Funds	2021/22 £m	2022/23 £m
Individual transfers	6.8	6.3
<b>Total</b>	<b>6.8</b>	<b>6.3</b>

## 9. Benefits payable

Benefits payable by category for 2021/22 and 2022/23

Type of Benefit	2021/22 £m	2022/23 £m
Pensions	39.6	41.4
Commutation and lump sum retirement benefits	6.1	6.1
Lump sum death benefits	1.1	0.3
<b>Total</b>	<b>46.8</b>	<b>47.8</b>

Benefits payable by authority category for 2021/22 and 2022/23

Type of Authority	2021/22 £m	2022/23 £m
Administering Authority and Scheduled bodies	46.5	47.5
Admitted bodies	0.3	0.3
<b>Total</b>	<b>46.8</b>	<b>47.8</b>

## 10. Payments to and on account of leavers

Type of Transfer	2021/22 £m	2022/23 £m
Refunds to members leaving service	0.2	0.2
Group transfers	0.0	0.0
Individual transfers	5.7	7.6
<b>Total</b>	<b>5.9</b>	<b>7.8</b>

## 11. Management Expenses

Type of Expense	2021/22 £m	2022/23 £m
Administration costs	1.6	1.4
Investment management expenses	2.5	2.5
Oversight and Governance costs	0.2	0.2
<b>Total</b>	<b>4.3</b>	<b>4.1</b>

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 £38k (£33k 2021/22).

### a) Investment management expenses

Type of Expense	2021/22 £m	2022/23 £m
Management fees	2.4	2.4
Custody fees	0.1	0.1
One-off transaction costs	0.0	0.0
<b>Total</b>	<b>2.5</b>	<b>2.5</b>

### Investment Management Expenses by Fund for 2022/23

Fund Manager	2022/23 Total £m	Management fees £m	Custody fees £m	One-off transaction costs £m
Alinda	0.2	0.2	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.1	0.1	0.0	0.0
LCIV JP Morgan Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.0	0.0	0.0	0.0
LCIV Ruffer	0.7	0.8	0.0	0.0
London LGPS CIV LTD	0.1	0.1	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0

<b>Fund Manager</b>	<b>2022/23 Total £m</b>	<b>Management fees £m</b>	<b>Custody fees £m</b>	<b>One-off transaction costs £m</b>
UBS Triton	0.1	0.1	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
<b>Total</b>	<b>2.5</b>	<b>2.4</b>	<b>0.1</b>	<b>0.0</b>

#### Investment Management Expenses by Fund for 2021/22

<b>Fund Manager</b>	<b>2021/22 Total £m</b>	<b>Management fees £m</b>	<b>Custody fees £m</b>	<b>One-off transaction costs £m</b>
Alinda	0.2	0.2	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.1	0.1	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV JP Morgan Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.1	0.1	0.0	0.0
LCIV Ruffer	0.7	0.7	0.0	0.0
London LGPS CIV LTD	0.0	0.0	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
<b>Total</b>	<b>2.5</b>	<b>2.4</b>	<b>0.1</b>	<b>0.0</b>

## 12. Investment income

<b>Type of Investment Income</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Dividend income private equities/infrastructure	0.4	0.3
Income from private equities/infrastructure	0.7	0.5
Interest on cash deposits	0.0	0.3
<b>Total</b>	<b>1.1</b>	<b>1.1</b>

## 13. Taxes on income

	2021/22	2022/23
	£m	£m
Taxes on income		
Withholding tax	0.0	2.9
<b>Total</b>	<b>0.0</b>	<b>2.9</b>

#### 14. Investments

Investment assets	Market value 31 March 2022 £m	Market value 31 March 2023 £m
Pooled investments	986.6	947.9
Pooled property investments	15.7	25.0
Private equity/infrastructure	101.3	115.7
<b>Total investments</b>	<b>1,103.6</b>	<b>1,088.6</b>

#### 14a. Investments 22/23

Type of Investment	Market value 1 April 2022 £m	Purchases during the year £m	Sales during the year £m	Change in market value during the year £m	Market value 31 March 2023 £m
Pooled investments	986.6	13.0	(13.0)	(38.7)	947.9
Pooled property investments	15.7	0.0	0.0	9.3	25.0
Private equity/infrastructure	101.3	26.2	(15.4)	3.6	115.7
<b>Total</b>	<b>1,103.6</b>	<b>39.2</b>	<b>(28.4)</b>	<b>(25.8)</b>	<b>1,088.6</b>
Other investment balances: Cash Deposit	24.1	-	-	-	27.5
Investment income due	0.0	-	-	-	0.0
<b>Net investment assets</b>	<b>1,127.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,116.1</b>

#### Investments 21/22

Type of Investment	Market value 1 April 2021 £m	Purchases during the year £m	Sales during the year £m	Change in market value during the year £m	Market value 31 March 2022 £m
Pooled investments	897.4	15.0	(1.7)	75.8	986.6
Pooled property investments	0.0	15.0	0.0	0.7	15.7
Private equity/infrastructure	81.1	37.8	(29.2)	11.6	101.3
<b>Total</b>	<b>978.5</b>	<b>67.8</b>	<b>(30.9)</b>	<b>88.1</b>	<b>1,103.6</b>

Type of Investment	Market value 1 April 2021 £m	Purchases during the year £m	Sales during the year £m	Change in market value during the year £m	Market value 31 March 2022 £m
Other investment balances: Cash Deposit	53.8	-	-	-	24.1
Investment income due	0.0	-	-	-	0.0
<b>Net investment assets</b>	<b>1,032.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,127.7</b>

#### 14b. Analysis of investments by category

Pooled funds - additional analysis	31 March 2022 £m	31 March 2023 £m
<b>UK</b>	-	
Fixed income unit trust	43.7	41.9
Unit trusts	145.1	124.2
Diversified growth funds	232.5	222.3
<b>Overseas</b>	-	
Unit trusts	565.3	559.5
<b>Total Pooled funds</b>	<b>986.6</b>	<b>947.9</b>
Pooled property investments	15.7	25.0
Private equity/infrastructure	101.3	115.7
<b>Total investments</b>	<b>1,103.6</b>	<b>1,088.6</b>

#### 14c. Investments analysed by fund manager

Market Value at 31 March 2022 £m	Percentage of Total Fund %	Fund Manager	Market Value at 31 March 2023 £m	Percentage of Total Fund %
573.9	52.0%	Legal & General	557.9	51.2%
0.2	0.0%	London CIV	0.2	0.0%
43.8	4.0%	JP Morgan	43.3	4.0%
36.2	3.3%	Capital Dynamics	27.0	2.5%
135.1	12.3%	LCIV - Baillie Gifford	123.7	11.4%
97.4	8.8%	LCIV - Ruffer	98.6	9.1%
43.7	4.0%	LCIV- MAC (CQS)	41.9	3.8%
21.4	1.9%	LCIV - Infrastructure	36.8	3.4%
20.3	1.8%	LCIV – Private Debt	34.8	3.2%
23.4	2.1%	Alinda	17.1	1.6%
15.7	1.4%	Fidelity UK Real Estate	13.7	1.3%
15.4	1.4%	Blackrock Low Carbon Global Equity	28.1	2.6%
77.1	7.0%	Blackrock	54.2	5.0%

Market Value at 31 March 2022 £m	Percentage of Total Fund %	Fund Manager	Market Value at 31 March 2023 £m	Percentage of Total Fund %
0.0	0.0%	UBS Triton Property Fund	11.3	1.0%
<b>1,103.6</b>	<b>100.0%</b>	<b>Total</b>	<b>1,088.6</b>	<b>100.0%</b>

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 2022	% of total fund	Market value 31 March 2023	% of total fund
L&G - Global Equities	506.1	49.0%	488.1	43.3%
L&G - UK Equities	67.8	6.6%	69.8	6.2%
Blackrock - Over 15 year Gilts	77.1	7.5%	54.2	4.8%
LCIV - Baillie Gifford DGF	135.1	13.1%	123.7	11.0%
LCIV - Ruffer DGF	97.4	9.4%	98.6	8.7%

#### 14d. Stock lending

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

#### 15. Fair Value – Basis of Valuation

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
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
<b>Pooled investments – overseas unit trusts and</b>	Level 2	Closing bid price where bid and offer prices are published. Closing single price where	NAV-based pricing set on a forward pricing basis	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
property funds		single price published		
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

### 15a. 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 2023.

Investment	Assessed valuation range (+/-)	Value at 31 March 2023 £m	Value on increase £m	Value of decrease £m
Private equity	31.2%	24.4	32.0	16.8
Infrastructure	16.0%	56.5	65.5	47.5
Private debt	9.6%	34.8	38.1	31.5

### 15b. Fair value hierarchy

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

#### Level 1

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

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

#### Level 2

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

### Level 3

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

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

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

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

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

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

#### Financial Assets and Liabilities of the Pension Fund for 2021/22

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Values at 31 March 2023</b>				
<b>Financial assets</b>	-	-	-	-
Pooled investments		947.9		<b>947.9</b>
Pooled property investments		25.0		<b>25.0</b>
Private Equity/Infrastructure/Private Debt			115.7	<b>115.7</b>
Subtotal Financial assets at fair value through profit and loss	<b>0.0</b>	<b>972.9</b>	<b>115.7</b>	<b>1,088.6</b>
Cash	27.5			<b>27.5</b>
Investment Income due	0.0			<b>0.0</b>
Subtotal loans and receivables	<b>27.5</b>	<b>0.0</b>	<b>0.0</b>	<b>27.5</b>

Values at 31 March 2023	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Total Financial Assets</b>	27.5	972.9	115.7	1,116.1
<b>Financial liabilities</b>				
Current liabilities	(3.9)			(3.9)
Subtotal Financial liabilities at amortised cost	(3.9)	0.0	0.0	(3.9)
<b>Total Financial liabilities</b>	(3.9)	0.0	0.0	(3.9)
<b>Net Financial assets</b>	23.6	972.9	115.7	1,112.2

#### Financial Assets and Liabilities of the Pension Fund for 2021/22

Values at 31 March 2022	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Financial assets</b>	-	-	-	-
Pooled investments	0.0	986.6	0.0	986.6
Pooled property investments	0.0	15.7	0.0	15.7
Private Equity/Infrastructure/Private Debt	0.0	0.0	101.3	101.3
Subtotal Financial assets at fair value through profit and loss	0.0	1,002.3	101.3	1,103.6
Cash	24.1	0.0	0.0	24.1
Investment Income due	0.0	0.0	0.0	0.0
Subtotal loans and receivables	24.1	0.0	0.0	24.1
<b>Total Financial Assets</b>	<b>24.1</b>	<b>1,002.3</b>	<b>101.3</b>	<b>1,127.7</b>
<b>Financial liabilities</b>	-	-	-	-
Current liabilities	(2.5)	0.0	0.0	(2.5)
Subtotal Financial liabilities at amortised cost	(2.5)	0.0	0.0	(2.5)
<b>Total Financial liabilities</b>	<b>(2.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.5)</b>
<b>Net Financial assets</b>	<b>21.6</b>	<b>1,002.3</b>	<b>101.3</b>	<b>1,125.2</b>

