

LONDON BOROUGH OF BRENT

STATEMENT OF ACCOUNTS

2010/11

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INTRODUCTION BY THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

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

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

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



Date: 12th September 2011

CLIVE HEAPHY

Director of Finance and Corporate Services

EXPLANATORY FOREWORD

1. INTRODUCTION

The accounts for the year 2010/11 consist of:

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

CORE FINANCIAL STATEMENTS

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

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

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

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

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

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

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

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

EXPLANATORY FOREWORD (Continued)

2. GENERAL FUND REVENUE SPENDING IN 2010/11

2010/11 LATEST BUDGET COMPARED WITH OUTTURN

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

EXPLANATORY FOREWORD (Continued)

Explanation of Major Variances 2010/11

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

EXPLANATORY FOREWORD (Continued)

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

EXPLANATORY FOREWORD (Continued)

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

EXPLANATORY FOREWORD (Continued)

3. Capital Expenditure – Disclosure

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

Capital expenditure has been financed from the following sources:

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

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

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

EXPLANATORY FOREWORD (Continued)

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

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

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

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

EXPLANATORY FOREWORD (Continued)

Borrowing/Investments

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

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

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

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

4. PENSION FUND DEFICIT

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

5. IMPACT OF THE CURRENT ECONOMIC CLIMATE

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

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

6. HOUSING REVENUE ACCOUNT (HRA)

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

EXPLANATORY FOREWORD (Continued)

7. SIGNIFICANT CHANGE FROM LAST YEAR'S ACCOUNTS

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

- (i) The main statements have changed. There is a Movement in Reserves Statements (M.I.R.S.) included in this accounts for the first time. However there is no longer a Statement of Movement on the General Fund Balance. In addition the lines that were shown in the Statement of Total Recognised Gains and Losses are now included at the end of the Comprehensive Income and Expenditure Statement.
- (ii) There have been changes in Accounting Policies to comply with I.F.R.S. requirements especially relating to capital. Please see the statement on accounting policies for a full list of policies using in preparing the 2010/11 accounts.
- (iii) Changes to accounting policies and the format of the accounts has meant that prior year accounts have needed to be restated to comply with I.F.R.S.
- (iv) The Notes required to provide further details on the main statements have also changed to comply with I.F.R.S. Consequently the accounts are longer than in previous years.

8. FURTHER INFORMATION

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

9. GLOSSARY

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

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

[TO FOLLOW]

INDEPENDENT AUDITOR'S REPORT (Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

INDEPENDENT AUDITOR’S REPORT (Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Andrea White
District Auditor
Audit Commission
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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

THE DIRECTOR OF FINANCE AND CORPORATE SERVICES' RESPONSIBILITIES

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

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

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the Code of Practice.

The Director of Finance and Corporate Services has also:

- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.



CLIVE HEAPHY
Director of Finance and Corporate Services

Date: 12th Sept 2011

Statement of Accounting Policies

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STATEMENT OF ACCOUNTING POLICIES (Continued)

1. Code of Practice

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

2. Comprehensive Income and Expenditure Statement

2.1 Accruals of Expenditure and Income

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

The exception to this is the Cash Flow Statement, which shows the authority's cash flow as required by the Code of Practice, using International Accounting Standard (IAS) 7.

2.2 Revenue Recognition

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

2.3 VAT

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

2.4 Revenue Government and Non -Government Grants

Grants are accounted for in line with the Code of Practice. Grants are immediately recognised where the council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received.

2.5 Charges to Revenue

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

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

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

2.6 Council Tax and National Non Domestic Rates (NNDR)

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

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

2.7 Area Based Grant

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

2.8 Cost of Support Services

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

2.9 Foreign Currency Transactions

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

2.10 Exceptional items and prior period adjustments

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

2.11 Events after the balance sheet date

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

3. Balance sheet – Non Current Assets

3.1 Plant, Property and Equipment

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

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

Individual categories of assets are valued on the following basis:

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

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

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

3.1.1 DEPRECIATION AND AMORTISATION

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

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

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

3.1.2 COMPONENT ACCOUNTING

The Code of Practice 2010-11 introduces component accounting for Plant, Property and Equipment. This is a prospective change, and local authorities are required to value the components of major assets, where the components are of material value and have a significantly different economic life to the asset itself.