## 15c. Transfers between Level 1 and 2

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

## 15d. Reconciliation of Fair Value Measurements within Level 3

Movements	£m
<b>Value at 31 March 2022</b>	101.3
Transfers into Level 3	0.0
Transfers out of Level 3	0.0
Purchases	26.2
Sales	(15.4)
Issues	0.0
Settlements	0.0
Unrealised gains/losses	16.8
Realised gains/losses	(13.2)
<b>Value at 31 March 2023</b>	115.7

## 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 2022 Fair value through profit and loss £m	31 March 2022 Loans and receivables £m	31 March 2022 Financial liabilities at amortised cost £m	Classification	31 March 2023 Fair value through profit and loss £m	31 March 2023 Loans and receivables £m	31 March 2023 Financial liabilities at amortised cost £m
-	-	-	<b>Financial assets</b>	-	-	-
986.6	-	-	Pooled investments	947.9	-	-
15.7	-	-	Pooled property investments	25.0	-	-
101.3	-	-	Private equity/infrastructure	115.7	-	-
-	24.1	-	Cash	-	27.5	-
-	8.6	-	Debtors	-	8.1	-
<b>1,103.6</b>	<b>32.7</b>	-	<b>Total Financial assets</b>	<b>1,088.6</b>	<b>35.6</b>	<b>0.0</b>
-	-	-	<b>Financial liabilities</b>	-	-	-
-	-	(2.5)	Creditors	-	-	(3.9)
-	-	(2.5)	Total Financial liabilities	<b>0.0</b>	<b>0.0</b>	<b>(3.9)</b>
<b>1,103.6</b>	<b>32.7</b>	<b>(2.5)</b>	<b>Net Financial assets</b>	<b>1,088.6</b>	<b>35.6</b>	<b>(3.9)</b>

## 16a. Net gains and losses on financial instruments

31 March 2022 £'000	Financial Assets Detail	31 March 2023 £'000
88.1	Fair value through profit and loss	(25.8)
88.1	<b>Total</b>	<b>(25.8)</b>

## 16b. 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 2022 Carrying Value £m	31 March 2022 Fair Value £m	Financial Assets Detail	31 March 2023 Carrying Value £m	31 March 2023 Fair Value £m
-	-	<b>Financial assets</b>		
1,103.6	1,103.6	Fair value through profit and loss	1,088.6	1,088.6
32.7	32.7	Loans and receivables	35.6	35.6
<b>1,136.3</b>	<b>1,136.3</b>	<b>Total financial assets</b>	<b>1,124.2</b>	<b>1,124.2</b>
-	-	<b>Financial liabilities</b>		
(2.5)	(2.5)	Financial liabilities at amortised cost	(3.9)	(3.9)
<b>(2.5)</b>	<b>(2.5)</b>	<b>Total financial liabilities</b>	<b>(3.9)</b>	<b>(3.9)</b>

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 2022/23 reporting period. (Based on data as at 31 March 2023 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

#### **Other price risk – sensitivity analysis for 2022/23**

<b>Asset Type</b>	<b>31/03/2023 Value (£m)</b>	<b>Potential market movements (+/-)</b>
Bonds	54.2	7.6%
Equities	629.5	19.3%
Other Pooled investments	264.2	10.7%
Pooled Property investments	25.0	15.5%
Private Equity	24.4	31.2%
Infrastructure	56.5	16.0%

Asset Type	31/03/2023 Value (£m)	Potential market movements (+/-)
Private Debt	34.8	9.6%

Had the market price of the fund investments increased/decreased by 1% the change in the net assets available to pay benefits in the market price would have been as follows:

Asset Type	31/03/2023 Value	Potential value on increase	Potential value on decrease
Bonds	54.2	58.3	50.1
Equities	629.5	751.0	508.0
Other Pooled investments	264.2	292.5	235.9
Pooled Property investments	25.0	28.9	21.1
Private Equity	24.4	32.0	16.8
Infrastructure	56.5	65.5	47.5
Private debt	34.8	38.1	31.5
<b>Total</b>	<b>1,088.6</b>	<b>1,266.4</b>	<b>910.8</b>

#### 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 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Financial Asset Type	31 March 2022 £m	31 March 2023 £m
Cash balances	24.1	27.5
UK Fixed income unit trust	43.7	41.9
<b>Total</b>	<b>67.8</b>	<b>69.4</b>

Asset type	Carrying amount as at 31 March 2023 £m	+1% £m	-1% £m
Cash balances	27.5	0.3	(0.3)
UK Fixed income unit trust	41.9	0.4	(0.4)
<b>Total</b>	<b>69.4</b>	<b>0.7</b>	<b>(0.7)</b>

<b>Asset type</b>	<b>Carrying amount as at 31 March 2022 £m</b>	<b>+1% £m</b>	<b>-1% £m</b>
Cash balances	24.1	0.3	(0.3)
UK Fixed income unit trust	43.7	0.4	(0.4)
<b>Total</b>	<b>67.8</b>	<b>0.7</b>	<b>(0.7)</b>

### 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 2023 and as at the previous period end:

<b>Currency risk exposure – asset type</b>	<b>Asset value at 31 March 2022 £m</b>	<b>Asset value at 31 March 2023 £m</b>
Overseas unit trusts	565.3	559.5
Overseas pooled property investments	0.0	0.0
Overseas private equity/infrastructure/private debt	101.3	115.7
<b>Total overseas assets</b>	<b>666.6</b>	<b>675.2</b>

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:

<b>Assets exposed to currency rate risk</b>	<b>Asset value as at 31 March 2023 £m</b>	<b>+1% £m</b>	<b>-1% £m</b>
Overseas unit trusts	559.5	5.6	(5.6)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	115.7	1.2	(1.2)
<b>Total</b>	<b>675.2</b>	<b>6.8</b>	<b>(6.8)</b>

<b>Assets exposed to currency rate risk</b>	<b>Asset value as at 31 March 2022 £m</b>	<b>+1% £m</b>	<b>-1% £m</b>
Overseas unit trusts	565.3	5.7	(5.7)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	101.3	1.0	(1.0)
<b>Total</b>	<b>666.6</b>	<b>6.7</b>	<b>(6.7)</b>

#### **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 2023 was £27.5m (31 March 2022: £24.1m). This was held with the following institutions:

<b>Institutions</b>	<b>Rating</b>	<b>Balances as at 31 March 2022 £m</b>	<b>Balances as at 31 March 2023 £m</b>
<b>Bank deposit accounts</b>			
NatWest	A	0.9	0.8
Northern Trust		0.1	0.1
Money Market deposits	AAA	23.1	26.6
<b>Other short-term lending</b>			
Local authorities		0.0	0.0
<b>Total</b>		<b>24.1</b>	<b>27.5</b>

#### **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 2023 the value of illiquid assets was £140.7m, which represented 12.6% (31 March 2022: £117.0m, which represented 10.4%) 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 2023 are due within one year.

#### Liquidity Risk for 2021/22 and 2022/23

<b>Liquidity Risk</b>	<b>31-Mar-22</b>	<b>% of Total Fund</b>	<b>31-Mar-23</b>	<b>% of Total Fund</b>
Pooled investments	986.6	87.5%	947.9	84.9%
Cash deposits	24.1	2.1%	27.5	2.5%
Investment income due	0	0.0%	0.0	0.0%
<b>Total liquid investments</b>	<b>1,010.7</b>	<b>89.6%</b>	<b>975.4</b>	<b>87.4%</b>
Pooled property investments	15.7	1.4%	25.0	2.2%
Private Equity/Infrastructure/Private Debt	101.3	9.0%	115.7	10.4%
<b>Total illiquid investments</b>	<b>117.0</b>	<b>10.4%</b>	<b>140.7</b>	<b>12.6%</b>
<b>Total investments</b>	<b>1,127.7</b>	<b>100.0%</b>	<b>1,116.1</b>	<b>100.0%</b>

#### 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 2022. The next valuation will take place as at 31 March 2025 and results are scheduled to be released by 31 March 2026.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible

- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years from 1 April 2022 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 2022 actuarial valuation the Fund was assessed as 87% funded, which is an improvement to the 78% valuation at the 2019 valuation. This corresponded to a deficit of £162m (2019 valuation: £248m deficit) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 20 years from April 2022.

Contribution increases or decreases may be phased in over the three-year period beginning 1 April 2023 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2023/24	33.5%
2024/25	32.0%
2025/26	30.5%

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 2022 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 main actuarial assumptions used for the 2022 actuarial valuation were as follows:

Discount rate	4.3% p.a.
Pay increases	3.0% p.a.
Pension increases	2.7% p.a.

### Demographic assumptions

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

Life expectancy at age 65	Male	Female
Current pensioners	22.1 years	24.8 years
Future Pensioners retiring in 20 years	23.4 years	26.3 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.

## 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 IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2023 was £1,380m (31 March 2022: £1,838m). 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	% Increase
Inflation/pensions increase rate	3.00%
Salary increase rate	3.30%
Discount rate	4.75%

### Longevity assumption

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

Type of Pensioner	Males	Females
Current pensioners	22.0 years	24.7 years
Future pensioners*	23.0 years	25.9 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.

### Sensitivity Analysis

<b>Sensitivity to the assumptions for the year ended 31 March 2022</b>	<b>Approximate % increase to liabilities</b>	<b>Approximate monetary amount (£m)</b>
0.1% p.a. decrease in the discount rate	2%	24
1 year increase in member life expectancy	4%	55
0.1% p.a. increase in the Salary Increase Rate	0%	2

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 4% (c. £55m).

## 20. Assets

### a) Current assets

<b>Debtor Type</b>	<b>31 March 2022 £m</b>	<b>31 March 2023 £m</b>
- Contributions due – employees	0.2	0.2
- Contributions due – employers	0.9	1.2
- Sundry debtors	7.5	6.7
<b>Total</b>	<b>8.6</b>	<b>8.1</b>

### Analysis of debtors

<b>Debtor Type</b>	<b>31 March 2022 £m</b>	<b>31 March 2023 £m</b>
Central government bodies	0.8	0.9
Other local authorities	6.1	5.8
Other entities and individuals	1.7	1.4
<b>Total</b>	<b>8.6</b>	<b>8.1</b>

## 21. Current liabilities

<b>Liabilities</b>	<b>31 March 2022 £m</b>	<b>31 March 2023 £m</b>
Group transfers	0.0	0.0
Sundry creditors	2.5	3.9
<b>Total</b>	<b>2.5</b>	<b>3.9</b>

### Analysis of creditors

<b>Creditor</b>	<b>31 March 2022 £m</b>	<b>31 March 2023 £m</b>
Central government bodies	1.0	1.0
Other entities and individuals	1.5	2.9
<b>Total</b>	<b>2.5</b>	<b>3.9</b>

## 22. Additional voluntary contributions

<b>Contribution Type</b>	<b>Market value 31 March 2022 £m</b>	<b>Market value 31 March 2023 £m</b>
Clerical Medical*	1.3	1.1
Prudential	0.7	0.7
<b>Total</b>	<b>2.0</b>	<b>1.8</b>

<b>Contribution Type</b>	<b>Contributions 31 March 2022 £m</b>	<b>Contributions 31 March 2023 £m</b>
Clerical Medical*	0.0	0.0
Prudential	0.1	0.1
<b>Total</b>	<b>0.1</b>	<b>0.1</b>

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.