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

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

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

3.2 Investment Properties

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

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

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

3.3 Intangible Assets

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

Amortisation is the equivalent of depreciation for intangible assets. It spreads the cost of buying or developing an intangible asset over the life of the intangible asset.

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

3.4 Impairment

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

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

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

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

4. Balance sheet – Current Assets

4.1 Inventories

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

4.2 Cash and Cash Equivalents

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

4.3 Work in Progress (Construction contracts)

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

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

5. Balance sheet - Liabilities

5.1 Debtors and Creditors

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

5.2 Provisions, Contingent Liabilities, and Contingent Assets

The Council makes a provision in compliance with IAS 37 where there is a present obligation as a result of a past event where it is probable that the Council will incur expenditure to settle the obligation and where a reasonable estimate can be made of the amount involved. In addition to the provisions listed in note 28 to the Core Financial Statements, there is a provision for unrecovered debts, this has been netted off against the debtors figure on the balance sheet (see note 24 to the Core Financial Statements).

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

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

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

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

5.2.1 EMPLOYEE BENEFITS

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

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

5.3 Reserves

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

6 Balance Sheet - Financial Instruments

6.1 Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments, but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments

- Fair value through income and expenditure

6.1.1 LOANS AND RECEIVABLES

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

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

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

6.1.2 AVAILABLE FOR SALE ASSETS

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

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

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

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

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

Any gains or losses that arise on the derecognition of the asset are credited/debited to the surplus or deficit on the provision of services section of the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the surplus or deficit on revaluation of available-for-sale financial assets line in the Comprehensive Income and Expenditure Statement.

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

6.1.3 FAIR VALUE THROUGH INCOME AND EXPENDITURE

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

6.2 Premature Redemption of Debt

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

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

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

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

- For strategic financial reasons, the optimum level of borrowing for an authority in the position of Brent is usually to maintain gross borrowing at the authority's overall Capital Financing Requirement, unless the yield curve indicates very low short term rates. Unless borrowing required to fund the capital programme is less than the Minimum Revenue Provision, this will always involve refinancing debt redeemed prematurely with new borrowing. Borrowing to fund Brent's capital programme is likely to exceed Minimum Revenue Provision by a substantial margin for the foreseeable future. However, at present the yield curve indicates that interest rates are likely to remain low, so that borrowing for shorter periods or at variable rates may be prudent.
- Given the current pattern of rates, there is a significant penalty incurred in redeeming much of the Council's debt prematurely. However, the cost of maintaining a higher borrowing portfolio than is immediately required is particularly high at present, and the current risks to balances on deposit indicate that these should be kept to a minimum prudent level (to cover cash flow). In practice, this suggests a policy of seeking opportunities to redeem individual loans where this is economical.

6.3 Financial Liabilities

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

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

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

7 Capital Financing

7.1 Capital Expenditure

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

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

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

7.2 Capital Government Grants and Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised as income as soon as the council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received. As central government has recently rescinded major capital grants prior to financial close, the council will only recognise capital grants for specific projects in full at financial close of the specific project. Prior to financial close, income will be recognised as equal to expenditure on the project.

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

7.3 Leasing

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

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

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

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

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

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

7.3.1 SERVICE CONCESSIONS AND THE PRIVATE FINANCE INITIATIVE (PFI)

Contracts and other arrangements that have been determined as "service concessions" are accounted for under IFRIC 12 and the Code of Practice. The Council has analysed its contracts and other arrangements and has determined the five arrangements below to be "service concessions".

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

In 1998/99 a 20 year project to provide and maintain street lights throughout the Borough;

In 2006/07 a 25 year project to provide and maintain a new sports centre and related facilities in Willesden.

In 2008/09 a 20 year project to provide and maintain social housing and replacement residential facilities for people with learning disabilities.

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

In 2005/06 a 32 year agreement to provide and maintain social housing within Stonebridge.

In 2006/07 a 5 year agreement to refurbish a sports centre in Wembley.

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

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

The council's ongoing liabilities for these service concessions are recognised on the balance sheet. This has been done by recognising a finance lease creditor calculated in line with the requirements of the Code of Practice and written down accordingly.