## 22. 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 £1.30m (2021/22: £1.24m) 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 £43.9m to the Fund in 2022/23 (2021/22: £41.0m)

### Governance

One member of the Pension Fund Sub-committee is in receipt of pension benefits from the Brent Pension Fund (chair Cllr R Johnson). 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, Corporate Director Finance and Resources (s.151 officer), Corporate Director Governance, Deputy Director of Finance 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:

<b>Remuneration Type</b>	<b>31st March 2022 £m</b>	<b>31st March 2023 £m</b>
Short Term Benefits	0.040	0.091
Post-Employment Benefits	0.012	0.000
Termination Benefits	0.000	0.030
<b>Total Remunerations</b>	<b>0.052</b>	<b>0.121</b>

## 24. Contingent liabilities

Outstanding capital commitments (investments) at 31 March 2023 totalled £60.5m (31 March 2022 £82.1m)

<b>Fund</b>	<b>31st March 2022 £m</b>	<b>31st March 2023 £m</b>
Capital Dynamics	12.9	13.5
Alinda Fund II	2.5	2.4
Alinda Fund III	8.1	9.1
London CIV Infrastructure Fund	28.9	17.1
London CIV Private Debt Fund	29.7	18.4
<b>Total</b>	<b>82.1</b>	<b>60.5</b>

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. Both admission agreements ended during the year 2022/23.

<b>Bond</b>	<b>31st March 2022 £m</b>	<b>31st March 2023 £m</b>
Ricoh	0.1	0.0
<b>Total</b>	<b>0.1</b>	<b>0.0</b>

## 26. Impairment Losses

The Fund had no Impairment Losses at 31 March 2023.

## 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:

Cllr Jumbo Chan

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

# 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

 <b>Brent</b>	<b>Audit and Standards Advisory Committee</b> 18 July 2023
	<b>Report from the Corporate Director of Finance and Resources</b>
<b>Treasury Management Outturn Report 2022/23</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	Six:  Appendix 1 – Debt and Investment Portfolio Appendix 2 – Prudential Indicators Appendix 3 – Internal Investments – Average Rate vs Credit Risk Appendix 4 – MRP Strategy 2021/22 Appendix 5 – MRP Strategy 2022/23 Appendix 6 – MRP Strategy 2023/24
<b>Background Papers:</b>	None
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## 1.0 Introduction

- 1.1 This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2022/23.

## 2.0 Recommendations

- 2.1 Audit and Standards Advisory Committee is asked to consider and note the 2022/23 Treasury Management Outturn report and the MRP Strategies in Appendix 4-6 and ask that it be forwarded to Cabinet and Full Council for approval, in compliance with CIPFA's Code of Practice on Treasury Management (the Code).
- 2.2 Note that for 2022/23 the Council has complied with its Prudential Indicators which were approved by Full Council on 24 February 2022 as part of the Council's Treasury Management Strategy Statement and Capital Strategy Statement.

### **3.0 Background**

- 3.1 The Council's treasury management activity is underpinned by the CIPFA Code, which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year for 22/23.
- 3.2 The Council has borrowed money over the long term to support investment in the Council's infrastructure and also invests cash balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.
- 3.3 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report.
- 3.4 The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 24 February 2022.

### **4.0 Economic Background**

- 4.1 The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 4.2 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central

Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

- 4.3 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.
- 4.4 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.
- 4.5 The Bank of England increased the official Bank Rate from 0.75% to 4.25% during the financial year. It has continued to increase, reaching 5.00% in June 2023 with expectations of further increases being necessary, possibly to 5.5% by September as the Monetary Policy Committee (MPC) attempt to prevent higher inflation and wage growth becoming embedded in the economy.
- 4.6 The Bank's credibility issues mean that it can no longer afford to wait until the effect of past increases in Bank Rate affect activity. This suggests that further monetary tightening is necessary to have the desired immediate effect on inflation.
- 4.7 The lagged effect of aggressive monetary tightening will increasingly pressure economic activity. A recession appears inevitable. Household spending will be affected by increases in mortgage payments, while business investment/spending will fall back due to higher borrowing costs. Unemployment will increase.
- 4.8 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

- 4.9 During 2022/23; the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.
- 4.10 Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.
- 4.11 The UK economy has been resilient in the face of the dual headwinds of inflation and interest rates, albeit the majority rise in Bank Rate is yet to impact households. Government cost of living support, stronger wage growth and household savings have had an offsetting effect, while timing issues around mortgage resets have delayed the impact of monetary tightening.
- 4.12 Global bond yields remain volatile, although UK gilt yields have been more affected by its seemingly idiosyncratic inflation issues. The Federal Reserve and other central banks see persistently higher policy rates through 2023 as key to dampening domestic inflationary pressure.
- 4.13 After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.
- 4.14 From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

## **5.0 Revised CIPFA code and PWLB Lending guidance**

- 5.1 In May 2022, HM Treasury provided updated guidance to local authorities to ensure their capital plans would be compliant with ongoing access to the PWLB borrowing facility, building upon lending terms originally published in November 2020.
- 5.2 The revised guidance clarified that “The PWLB will not typically advance new loans if there is a more than negligible risk that the newly advanced PWLB loan will not be repaid without future government support”. However, the guidance

goes on to comment that authorities following the Prudential Code would generally be adequately managing risk.

- 5.3 The existing guidance provided by HM Treasury includes examples of permitted and prohibited use of PWLB funds. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. The restrictions do not impact the Council as we have any commercial activities within the Capital Programme.
- 5.4 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 5.5 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year. The Council chose to delay introducing the revised reporting requirements until the 2023/24 financial year.
- 5.6 In March 2023, the PWLB launched a further borrowing rate at gilt yields + 0.40% for borrowing within the Housing Revenue Account, which became available on 15 June 2023. However, given the significant move in base rates since the announcement, borrowing is still significantly more expensive, so it is unlikely to have a material impact on the Council's future borrowing plans. For Example, a 20-year EIP loan for the HRA at the time of the Spring Budget announcement would have achieved a rate of 3.91% however at the time of the rate launch the rate that could be achieved was 4.83%.

## 6.0 Local Context

- 6.1 On 31st March 2022, the Council had total borrowing of £684.6m arising from its revenue and capital income and expenditure. The Council's underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

**Table 1: CFR and Borrowing Summary**

Table 1: Balance Sheet Summary

	<b>31.3.23 Actual £m</b>
General Fund CFR	851.4
HRA CFR	294.9
<b>Total CFR</b>	<b>1,146.4</b>

*Other debt liabilities	36.2
<b>Borrowing CFR</b>	<b>1,182.6</b>
External borrowing	781.0
<b>Internal (over) borrowing</b>	
Less: Usable reserves	(491.2)
Less: Working capital	(173.6)
<b>Investments (or new borrowing)</b>	<b>116.2</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

- 6.2 Higher interest rates have increased the cost of short-term loans. The Council pursued its strategy of keeping external borrowing lower than its underlying level by temporarily using cash held for other purposes, known as internal borrowing, in order to reduce risk and minimise the interest costs incurred from external borrowing.
- 6.3 The treasury management position at 31st March 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	<b>31.3.22 Balance £m</b>	<b>Movement £m</b>	<b>31.3.23 Balance £m</b>	<b>31.3.23 Rate %</b>
Long-term borrowing	566.4	128.9	695.3	3.80%
Short-term borrowing	124.2	(38.5)	85.7	0.38%
<b>Total borrowing</b>	<b>690.6</b>	<b>90.4</b>	<b>781.0</b>	
Cash and cash equivalents:*				
Money Market Funds	98.6	17.6	116.2	<b>0.06%</b>
<b>Total investments</b>	<b>98.6</b>	<b>17.6</b>	<b>116.2</b>	
<b>Net borrowing</b>	<b>592.0</b>	<b>72.8</b>	<b>664.8</b>	

\* This relates to our short term Treasury investments (Money Market Funds and DMA deposits). Cash balances held are not deemed an investment so are not included in the above total.

- 6.4 Cash and cash equivalent investments represent deposits which are readily convertible into cash at immediate notice. Included within this total are Money Market Funds (MMF's) which are mutual funds which invest in high-quality short-term debt. Also included is the Debt Management Agency Deposit Facility (DMADF), which provides fixed deposits and is managed by the Debt Management Agency, which is a part of HM Treasury.
- 6.5 Borrowing has increased in the past year, in order to meet the requirements of our long-term Capital investment programme as internal cash resources were utilised.

## 7.0 Borrowing Strategy

- 7.1 At 31st March 2023 the Council held £781.0m of loans, (an increase of £96.4m in year), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

	<b>31.3.22 Balance £m</b>	<b>Net Movement £m</b>	<b>31.3.23 Balance £m</b>	<b>31.3.23 Weighted Average Rate %</b>	<b>31.3.23 Weighted Average Maturity (years)</b>
Public Works Loan Board	407.1	135.9	543.0	3.92	27.34
LOBO loans	70.5	-	70.5	4.68	42.63
Fixed Rate Loans (LT)	95.0	-	95.0	2.56	22.88
Local Authority Loans (ST)	112.0	(42.0)	70.0	3.01	0.39
Fixed Rate Loans (ST)	-	2.5	2.5	0	1
<b>Total External Borrowing</b>	<b>684.6</b>	<b>96.4</b>	<b>781.0</b>		

- 7.2 The Council has continued to borrow where necessary over the past year to meet the funding requirements of the agreed capital programmes.
- 7.3 The Council's borrowing decisions are not predicated on any one outcome for interest rates. In year, the proportion of long-term debt has increased as the Council has borrowed to meet the requirements of its capital programme. Securing the long-term rates achieved in-year provides certainty for the development plans, allowing for predictable cashflows long into the future.
- 7.4 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark, which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of borrowing based on realistic projections, it was decided to take a combination of both short-term borrowing and long-term repayment loans (with a mixture of both EIP and Maturity loan structures). Details around the new loans taken out in the current financial year are provided below.

<b>Loan-dated Loans borrowed</b>	<b>Amount (£m)</b>	<b>Rate (%)</b>	<b>Period to maturity (years)</b>
PWLB EIP Loan	20	3.18	20
PWLB Maturity Loan	40	3.15	50
PWLB Maturity Loan	20	4.1	50
PWLB Maturity Loan	40	3.87	50
PWLB EIP Loan	20	3.96	20

- 7.5 The Council has assessed all alternate options to PWLB and will continue to do so in the future, working closely with its Treasury advisor Arlingclose. Where there are possibilities to secure lower cost funding, these will be reviewed. In particular, there may be options to seek lower cost funding around the development of the low carbon heat network in South Kilburn; with a number of public and private bodies able to provide financing.
- 7.6 The Council continues to hold £70.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.
- 7.7 Due to the higher interest rate environment, there is an increased possibility that the options within our existing LOBO's will be exercised. Three LOBOs with a total value of £26m have options dates during 23/24. We will work closely with our Treasury advisers to identify and review the optimal solution if these options are exercised.

#### **Minimum Revenue Provision**

- 7.8 The Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. The statutory guidance provides options for calculating a charge that is considered prudent. The approach for this calculation is approved as part of the budget setting process each February by Full Council in the Minimum Revenue Provision Statement.
- 7.9 A review of the MRP calculation was undertaken following a recommendation from our external auditors which has resulted in a change in approach for assets acquired prior to 2008. The expected economic life of these assets has been revised downwards from 100 years to 49 years following the change in approach for calculating the economic life of land. The updated MRP statements for the years 2021/22, 2022/23 and 2023/24 are included in Appendix 4-6.

## 8.0 Investment Activity

- 8.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 8.2 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves. During the year, the Council's investment balances ranged between £72.7m and £159.5m due to timing differences between income and expenditure. The investment position is shown in table 4 below.
- 8.3 The CIPFA Treasury Management Code requires local authorities to consider their counterparty policies in light of environmental, social and governance (ESG) information. The Council has regard to funds who have signed up to ESG related initiatives, including the UN Principles for responsible investment, the UK Stewardship Code and the Net-Zero Asset Managers Initiative.

Table 4: Treasury Investment Position

	31.3.22	Net	31.3.23	31.3.23	31.3.23
	Balance	Movement	Balance	Income Return	Weighted Average Maturity
	£m	£m	£m	%	days
Local authority deposit	-	-	-	2.77	30.76
Money Market Funds	98.6	17.6	116.2	2.16	1
<b>Total investments</b>	<b>98.6</b>	<b>17.6</b>	<b>116.2</b>		

- 8.4 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 8.5 Increasing interest rates have led to improved returns on our short-dated holdings. At 31<sup>st</sup> March, the Council achieved circa 4.1% from MMF holdings, which compares to 0.6% a year earlier. Rates have increased throughout the year, notwithstanding the volatility around the time of the mini-budget.

- 8.6 Given the higher interest rate environment and the Council's need to hold cash for day-to-day requirements, deposits have been held in short term investments, providing the Council with improved liquidity. This has also led to increased investment income given the increased deposit rates that followed from changes in the Bank of England base rate. There was also a focus on holding funds with high credit ratings, providing increased security over the Council's investment portfolio.
- 8.7 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

**Table 5: Investment Benchmarking – Treasury investments managed in-house**

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Weighted Average Maturity (days)</b>	<b>Rate of Return %</b>
31.03.2022	5.06	A+	100%	1	0.52%
31.03.2023	5.03	A+	100%	1	4.08%
<b>Similar LAs</b>	4.71	A+	61%	32	2.24%
<b>All LAs</b>	4.71	A+	<b>59%</b>	12	<b>1.59%</b>

\*Weighted average maturity

- 8.8 In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF funds and confirmed no direct exposure to Russian or Belarusian assets had been identified.

### **Non-Treasury Investments**

- 8.9 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return). The non-Treasury investments are held to further service objectives and are therefore categorised as for service purposes. The non-Treasury investments are classified under shareholdings to subsidiaries and loans to subsidiaries, detailed in 8.10 below. The Council received approximately £3m of gross income from commercial property during the year. Investment property of £14.1m was held at year end.
- 8.10 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 8.11 The Council also held £256.3m of such investments in:
- Shareholding in subsidiaries £103.5m.

- Loans to subsidiaries £152.8m.

- 8.12 I4B Holdings Limited is a company wholly owned by Brent Council that was incorporated on 16 December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As of 31<sup>st</sup> March 2023, the Council had provided funding of £182.1m to i4B (2021/22: £126.0m) which are secured against the company's properties. The Council received £5.2m (2021/22: £4.0m) in interest and fees for loans to I4B. The loans are secured against the properties held within the company.
- 8.13 First Wave Housing (FWH) is a registered provider of housing in Brent and is wholly owned by Brent Council. FWH was setup to manage properties previously owned by Brent Housing Partnership (BHP). The Council received £0.7m (2021/22: £1.1m) in interest for loans to FWH. As of 31 March 2023, there were outstanding loans to Brent Council totalling £34.7m (2021/22: £35.1m) which are secured against the properties held within the company.
- 8.14 These investments generated £5.9m (2021/22 £5.1m) of income for the Council in 2022/23. This investment income covers the borrowing cost of investing in housing through wholly owned subsidiaries. These borrowing costs would be incurred by the Council regardless of the method through which the Council develops new housing, however this is the vehicle of choice for such investments.

## **9.0 Compliance**

- 9.1 The Corporate Director for Finance and Resources reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.
- 9.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated within Appendix 2 (Debt Limits).

## **10.0 Investment Training**

- 10.1 The needs of the Council's treasury management staff for training in investment management are kept under review. These are considered as part of the staff appraisal process and additionally when the responsibilities of individual members of staff change.

## **11.0 Financial Implications**

- 11.1 The implications are noted within the report.

## **12.0 Legal Implications**

- 12.1 None identified.

## **13.0 Diversity Implications**

13.1 None identified.

Related Documents:

Treasury Management Strategy Report to Council – 24 February 2022.

**Report sign off:**

***Minesh Patel***

Corporate Director for Finance and Resources

## Appendix 1

### Debt and Portfolio Investment Position 31/03/2023

#### Appendix 1

#### Debt and Investment Portfolio 31/03/23

	Actual Portfolio £m 31/03/2023	Average Rate as at 31/03/2023 %
<b>External Borrowing:</b>		
PWLB - Maturity	378.9	5.4
PWLB - Equal Instalments	159.8	2.5
Fixed Rate Market Loans	95.0	2.8
LOBO Loans	70.5	4.5
Short-term Loans	70	6.5
Accrued interest and other loans	6.8	0.0
<b>Total External Borrowing</b>	<b>781.0</b>	
<b>Other Long Term Liabilities:</b>		
PFI	18.8	9.5
Finance Leases	7.7	4.1
<b>Total Long Term Liabilities</b>	<b>26.5</b>	
<b>Total Gross External Debt</b>	<b>807.5</b>	
<b>Investments:</b>		
Money Market Funds	116.2	2.2
<b>Total Investments</b>	<b>116.2</b>	
<b>Net Debt</b>	<b>691.3</b>	

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## Appendix 2

### Prudential Indicators

#### (a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2022/23 is shown in the table below.

<b>Capital Financing Requirement</b>	<b>31/03/2023 Estimate £m</b>	<b>31/03/2023 Actual £m</b>
General Fund	813.6	851.4
HRA	312.0	294.9
<b>Total CFR</b>	<b>1,125.6</b>	<b>1,146.4</b>

#### (b) Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term, debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

<b>Debt</b>	<b>31/03/2023 Estimate £m</b>	<b>31/03/2023 Actual £m</b>	<b>31/03/2024 Forecast £m</b>	<b>31/03/2025 Forecast £m</b>	<b>31/03/2026 Forecast £m</b>
Borrowing	760.2	781.0	696.0	685.4	676.0
PFI Liabilities	18.8	18.8	18.8	16.7	14.8
Other	7.7	7.7	7.7	7.7	6.5
<b>Total Debt</b>	<b>786.7</b>	<b>807.5</b>	<b>722.5</b>	<b>709.8</b>	<b>697.3</b>
<b>Capital Financing Requirement</b>	<b>1,125.6</b>	<b>1,146.4</b>	<b>1,332.2</b>	<b>1,537.3</b>	<b>1,604.9</b>
<b>Borrowing in excess of CFR?</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>

#### (c) Authorised limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely i.e. prudent, but not worst case scenario for external debt. It links directly

to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring.

Other long-term liabilities comprise finance leases, Private Finance Initiative contracts and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	<b>Operational Boundary £m</b>	<b>Authorised Limit £m</b>	<b>Actual External Debt £m 31/03/2023</b>
Borrowing	1,500.0	1,700.0	781.0
Other Long Term Liabilities			26.5
<b>Total</b>	<b>1,500.0</b>	<b>1,700.0</b>	<b>807.5</b>

The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2022/23.

**(d) Upper Limits on one-year revenue impact of a 1% movement in interest rates**

This indicators is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

	<b>2022/23 Approved Limits £m</b>	<b>31/03/2023 Actual £m</b>
<b>Upper limit on one-year revenue impact of a 1% rise in interest rates</b> Compliance with limits:	<b>5.0</b>	<b>0.9</b> Yes
<b>Upper limit on one-year revenue impact of a 1% fall in interest rates</b> Compliance with limits:	<b>5.0</b>	<b>0.9</b> Yes

### (e) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The Council uses the option date as the maturity date for its LOBO loans.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing at 31/3/2023	% of Fixed Rate Borrowing at 31/3/2023	Compliance with set limits?
	%	%	£m	%	Yes / No
Under 12 months	40%	0%	110.7	14%	Yes
12 months and within 24 months	40%	0%	25.9	3%	Yes
24 months and within 5 years	40%	0%	52.7	7%	Yes
5 years and within 10 years	60%	0%	51.8	7%	Yes
10 years and within 20 years	75%	0%	124.3	16%	Yes
20 years and within 30 years	75%	0%	121.3	16%	Yes
30 years and within 40 years	75%	0%	189.3	24%	Yes
40 years and within 50 years	75%	0%	105.0	13%	Yes
50 years and above	75%	0%	0	0%	Yes
			<b>781.0</b>	<b>100%</b>	

### (f) Capital Expenditure

The indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	31/03/2023 Estimate £m	31/03/2023 Actual £m
General Fund	173.0	147.4
HRA	59.4	45.2
<b>Total CFR</b>	<b>232.4</b>	<b>192.6</b>

### **(g) Ratio of Financing Costs to Net Revenue Stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31/03/2023 Estimate</b>	<b>31/03/2023 Actual</b>
Financing costs Proportion of net revenue stream (%)	36.5 12.6%	29.7 7.8%

### **(h) Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Council adopted the principals of best practice.

Statement: The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021.