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

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

7.3.2 EMBEDDED FINANCE LEASES

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

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

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

7.4 Minimum Revenue Provision

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

For supported borrowing, the council will continue with the existing method (Option 1). This option, 'the regulatory method', continues to use the calculations that were used under the system that existed from 2004/05 when the previous regulations came into effect. This means that the amount of non-housing Capital Financing Requirement (CFR), adjusted as set out in the original regulations (Adjustment A'), is used as the starting position for the MRP calculation in 2008/09 and adjusted thereafter for supported borrowing in each year.

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

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

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

These policies do not apply to HRA assets.

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

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

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

7.5 Contributions from the Capital Adjustment Account

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

7.6 Income from the Sale of Fixed Assets

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

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

7.7 Borrowing Costs

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

8 Group Accounts

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

8.1 Interest in Companies

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

9 Brent Pension Fund Accounting policies

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

10.1 Statements of accounting policies

- i. The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the pension fund for those employees.
- ii. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. These costs have been determined on the basis of contribution rates that are set to meet 100 per cent of the liabilities of the Pension Fund, in accordance with relevant Government Regulations.

10.2 Basis of accounting

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

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

10.3 Asset valuation principles

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

10.4 Income from investments

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

10.5 Foreign currencies

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

10.6 Transfer values to and from the fund

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

10.7 Ex-gratia payments

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

10.8 Taxation

10.8.1 INVESTMENTS

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

10.8.2 COMPOUNDED PENSIONS

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

10.9 Employers' contributions

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

10.10 Statement of investment principles

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

10.11 Related party's transactions

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

10.12 The administrative authority's responsibilities

The authority is required:

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

10.13 Responsibilities of the Director of Finance and Corporate Services

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

Clive Heaphy

Director of Finance and Corporate Services

Movement in Reserves Statement

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

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

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

2009/10 Restated		
Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000
79,418	(50,288)	29,130
71,383	(10,223)	61,160
386,699	(297,307)	89,392
34,399	(15,226)	19,173
36,015	(68,158)	(32,143)
318,273	(297,784)	20,489
107,129	(19,983)	87,146
7,397	(21)	7,376
460		460
1,041,173	(758,990)	282,183
		9,186
		61,533
		(330,590)
		22,312
		(84,845)
		176,330
		91,485
		113,797

2010/11		
Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000
48,013	(38,205)	9,808
61,943	(11,666)	50,277
443,333	(363,217)	80,116
30,430	(20,440)	9,990
34,015	(53,784)	(19,769)
364,897	(332,306)	32,591
121,564	(25,276)	96,288
6,325		6,325
234,654		234,654
(117,950)		(117,950)
6,168	(6,852)	(684)
1,233,392	(851,746)	381,646
		32,408
		56,395
		(364,661)
		105,788
		(564)
		12,520
		11,956
		117,744

Balance Sheet

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

Cash Flow Statement

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 1.- TRANSITION TO IFRS - 31.3.09 BALANCE SHEET

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 1.- TRANSITION TO IFRS - 31.3.10 BALANCE SHEET

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

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

A heritage asset is defined as:

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

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

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

Note 3 - Key Judgements and Material Estimates.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

- Retirement Benefit Obligations – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority’s retirement benefit obligation. The key assumptions made are set out in note 47 (1)-(5).
- Provisions – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability in accordance with accounting policies. In calculating the level of provisions the authority also exercises some judgement; they are measured at the authority’s best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the authority’s provisions and details of its contingent liabilities are set out in notes 22 and 48 respectively.
- Property, Plant and Equipment – Assets are depreciated over useful lives that are dependent on assumptions such as the level of repairs and maintenance that will be incurred in relation to individual type of asset, the expected length of service potential of the asset and the likelihood of the authority’s usage of the asset. The authority carries out an annual impairment review of its asset base which takes in to account such factors as the current economic climate.
- Future Levels of Government Funding and Levels of Reserves – the future levels of funding for local authorities has a high degree of uncertainty. The authority has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the authority’s track record in financial management. The authority’s budget strategy for 2011/12 was approved in February 2011.
- Classification of Leases – The authority has entered into a number of lease arrangements in respect of property and other assets. The authority has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels and in reviewing contractual arrangements having the substance of a lease (e.g. contract values and length of contract). Details of the authority’s leases and lease type arrangements are set out in note 41.
- Treatment of PFI arrangements – The authority has entered into a number of PFI arrangements in respect of infrastructure. The authority has exercised judgement in the identification of service concessions and embedded leases within PFIs using such as arrangements that allow the council to control residual value of PFI assets without legal title. Initial assets and liabilities for the PFIs are calculated using financial model based upon the contractual terms and conditions and the operator’s financial model; subsequent changes in the authority’s PFI liabilities are estimated using the same model. Subsequent changes in the authority’s PFI funded assets are measured in the same way as other non current assets. Details of the PFI and service concession type arrangements are set out in note 42.
- Deposits with Icelandic banks – The authority has deposited £15M with Icelandic banks which are in administration. Based on the latest information from the administrators an impairment of £2M has been recognised to cover reasonably expected losses relating to Heritable Bank. Further information on deposits with Icelandic Banks is included in note 15 (3).

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

This note is not required.

Note 5 – Material items of Income and Expenses –

This note is not required.

Note 6 – Events After the Balance Sheet

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

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

Note 8 - Transfers to/from Earmarked Reserves

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 9 - Other Operating Expenditure

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

Note 10 - Financing and Investment Income and Expenditure

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

Note 11 - Taxation and non-Specific Grant Incomes

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

NOTE TO THE CORE FINANCIAL STATEMENT (Continued)

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

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

NOTE TO THE CORE FINANCIAL STATEMENT (Continued)

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

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

NOTE TO THE CORE FINANCIAL STATEMENT (Continued)

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 13 - Investment Properties

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

Note 14 - Intangible Assets

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

NOTES TO THE CORE FINANCIAL STATEMENTS
(Continued)

Note 15 - Financial Instruments - Categories

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 15 - Fair Values of Assets and Liabilities

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

The Council's long term borrowing at 31 March 2010 and 31 March 2011 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio, assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

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

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

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

<u>Financial Assets</u>				
Loans and Receivables	41,895	41,895	64,573	64,573
Long-Term Debtors				

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Impairment of Deposits with Icelandic Banks

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

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

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

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

Heritable Bank

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Glitnir Bank hf

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

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts. The district court has upheld the claim to preferential creditor status. The claim will now be tested in the Icelandic Supreme Court, probably in September 2011.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 16 - Inventories

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

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

Note 18 - Debtors

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

Note 19 - Cash and Cash Equivalents

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

Schools overdrawn accounts

(6,271)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 20 - Assets Held for Sale

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

Note 21 - Creditors

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 22 - Provisions

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

Outstanding legal claims

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

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

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

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

Quainton Street S106 - Ongoing court case.

Chalkhill - Works to be carried out on Chalkhill estate.

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

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

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

Compensation Claims

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

Other Provisions

Finance lease liability – provision for onerous lease.

Note 23 - Usable Reserves

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 24 - Unusable Reserves - Summary

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

Note 24 - Unusable Reserves - Movements in year

Revaluation Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Capital Adjustment Account

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Financial Instruments Adjustment Account

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

Pensions Reserve

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

Deferred Capital Receipts Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Accumulated Absences Account

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

Note 25 - Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

Note 26 - Cash Flow Statement - Investing Activities

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

Note 27 -Cash Flow Statement - Financing Activities

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

Note 28 - Directorate Income and Expenditure

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

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

Note 28 - Directorate Income and Expenditure (Continued)

Reconciliation to the Comprehensive Income and Expenditure Statements

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

Note 28 - Directorate Income and Expenditure (Continued)

Reconciliation to Subjective Analysis

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

Note 28 - Directorate Income and Expenditure (Continued)

Reconciliation to Subjective Analysis (Continued)

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

Note 30 - Trading Operations Accounts

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 31 – Agency Services – This note not required

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

This note not required

Note 33: Pooled Budgets

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

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

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

Note 34 - Members Allowances

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 35 - Senior Employees' Remuneration

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 35 - Senior Employees' Remuneration (Continued)

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Note 35 - Senior Employees' Remuneration (Continued)