### **(i) Upper Limit for Total Principal Sums invested over 364 Days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

<b>Upper Limit for Total Principal Sums Invested Over 364 Days</b>	<b>31/3/2023 Approved</b>	<b>31/3/2023 Actual</b>
	<b>£m</b>	<b>£m</b>
Limit on principal invested beyond a year	50	0

### **(j) Security**

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit Risk Indicator</b>	<b>31/3/2023 Target</b>	<b>31/3/2023 Actual</b>
Portfolio average credit rating	A	A+

### **(k) Liquidity**

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

<b>Liquidity Risk Indicator</b>	<b>31/3/2023 Target £m</b>	<b>31/3/2023 Actual £m</b>
Total cash available within 3 months	20	116.2

### **(l) Investment Limits**

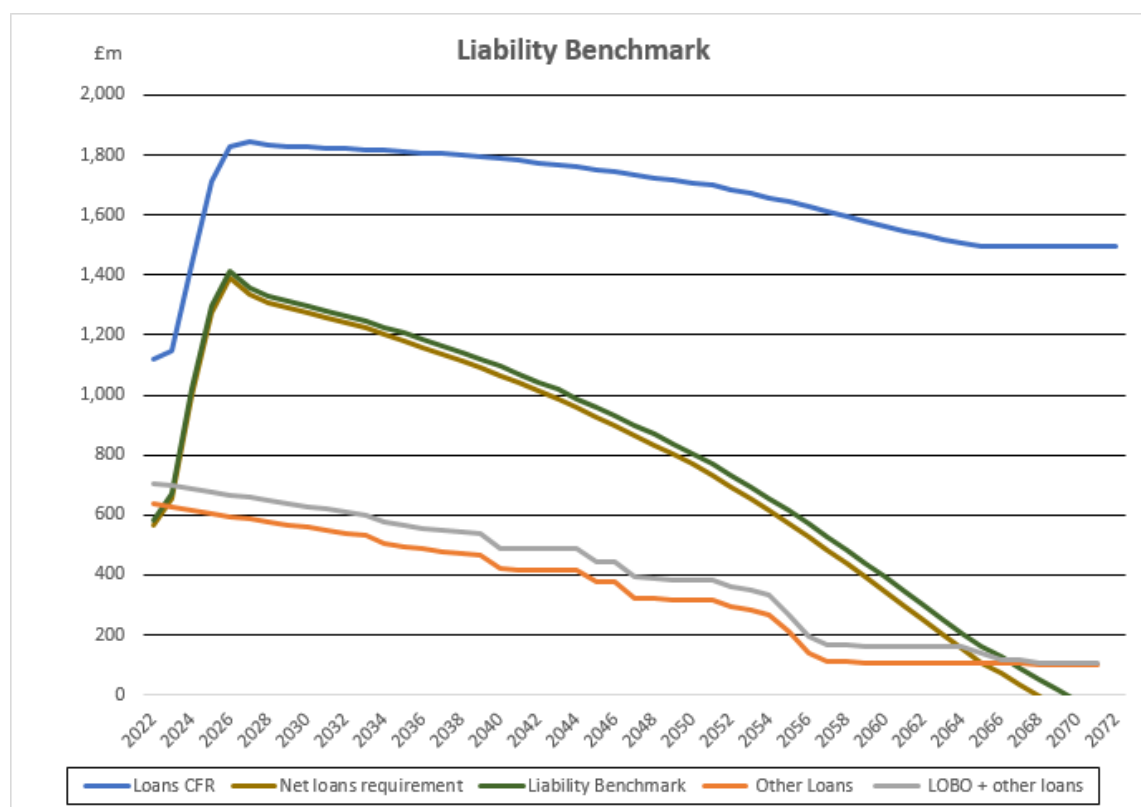
	<b>2022/23 Maximum £m</b>	<b>31/3/23 Actual £m</b>	<b>2022/23 Time Limit</b>	<b>Complied?</b>
Any single organisation, except the UK Government	20	-	n/a	Yes
UK Government	Unlimited	-	50 years	Yes
Local Authorities & Other Government Entities	Any	-	25 years	Yes
Banks (unsecured)	£20m	-	13 months	Yes
Building societies (unsecured)	£20m	-	13 months	Yes
Registered providers and registered social landlords	£20m	-	5 years	Yes
Secured investments	£20m	-	5 years	Yes

Money market funds	Lower of 5% of total net assets of the fund or £20m	£20m	n/a	Yes
Strategic pooled funds	£20m	-	n/a	Yes
Real estate investment trusts	£20m	-	n/a	Yes
Other investments	£50m	-	n/a	Yes

#### (m) Debt Limits

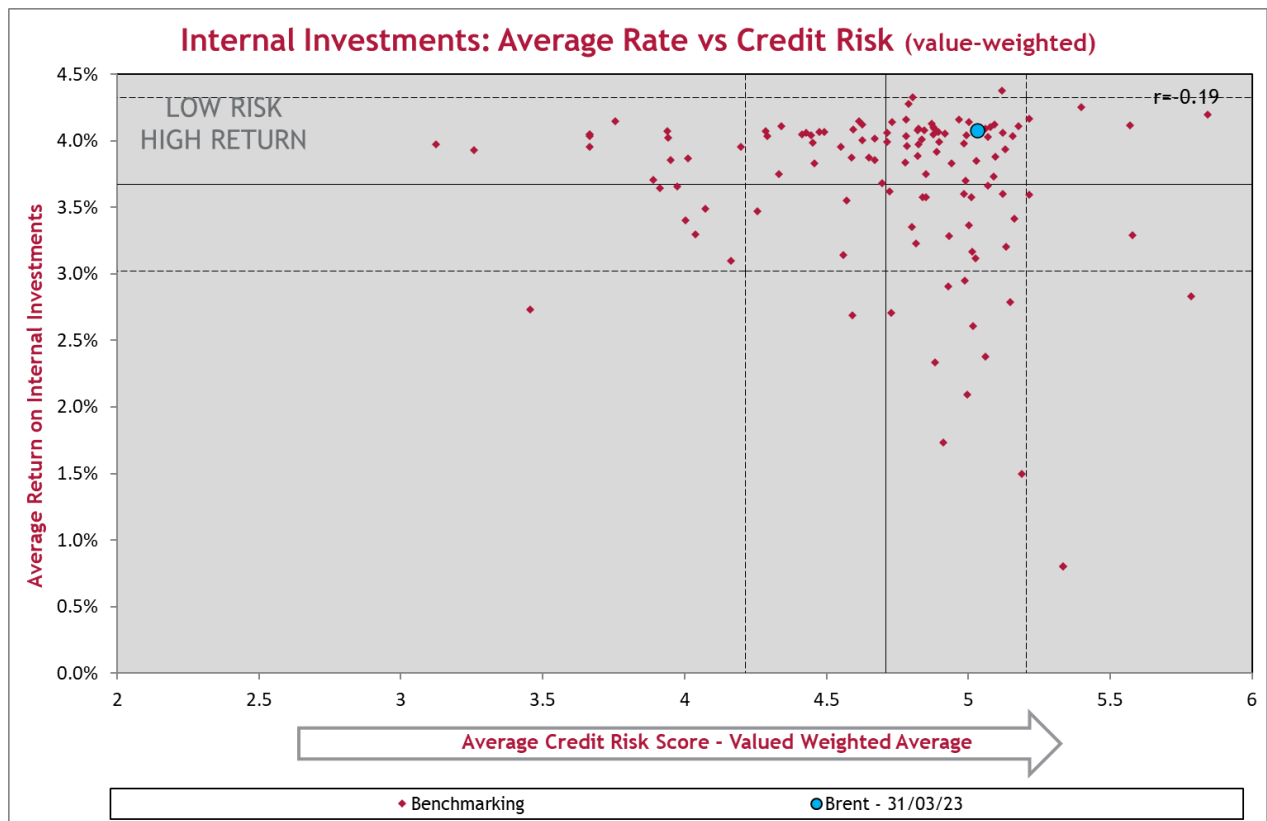
	2022/23 Maximum (£m)	31/3/23 Actual (£m)	2022/23 Operational Boundary (£m)	2022/23 Authorised Limit (£m)	Complied?
Total debt (including Other Long-term Liabilities)	1,500	807.5	1,500	1,700	Yes

#### (n) Liability Benchmark chart



## Appendix 3

### Internal Investments: Average Rate vs Credit Risk as at 31/03/2023



The Council measures the financial performance of its treasury management activities against similar Council's through benchmarking provided by Arlingclose.

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**Minimum Revenue Provision – 2021/22**

- 1.1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- 1.2. The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonable commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.3. The Guidance requires Full Council (or a delegated body) to approve an MRP policy statement in advance of financial each year and recommends a number of options for calculating a prudent amount of MRP.
- 1.4. In accordance with the current guidance for the calculation of MRP the following policy for non-HRA assets has been applied:
  - 1.4.1. 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 forty-nine years.
  - 1.4.2. 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.
  - 1.4.3. In line with the statutory guidance, MRP will be charged for finance leases at a rate equal to the amount that goes to write down the balance sheet liability.

- 1.4.4. MRP will include a charge equal to any capital lifecycle additions within the lease.
- 1.4.5. Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational. Whilst this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensure that the capital expenditure incurred on the loan is fully funded over the life of those assets.
- 1.4.6. The Council reserve the right to charge a £nil MRP where the conditions set out in paragraph 26 of the statutory guidance have been met.
- 1.5. The asset lives which will be applied to different classes of assets are as shown in table 1, however the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

**Table 1**

<b>Asset Type</b>	<b>Years</b>
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

- 1.6. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2021, the MRP budget for 2021/22 has been set at £11.6m.

**Minimum Revenue Provision – 2022/23**

- 1.1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
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Purchase of land	50 to 100 years

- 1.6. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2022, the MRP budget for 2022/23 has been set at £14.5m.

**Minimum Revenue Provision – 2023/24**

- 1.1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
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Purchase of land	50 to 100 years

- 1.6. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2023, the MRP budget for 2023/24 has been set at £15.2m.

# London Borough of Brent audit plan

Year ending 31 March 2023

London Borough of Brent  
July 2023  
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# Contents



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# Key matters

## National context

As government funding has been cut, the population of Brent has grown. The population growth is particularly pronounced in the very oldest and very youngest age groups, which most likely to require services from the Council, thus adding to the cost pressures. The sluggish national economic growth remains and in Brent this leads to unemployment rates above the national and London averages. The Council's budget has been focused on delivering efficiencies in order to achieve a balanced budget in the face of government funding reductions.

The Council's General Fund position as at 31 March 2023 is break even after a transfer from corporate contingency which covered overspends in the Children and Young People (CYP) service of £3.7m and Care, Health and Wellbeing of £0.9m. The Dedicated Schools Grant (DSG) shows a break -even position with an in-year under spend of £1.3m transferred to reserves, while the Housing Revenue Account (HRA) outturn is breakeven. In terms of Capital, for 2022/23 the Council spent £191.5m which equates to 82% of the approved capital programme budget and was under spent compared to budget by £41.2m. The high inflation in the in the economy, and in the building industry in particular, poses significant challenges to viability for the Council's capital proposals not yet subject to contract. The Council's capital schemes at Windmill Court, Kilburn Square, Lidding Road and Seymour Court delivering 212 affordable homes have been paused due to viability challenges.