- Note 1: The Chief Executive's salary in 2010/11 included £7,975 for his duties as returning officer for the General and Council elections paid by the Government plus £947 for a Council by-election as well as £381 for travel mileage. The Chief Executive's salary in 2009/10 includes £9,410 for acting as returning officer for the European elections paid by the Government and £862 for returning officer duties in the Council by-election paid by the Council as well as £255 for travel mileage. The Chief Executive's salary, excluding returning officer duties and travel mileage, was £194,550 in 2010/11 and 2009/10.
- Note 2: The former Director of Environment and Culture left on 15.10.10. His annualised salary was £140,508. The Director of Environment and Neighbourhood Services had an annualised salary of £118,893 in 2010/11.
- Note 3: The former Director of Children and Families worked until 6.9.10. His annualised salary was £140,508. The current Director's annualised salary was £118,893 in 2010/11.
- Note 4: The former Director of Finance and Corporate Resources left on 13.10.10. His annualised salary was £140,508. The department was renamed Finance and Corporate Services and the new Director started on 23.9.10. His annualised salary was £129,699 in 2010/11.
- Note 5: The Director of Business Transformation left on 11.8.10. His annualised salary for 2010/11 was £135,105. His areas of responsibility went to other Directors.
- Note 6: The Director of Customer and Community Engagement's salary in 2009/10 included a backdated pay award.
- Note 7: After the Borough Solicitor left the Council the duties were undertaken by an interim appointment. Brent paid £24,945 for these interim services for this post in 2009/10. The annualised salary of the Borough Solicitor was £108,084 in 2009/10. Brent paid £18,441 for interim services in 2010/11. This included an introduction fee when the interim officer was appointed to the post of Director of Legal and Procurement on a permanent basis .
- Note 8: The post of Director of Regeneration and Major Projects was created after a reorganisation in 2010/11. The annualised salary was £118,893.

Note 35 - Officers' Remuneration

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS(Continued)

Note 36 - External Audit Costs

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

Note 37 - Deployment of Dedicated Schools Grant

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

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

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

Note 38 - Grant Income

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

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

Note 38 - Grant Income (Continued)

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

Note 38 - Grant Income (Continued)

Capital Grants Receipts in Advance

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

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

Note 39: Related Party Transactions

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

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS(Continued)

Note 40 - Capital Expenditure and Capital Financing

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

**NOTES TO THE CORE
FINANCIAL STATEMENTS
(Continued)
Note 41: Leases**

Authority as Lessee

Finance Leases

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

	31-Mar-10	31-Mar-11
	£'000	£'000
Plant, Furniture, Vehicles and Equipment	4,620	2,928

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

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

These minimum lease payments are payable over the following periods:

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

Operating Leases

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

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

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

Future payments under this contract are:

	2009-10 £'000	2010-11 £'000
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Not later than one year	1,653	1,694
Later than one year and not later than five years	3,431	1,736
	<u>5,084</u>	<u>3,430</u>

Authority as Lessor

Finance Leases

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

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

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

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

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

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

Operating Leases

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

Future minimum lease payments expected under these contracts are:

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

Later than five years

5,145	6,100
8,753	9,137

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

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

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

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

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

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

- In 2005/06 a 32 year agreement 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.
- In 2006/07 a 5 year agreement to refurbish a sports centre in Wembley. This Sports Centre is on balance sheet, and the value of these refurbishments is controlled by Brent Council when the contract ends.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 43 – Impairment Losses

Note 44 – Capitalisation of Borrowing Costs

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

Amount of Borrowing Costs Capitalised

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

Capitalisation Rate used to determine borrowing costs eligible for capitalisation

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

Note 45 - Termination Benefits

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

Note 46 - Pension Schemes Accounted for as Defined Contribution Schemes

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

Note 47 - Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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

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

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

Reconciliation of present value of the scheme liabilities

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

Reconciliation of fair value of the scheme assets

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

Note 47 -Scheme History

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

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

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

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

Note 47 - Basis for Estimating Assets and Liabilities

The latest actuarial valuation of the London Borough of Brent's liabilities took place as at 31 March 2010. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund and assessing discretionary benefit liabilities are set out below:

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

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

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

Note 47 - History of Experience Gains and Losses

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

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

Note 48: Contingent Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 49 - Exceptional Items

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

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

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

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

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of interest rate movements or other market changes.