The Council sets its strategic direction via its Borough Plan. The Borough Plan 2023-27 sets out the Council's vision for the next four years and its primary aim is 'Moving Forward Together'. There is an emphasis how the Council will work with others to support people through the cost-of-living crisis, realise climate change ambitions and harness the diverse range of communities.

During 2022/23 the Council restructured its departments and appointed a new Chief Executive.

# Key matters

## National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

# Key matters



## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, will be agreed with agreed with the Corporate Director Finance and Resources.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We raised 9 internal control and financial statement issues with management in our 21/22 Audit Findings Report as shown on page 16 to 19. Management have not been able to implement our recommendations yet as they received our final report in March 2023, and they have been busy with producing the 22/23 accounts between April and July . We issued the final Auditors Annual report for the 21/22 VFM work to management in February. We did not identify any significant weaknesses from our 21/22 value for money work, however we made 7 recommendations. We will follow up up with management as to whether they have been able to implement the recommendations we made as part of our 22/23 value for money work.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Brent ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the London Borough of Brent. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue recognition (rebutted);
  - Fraud in expenditure recognition;
  - Management override of controls;
  - Valuation of land and buildings
  - Valuation of Council Dwellings ; and
  - Valuation of net pension fund liability.
- We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- London Borough of Brent
- First Waves Limited
- I4B Holdings Limited
- LGA Digital Services Limited
- Barham Park Trust

## Materiality

We have determined planning materiality to be £16.6m (PY £16.9m) for the group and £16.6m (PY £16.9m) for the Council, which equates to 1.5% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

There were a number of material audit adjustments in the prior year due to errors which we identified from our work on assets under construction, council dwellings revaluations, revaluation reserve, and other non-material adjustments on debtors and creditors and have reduced performance materiality from 75% to 70%.

Clearly trivial has been set at £0.830m (PY £0.845m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

## Audit logistics

Our interim visit will take place in July and our final visit will take place in September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £232k (PY: £308k for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Council	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	No specific work is planned as the presumed risk has been rebutted.
Fraud in expenditure recognition	Council	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period.</p> <p>There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.</li> <li>Inspect a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compare size and nature of accruals at year to the prior year to help ensure completeness.</li> <li>Investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.</li> </ul>

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the Group and Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals.</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Council	<p>The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1,018.3m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation expert.</li> <li>• Discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out.</li> <li>• Engage our own valuer expert, Gerald Eve, to provide commentary on: <ul style="list-style-type: none"> <li>• the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and</li> <li>• the valuation methodology and approach, resulting assumptions adopted and any other relevant points.</li> </ul> </li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li> <li>• Test revaluations made during the year to see if they have been input correctly to the Council's asset register.</li> <li>• Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of council dwellings	Council	<p>The Council owns 8,138 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of Beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>This year the Council will conduct full revaluation of its housing stock as at 1 April 2021 using the Beacon methodology. The valuer will then review market changes from 1 April 2021 to 31 March 2022 to correctly state the value of HRA stock held by the Council during the financial period in current terms. The Council has engaged its valuer, Wilks Head &amp; Eve LLP, to complete the valuation of these properties.</p> <p>For 21/22 the year end valuation of Council Housing was £796.9m. This represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work.</li> <li>Evaluate the competence, capabilities and objectivity of the valuation expert.</li> <li>Discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out.</li> <li>Engage our own valuer expert, Gerald Eve, to provide commentary on: <ul style="list-style-type: none"> <li>the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and</li> <li>the valuation methodology and approach, resulting assumptions adopted and any other relevant points.</li> </ul> </li> <li>Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li> <li>Conduct sample testing of Beacon properties to ensure representative properties have been used in the valuation, and correctly applied to other similar properties.</li> <li>Review the estimate against valuation trends of similar properties in London.</li> <li>Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	Council	<p>The pension fund net liability, as reflected in the Council's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£722m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls.</li> <li>Evaluate the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work.</li> <li>Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.</li> <li>Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.</li> <li>Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul>

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Other risks identified

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Value of infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note	Council only	<p>Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2022, the net book value of infrastructure assets was £242.5m which is a significant multiple of materiality.</p> <p>In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:</p> <p>1.The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.</p> <p>2.The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.</p> <p>For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Reconcile the Fixed Asset Register to the Financial statements</li> <li>• Using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets</li> <li>• Obtain assurance that the UEL applied to Infrastructure assets is reasonable</li> <li>• Document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated</li> </ul>

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Key changes within the group:

The group risk assessment has not identified any changes from the prior year as shown on the next page.



# Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
London Borough of Brent	Yes		See pages 8 to 12	Full scope audit performed by Grant Thornton UK LLP
First Wave Housing	No		None	Analytical review performed by Grant Thornton UK LLP
HB Holdings Ltd	No		None	Analytical review performed by Grant Thornton UK LLP
LGA Digital Services	No		None	Analytical review performed by Grant Thornton UK LLP
Barham Park Trust	No		None	Analytical review performed by Grant Thornton UK LLP

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## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the group financial statements, which resulted in 9 recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations and 9 are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Income Population Listing</b></p> <p>The total of the transaction listing provided for income did not agree with the income total disclosed in the accounts as it contained a lot of reversing entries. It took considerable time for the data to be cleansed to get the listing and get to a total which was not materially different to the accounts.</p> <p>The Council should ensure that they provide the audit team with a cleansed data whose total is not materially different to the amount disclosed in the accounts.</p>	To be confirmed
X	<p><b>Review of opening and closing Balance</b></p> <p>The opening balance for 2020/21 NNDR debtors was incorrect and overstated by £1m. This resulted in the year end debtor balance being overstated by £1m. Whilst this is immaterial and has been recorded as an unadjusted error in appendix C, if there is no review of the closing balance and opening balances, this could lead to a potentially material overstatement in the future</p> <p>The Council should ensure that there is a review of the closing balance and opening balances on the Collection Fund system to ensure that the correct opening balance is used in the NNDR model.</p>	To be confirmed

# Progress against prior year audit recommendations - continue

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p data-bbox="297 564 573 592">IT audit control findings</p> <ul data-bbox="297 608 1859 922" style="list-style-type: none"> <li data-bbox="297 608 1859 699">• Segregation of duties conflicts between finance and system administration roles in Oracle Cloud - 26 business users with financial responsibilities also have access to a range of high-risk system administration functions. Users can change system configurations and modify their own and other users' access.</li> <li data-bbox="297 715 1859 775">• Lack of audit logging in Oracle Cloud – There is currently no audit logging enabled on Oracle Cloud. The Council is not able to prospectively or retrospectively identify users who have made inappropriate changes to system configurations.</li> <li data-bbox="297 791 1859 852">• Monitoring of scheduled processes - IT audit team identified exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team.</li> <li data-bbox="297 868 1859 922">• Project documents maintained in an unsecured format - Draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site.</li> </ul> <p data-bbox="297 938 638 965">Audit Team Recommendation</p> <ul data-bbox="297 981 1859 1343" style="list-style-type: none"> <li data-bbox="297 981 1859 1042">• The Council should undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</li> <li data-bbox="297 1058 1859 1118">• The Council should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</li> <li data-bbox="297 1134 1859 1195">• The Council should implement audit logging for financially critical areas including, but not limited to accounts payable, cash management, account receivable and the general ledger.</li> <li data-bbox="297 1211 1859 1272">• The Council should configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team</li> <li data-bbox="297 1287 1859 1343">• The Council should ensure changes to key documents are authorised before processed or reviewed by someone independent of the author, restricting access and publishing PDF versions of key documents for use by the project team.</li> </ul>	To be confirmed

# Progress against prior year audit recommendations - continue

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>The Council applied an indexation obtained from the WHE market review to non-revalued assets and the assets revalued at 1 April 2021. This is performed to ensure the assets are materially accurate and reflect the values as at 31 March 2022. Valuation experts did not review values after the indexation was applied and a valuation certificate was not obtained from the valuer. The Code does not permit the use of indices as a means to adjust the carrying amount and this does not reflect a valuation in accordance with RICS. The Code requirements are not met. However, the audit team have engaged an external valuer to ensure the impact is immaterial.</p>	To be confirmed
X	<p>We recommend that management engage their valuers to perform valuation as at the year-end. Where management applies indexation to arrive at the year-end value of assets, management should engage a valuer to review the application of indexation. Management should then obtain a formal certificate from the valuers which confirms that the indexation has been performed in accordance with the requirement under RICS and the CIPFA Code of Practice.</p> <p>Wilks Head and Eve have made the assumptions of buildings being maintained in a state whereby the components retaining specific lifespans without management providing them with a capital maintenance programme .</p> <p>We recommend that management ensures that the calculation of provisions is based on the actual debt balance which agrees with the TB and considers both arrears and collections in the year.</p>	To be confirmed
X	<p>One of the principal assumptions that drive valuations for schools is pupil numbers. The Council and the valuer confirmed no data on pupil numbers was provided to the valuer regarding pupil numbers.</p> <p>We recommendation that management incorporates forward looking information in the impairment calculation for financial assets .</p>	To be confirmed

# Progress against prior year audit recommendations - continue

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>New System Implementation – Reconciliation</p> <p>Our IT audit specialist recommended that we check that bank reconciliation was carried out for all bank accounts on R12 (old system) and Oracle Cloud(New System) to ensure that the Council was aware of variances between the bank and the GL on the new system, and the variations were in line with previous variations from the final R12 reconciliation. We identified there was no bank reconciliation for one of the banks account S278 on the Oracle Cloud system. The Council advised us that a reconciliation was not necessary as there was no movement on the accounts.</p>	To be confirmed
	<p>The Council should ensure that a bank reconciliation is carried out for all bank accounts in the period when a system change occurs to ensure that there is completeness of the data which migrated from the old system to the new system</p>	
X	<p>There is a £2.6m difference between the debt balance as at 31 March 2022 used in the calculations of bad debt provision and the debt outstanding per trial balance. The difference is due to the extracted amount from Northgate database by IT Team was only the arrears (debits), and not including the collections this year. The provision calculation is weighted per debt aging, the exact impact cannot be calculated however any misstatement in provision it will be immaterial as the difference in debt balance is below PM. The basis for computing the bad debts provision was more prudent yielding higher provision.</p> <p>We recommend that management ensures that the calculation of provisions is based on the actual debt balance which agrees with the TB and considers both arrears and collections in the year.</p>	To be confirmed
X	<p>The Council confirmed that they did not consider forward looking information in their calculation of expected credit loss for adult social care debtors, temporary housing and HRA debtors. This should have been done as IAS 39 has already been superseded by IFRS 9. Per the CIPFA Code 21/22, para 7.2.9.19 and para 7.3.3.12, forward-looking information should be incorporated on the impairment calculation for financial assets [CIPFA Code 7.1.2.19]</p> <p>We recommend that management incorporates forward looking information in the impairment calculation for financial assets.</p>	To be confirmed

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<b>Determination</b> We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. Materiality at the planning stage of our audit is £16.6m, which equates to 1.5% of your draft gross expenditure for the period.	We determine planning materiality in order to: <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>
2	<b>Other factors</b> An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. <ul style="list-style-type: none"> <li>– We have identified senior officer remuneration as a balance which is material by nature, as these are considered sensitive disclosures. We will carry out audit procedures on it.</li> <li>– We have identified audit fees as a balance which is material by nature, as these are considered sensitive disclosures. We will carry out audit procedures on it.</li> </ul>

# Our approach to materiality

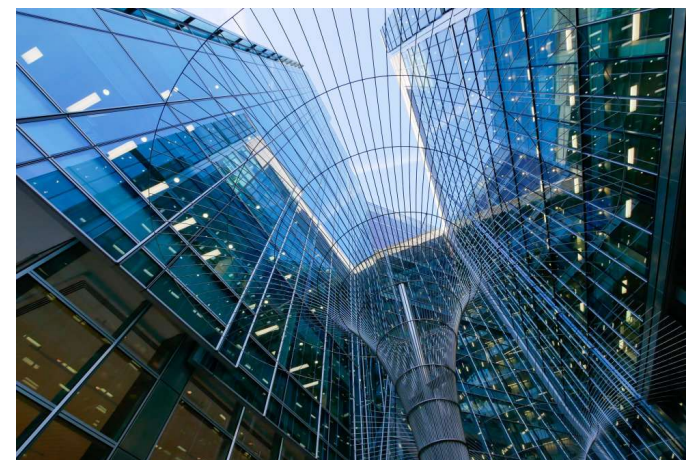
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p><b>Other communications relating to materiality we will report to the Audit Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.83m (PY £0.84m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.</p>

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the London Borough of Brent financial statements	16.6m	1.5% of the gross expenditure for the year ended 31/03/2022.
Materiality for specific transactions, balances or disclosures [senior officer remuneration]	N/A.	<p>In LG, the senior manager remuneration note typically includes around 10 individuals and discloses their pay and other benefits, including employer pension contributions. It does not include the overall value of the pension entitlement (unlike the CETVs disclosed in the NHS). For each line of the table, the total remuneration is typically in the range of 80-200k.</p> <p>This note is an element of the accounts which is of genuine concern to the user of the accounts, with the salaries of senior officers sometimes the subject of adverse publicity. The area requiring judgement is what level of error within the disclosures made would result in us qualifying our opinion. We will review all the senior officer's remuneration disclosures as they are sensitive by nature.</p>



# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 25.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Spend/Income	Planned level IT audit assessment
Oracle Cloud	Financial reporting(also used for payroll and pension liability)	£1108m/£769m	The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud.
Capita	Collection Fund	£241m/£39m	The audit team will carry out a detailed ITGC assessment (design effectiveness only)
Northgate	Housing Rent	£115m/60m	The audit team will carry out a detailed ITGC assessment (design effectiveness only)

# ISA315

ISA 315 (revised July 2020) takes effect for accounting periods starting on or after the 15<sup>th</sup> December 2021. This ISA deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements. The revisions made in the ISA have increased the level of work required of auditors and detail of this extra work is set out below.

Area	What's changed?	Impact on the audit
Information Technology Environment	<p>The new requirement states certain aspects of the IT environment must be understood and documented for each significant classes of transactions, account balances and disclosures (SCOT+).</p> <p>The auditor is required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response.</p>	<p>The audit team will be required to:</p> <ul style="list-style-type: none"> <li>perform walkthroughs of the IT environment;</li> <li>identify and review relevant controls within the IT environment to ensure they are operational;</li> <li>obtain details of the relevant IT / technical infrastructure (i.e., server location, database type); and</li> <li>obtain details of the processes that operate within the IT environment (i.e., process to manage user access or manage a program or IT environment change).</li> </ul>
Considering IT risks related to internal controls relevant to the audit.	<p>The auditor is required to identify controls within a business process and identify which of those controls are controls relevant to the audit. For each internal control relevant to the audit, the auditor is required to evaluate the design of the control and evidence effective implementation of the control.</p> <p>The auditor is required to evaluate the design and determine the implementation of the general IT controls (ITGCs) that address the risks arising from the use of IT.</p>	<p>This requirement will lead to a significant change in practice, to the level of detail in which we will be required to understand the risks arising from the use of IT and associated general IT controls (ITGCs). There has been a significant increase in the number of detailed ITGC assessments required.</p>
Control reliance	<p>In previous years, where we had performed a walkthrough of your controls (such as operating expenditure), we were able to use the review of these controls to obtain comfort over the design effectiveness of your system. This would usually result in smaller sample sizes. The changes made to the ISA mean that design effectiveness will no longer grant a benefit when determining sample sizes.</p>	<p>There will be larger sample sizes across a number of areas. Key areas where we will likely see the biggest increase are:</p> <ul style="list-style-type: none"> <li>operating expenditure and payables;</li> <li>property, plant and equipment;</li> <li>non-contract income.</li> </ul> <p>This is not a complete list but these will be the areas we expect to be most affected.</p>

# Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office –issued its latest Value for Money guidance –to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body’s arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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## Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



## Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor’s annual report. You should also delete the ‘Potential types of recommendations’ table

# Audit logistics and team



**Ciaran McLaughlin, Key Audit Partner**

Ciaran is the engagement lead for the Council. He provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers.

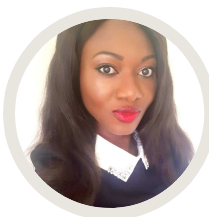
## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.



**Sheena Phillips, Senior Audit Manager**

Sheena plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues arising.



**Nnana Mokhonoana, Audit Incharge**

Nnana is the Key audit contact responsible for the day to day management and delivery of the audit work.

# Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for the London Borough of Brent to begin with effect from 2018/19. The fee agreed in the contract was £153,684. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

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Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.

- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

# Audit fees

Actual Fee 2020/21    Actual (or estimated) Fee 2021/22    Proposed fee 2022/23    **CM0**

London Borough of Brent Council Audit	£227,184	£307,734	£231,567
Audit of First Waves Limited	£29,500	£31,000	£37,000
Audit of I4B Holding Limited	£31,500	£33,500	£40,000
Brent Pension Fund Audit	£37,808	£40,308	£37,771
Total audit fees (excluding VAT)	£325,992	£412,542	£346,308

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

## Slide 29

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### CM0

Include the Pension Fund fee here as well for completeness

Ciaran T McLaughlin, 2023-07-10T16:44:03.265

### SSP0 0

Updated to include pension fund fees

Sheena S Phillips, 2023-07-11T16:14:29.481

# Audit fees – detailed analysis

Scale fee	£173,434
Audit of Group Accounts (not included in the Scale Fee)	£5,0260
Additional audit procedures arising from a lower materiality	£6,575
Enhanced audit procedures for Property, Plant and Equipment	£7048
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISA 540	£6,000
Journals	£3,000
FRC response - additional review, EQCR or hot review	£1,500
Enhanced audit procedures for Infrastructure	£2,500
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
ISA 315	£5,000
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>£231,567</b>

All variations to the scale fee will need to be approved by PSAA

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 11 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group and Council.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified.

[The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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Service	Estimated Fees (to be confirmed in due course) £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts grant	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension grant	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy	27,000 plus day rate for additional work required.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,000 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# Independence and non-audit services - Continued

Service	Fees £	Threats	Safeguards
Audit related			
I4B Holdings Ltd Audit	£40,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £40,000 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
First Wave Housing Ltd Audit	£37,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £37,000 in comparison to the total fee for the audit of £231,567 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Objection to the 2021/22 accounts	TBC	None identified	

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
Significant matters in relation to going concern	•	•	
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•	
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



# External audit plan

Year ending 31 March 2023

Brent Pension Fund

July 2023

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# Contents



**Your key Grant Thornton team members are:**

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# Key matters



## National context

The pension fund has seen a small decrease of £13.5m in the net assets available for benefits during the 22/23 financial year. The net assets as at 31 March 2023 is £1,1120.3m (£1,1133.8m as 31 March 2022). Investment income has remained the same at £1.1m. The total contributions have increased from £64.1m in 21/22 to £67.5m in 22/23. This suggests that the pension fund has not seen a significant change in investment value or a decline in terms of member contributions. The number of pensioners have increased from 6967 to 7160.

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

## Changes in IT systems

The pension fund changed its pension administration system from Altaire to Civica Universal Pensions Management (UPM) system. We have considered this as a significant risk on page 10.

# Key matters



## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, will be agreed with the Corporate Director Finance and Resources
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regard to management override of control– refer to page 8
- We identified a significant audit risk relating to change in the pension administration system from Altaire to UPM – refer to page 10. Our IT auditors will review the Fund's process for ensuring the data migration was complete and accurate.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of London Borough of Brent Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance the Audit and Standards committee.

The audit of the financial statements does not relieve management or the Audit and Standards committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue cycle includes fraudulent transactions – this risk has been rebutted as documented on page 7
- Management override of controls
- Valuation of Level 3 Investments
- The implementation of a new Pensions Administration System

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £17.04m (PY £10.31m) for the Pension Fund, which equates to 1.5% of your prior year net assets as at 31/03/2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.85m (PY £0.51m).

## Audit logistics

Our interim visit will take place in March 2023 and our final visit will take place in July 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £37,771 (PY: £37,808) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

## New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Pension Fund	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>- there is little incentive to manipulate revenue recognition</li> <li>- opportunities to manipulate revenue recognition are very limited</li> <li>- the culture and ethical frameworks of local authorities, including London Borough of Brent Council and Pension Fund, mean that all form of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for London Borough of Brent Pension Fund.</p>	Significant risk rebutted
Management over-ride of controls	Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals.</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments	Pension Fund	<p>You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £101.3m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023.</p> <p>We therefore have identified Valuation of Level 3 Investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes for valuing Level 3 investments.</li> <li>• Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met.</li> <li>• Independently request year-end confirmations from investment managers and the custodian.</li> <li>• For a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period.</li> <li>• In the absence of available audited accounts, we will evaluate the completeness, capabilities and objectivity of the valuation expert.</li> <li>• Where available review investment manager service auditor report on design and operating effectiveness of internal controls.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The implementation of a new Pensions Administration System  - The system changed from Altair to Civica UPM	Pension Fund	<p>In November 2022, Brent Pension Fund moved its Pensions Administration function from the Altair System to the UPM System.</p> <p>As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end.</p> <p>The system change impacts benefits payable and contributions which are material balances in the accounts as they are contributed by members.</p> <p>Thus, we have identified a significant risk in this area over the completeness and accuracy of the transfer between the systems.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• Obtain an understanding of the processes and controls put in place by management to ensure the completeness and accuracy of the transfer of data between the old and new Pensions Administration System;</li><li>• Review the checks undertaken by management over the data transfer to assure themselves over the completeness and accuracy of the transfer;</li><li>• Engage our IT Audit Team to review the controls in place for the new Pensions Administration System;</li><li>• Undertake testing on the transfer between the systems to confirm all members have been correctly transferred between the two systems.</li></ul>

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'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315).

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Other risks identified

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Local Government Pension Scheme triennial valuation	-Pension Fund	<p>Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023.</p> <p>The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review the methods used to calculate the estimate, including the models used</li> <li>review the actuarial reports and assess the reasonableness of the assumptions made in the reports.</li> <li>perform tests on the accuracy and completeness of the data used in the valuation process. This includes examining source documents and reconciling data to supporting records.</li> <li>evaluate the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315)

# Other matters

## Other work

The Pension Fund is administered by London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Pension Fund's financial statements, which resulted in 4 recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations and 4 are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Page 288	<p><b>Segregation of duties conflicts between finance and system administration roles in Oracle Cloud.</b></p> <p>Our audit identified the following segregation of duties conflicts for users in Oracle Cloud:</p> <ul style="list-style-type: none"> <li>• A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles.</li> <li>• A Senior Finance Analyst had access to six Brent L3 Support roles.</li> <li>• The Head of Finance had access to the IT Security Manager role.</li> <li>• Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022).</li> <li>• 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role.</li> </ul> <p><b>Risk</b></p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.</p> <p>It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities.</p> <p>Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles.</p>	<p>Our recommendation has been partly implemented with respect to removing the security roles from the users. We are waiting update from management from the recommendation to them to build in custom roles instead of assigning powerful system administrator roles.</p>

# Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Lack of audit logging in Oracle Cloud.</p> <p>Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled.</p> <p><b>Risk</b></p> <p>Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.</p> <p>We recommended that the Council implement audit logging for financially critical areas including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Accounts Payable (including Suppliers);</li> <li>• Cash Management;</li> <li>• Accounts Receivable; and</li> <li>• General Ledger.</li> </ul> <p>The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations</p>	To be confirmed
X	<p>Monitoring of scheduled processes.</p> <p>Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team.</p> <p><b>Risk</b></p> <p>Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud.</p> <p>It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team.</p>	To be confirmed

# Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Project documents maintained in an unsecured format.</p> <p>Our audit identified that draft ‘solution design documents’, with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council’s System Integrator and Infosys teams.</p> <p><b>Risk</b></p> <p>There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned.</p> <p>For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation:</p> <ul style="list-style-type: none"><li>• Ensuring that changes to key documents are authorised before processed, reviewed by someone independent of the author with any comments arising being addressed in a timely manner.</li><li>• Restricting access to editable versions of documents to authorised personnel, which should exclude the System Integrator team.</li><li>• Publishing PDF versions of key documents for use by the project team, these documents should include version control information such as dates when they were signed off and by whom.</li></ul>	To be Confirmed

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined financial statement materiality based on the following:</p> <ul style="list-style-type: none"> <li>• <b>For the Pension Fund:</b> planning materiality - £17.04million (PY: £10.31million). This equates to approximately 1.5% of the prior year gross asset value.</li> </ul> <p>Specific materiality has been set for transactions within the fund account other than those related to investment activities. Planning materiality - £4.56million (PY: N/A – no separate materiality set in prior year).</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required. We have identified transactions in the Fund accounts (i.e. contributions, benefit payments, management expenses etc.) as transactions where we will apply a lower materiality level. The reason for this is as follows:</p> <ul style="list-style-type: none"> <li>– paying pensions and collecting contributions are core aspects of what a LGPS fund does</li> <li>– current pensioners and prospective pensioners will want assurance that pension payments are accurate</li> <li>– employers and prospective pensioners will want assurance that contributions are accurate.</li> </ul> <p>We have set a materiality of £4.56million for the Fund accounts transactions.</p>

# Our approach to materiality

Matter	Description	Planned audit procedures
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
	<p><b>Other communications relating to materiality we will report to the Audit Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.85m (PY £0.51m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards committee to assist it in fulfilling its governance responsibilities.</p>

# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 20.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
Oracle Cloud (General Ledger)	Financial reporting	The IT audit team have carried out a design and implementation effectiveness controls review over the London Borough of Brent (the administering authority's) IT environment for Oracle Cloud.
Altair and Civica UPM	Pension Administration	Our IT Audit Team will review the controls in place for the new pensions Administration System;

# IT audit strategy

In addition, due to the events during the period, specifically the new system implementation additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
Altair and Civica UPM	New system implementation	Post migration data completeness and accuracy; system functionality operating to design.	<ul style="list-style-type: none"><li>Obtain an understanding of the process used for new system implementation</li><li>Audit of data migration activity and results</li></ul>

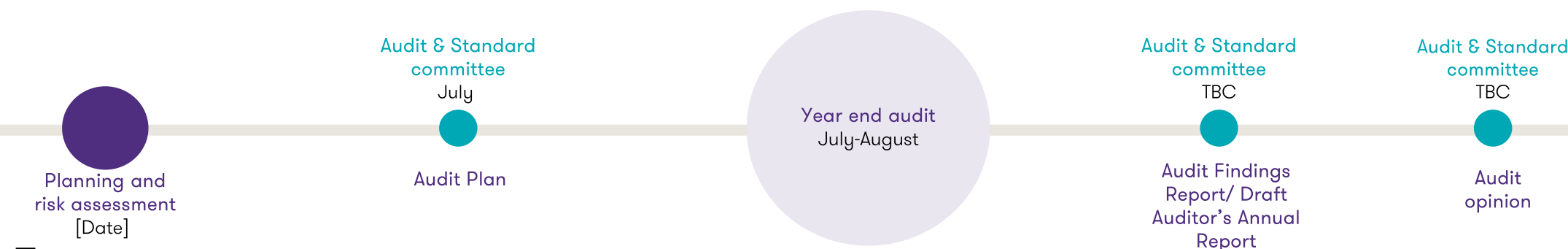
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# ISA315

ISA 315 (revised July 2020) takes effect for accounting periods starting on or after the 15<sup>th</sup> December 2021. This ISA deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements. The revisions made in the ISA have increased the level of work required of auditors and detail of this extra work is set out below.

Area	What's changed?	Impact on the audit
Information Technology Environment	<p>The new requirement states certain aspects of the IT environment must be understood and documented for each significant classes of transactions, account balances and disclosures (SCOT+).</p> <p>The auditor is required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response.</p>	<p>The audit team will be required to:</p> <ul style="list-style-type: none"> <li>perform walkthroughs of the IT environment;</li> <li>identify and review relevant controls within the IT environment to ensure they are operational;</li> <li>obtain details of the relevant IT / technical infrastructure (i.e., server location, database type); and</li> <li>obtain details of the processes that operate within the IT environment (i.e., process to manage user access or manage a program or IT environment change).</li> </ul>
Considering IT risks related to internal controls relevant to the audit.	<p>The auditor is required to identify controls within a business process and identify which of those controls are controls relevant to the audit. For each internal control relevant to the audit, the auditor is required to evaluate the design of the control and evidence effective implementation of the control.</p> <p>The auditor is required to evaluate the design and determine the implementation of the general IT controls (ITGCs) that address the risks arising from the use of IT.</p>	<p>This requirement will lead to a significant change in practice, to the level of detail in which we will be required to understand the risks arising from the use of IT and associated general IT controls (ITGCs).</p> <p>There has been a significant increase in the number of detailed ITGC assessments required.</p>
Control reliance	<p>In previous years, where we had performed a walkthrough of your controls (such as operating expenditure), we were able to use the review of these controls to obtain comfort over the design effectiveness of your system. This would usually result in smaller sample sizes. The changes made to the ISA mean that design effectiveness will no longer grant a benefit when determining sample sizes.</p>	<p>There will be larger sample sizes across a number of areas. Key areas where we will likely see the biggest increase are:</p> <ul style="list-style-type: none"> <li>operating expenditure and payables;</li> <li>property, plant and equipment;</li> <li>non-contract income.</li> </ul> <p>This is not a complete list but these will be the areas we expect to be most affected.</p>

# Audit logistics and team



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## Ciaran McLaughlin, Key Audit Partner

Ciaran is the Engagement Lead, for the Council and Pension Fund, leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior officers.



## Sheena S Phillips, Audit Manager

Sheena will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Sheena will attend Audit & Standards Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.

## Aleksandra Liutina, Audit In charge

Aleksandra will lead the audit team and is the day-to-day contact for the audit. She will monitor the deliverables, manage the audit query log with your Finance Team and highlight any significant issues and adjustments to senior management in a timely manner.

## Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Brent Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £x. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

# Audit fees

	Actual Fee 2020/21	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23
Brent Pension Fund Audit	£37,808	£40,308,	£37,771
Total audit fees (excluding VAT)	£37,708	£40,308	£37,771

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## Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee	£22,420
Investment Valuation	£6,351
Additional audit procedures arising from a lower materiality	£6,575
Increased audit requirements of revised ISA 540	£3,500
Journals	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
ISA 315	£3,000
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>£37,771</b>

All variations to the scale fee will need to be approved by PSAA

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

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# Independence and non-audit services

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## Other services

No other services provided by Grant Thornton were identified

# Communication of audit matters with those charged with governance

## Our communication plan

	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud ( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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Topic / Date	06-Jun-23	18-Jul-23	26-Sep-23	06-Dec-23	06-Feb-24	26-Mar-24
<b>Internal Audit &amp; Investigations</b>						
Internal Audit Annual Report, including Annual Head of Audit Opinion	X					
Internal Audit Progress Reports				X		
Annual/Interim Counter Fraud Report	X			X		
Internal Audit and Investigations Plan						X
<b>External Audit</b>						
External Audit progress report		X	X	X	X	X
Statement of Accounts & Pension Fund Accounts		X	X			
Annual Auditor's Report			X		X	
<b>Financial Reporting</b>						
Treasury Management Mid-term Report				X		
Treasury Management Strategy				X		
Statement of Accounts & Pension Fund Accounts		X	X*			
Treasury Management Outturn Report		X				
<b>Governance</b>						
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd			X			X
Review of the use of RIPA Powers						X
Receive and agree the Annual Governance Statement	X*					
<b>Risk Management</b>						
Strategic Risk Register Update			X			X
Emergency Preparedness					X	
<b>Audit Committee Effectiveness</b>						
Review the Committee's Forward Plan	X	X	X	X	X	X
Review the performance of the Committee (self-assessment)						X
Chair's Annual Report	X					
Training Requirements for Audit Committee Members (as required)						
<b>Standards Matters</b>						
Standards Report (including gifts & hospitality)	X		X	X		X
Annual Standards Report						X
Complaints & Code of Conduct			X			
Review of the Member Development Programme and Members' Expenses (incorporating Review of the Financial and Procedural Rules governing the Mayor's Charity Appeal)						X

\* Requires approval by Audit & Standards Committee

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