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years establishing:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

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

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

Credit risk

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

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

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

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

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

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

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

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

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

Liquidity risk

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

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

Refinancing and Maturity Risk

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

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

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

The maturity analysis of borrowing is as follows:

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

The maturity analysis of investments is as follows:

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

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

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

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

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

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

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

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

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

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

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

Fair Value

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

HOUSING REVENUE ACCOUNT – 2010/2011

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

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

HOUSING REVENUE ACCOUNT – 2010/2011 (Continued)

Statement of Movement on HRA Balance

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

HRA adjustments between accounting basis and funding basis under regulations

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

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1: HOUSING STOCK

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

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

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

Note 2: RENT ARREARS

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

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

Note 3: FIXED ASSETS

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

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

Note 4: Vacant Possession Value of HRA Dwellings

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

Note 5: IMPAIRMENT CHARGE.

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

Note 6: Major Repairs Reserve

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

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

Note 7: HRA SUBSIDY

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

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

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

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

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

NOTE 9: DEPRECIATION

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

Note 10: NET INTEREST CHARGED TO THE HRA

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

Note 11: Transfer To Pension Reserve

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

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

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

Note 12: Brent Housing Partnership

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

Note 13: Revaluation

HRA dwellings are valued at Existing Use Value. The Council calculates any arising revaluation loss or gain on the properties held within the HRA through the application of a regional annual housing indexation factor. In addition there was an instruction from Central Government to reduce the social housing discount factor, which is resulted in a revaluation loss.

COLLECTION FUND

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

COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

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

NOTES TO THE COLLECTION FUND

NOTE 1: COUNCIL TAX

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

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

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

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

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

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

NOTE 2: NATIONAL NON-DOMESTIC RATES (NNDR)

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

NOTES TO THE COLLECTION FUND (Continued)

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

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

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

NOTE 3: PRECEPTS

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

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

NOTES TO THE COLLECTION FUND (CONTINUED)**NOTE 4: ESTIMATED SURPLUS AND DEFICIT**

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

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

GROUP ACCOUNTS

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

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

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

The following group financial statements have been prepared:

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

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

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

GROUP BALANCE SHEET

GROUP BALANCE SHEET AS AT 31st MARCH 2011

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

GROUP CASH FLOW STATEMENT

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

NOTES TO THE GROUP ACCOUNTS

SUMMARY OF ITEMS IN GROUP ACCOUNTS

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

2009/10 Restated

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

2010/11

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

BRENT PENSION FUND

Brent Pension Fund responsibilities

The Brent Pension Fund

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

ADMINISTERING AUTHORITY

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

Brent Pension Fund Sub-Committee

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

Chair	Councillor S. Choudhary
Vice-Chair	Councillor G. Crane
Member	Councillor J. Bacchus
Member	Councillor S. Hashmi
Member	Councillor D. Brown
Member	Councillor B.M. Patel
Member	Councillor W. Mitchell Murray

CO-OPTED MEMBERS

North West London College	Mr. A. Patel
GMB	Mr. G. Fraser

Independent Adviser	Mr V. Furniss
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Brent Pension Fund responsibilities – Pension Fund Sub-Committee

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

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

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

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

BRENT PENSION FUND (Continued)

Fund managers

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

The following Fund managers manage individual portfolios:

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

Custodians

The Fund uses two custodians for segregated portfolios as follows:

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

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

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

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

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

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

BRENT PENSION FUND (Continued)

Actuarial valuation

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

INTRODUCTION

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

ACTUARIAL POSITION

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

Plus

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

This implies an average employer contribution rate of about 24.6% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.

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

BRENT PENSION FUND (Continued)

7. The main actuarial assumptions were as follows:

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

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

8. Contribution rates for all employers will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.
9. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of London Borough of Brent. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2010. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

Aon Hewitt Limited

June 2011

BRENT PENSION FUND (Continued)

Table C: Employer Contribution Rates

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

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

BRENT PENSION FUND (Continued)

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

ADMITTED BODIES: NON-CONTRIBUTING

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

Pension Fund – GENERAL INFORMATION**Fund income**

The fund receives income from the following sources:

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

BRENT PENSION FUND (Continued)

Investments

Administration of the fund

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

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

SALES AND PURCHASES

Sales proceeds totalled £ 279.1million (£164.0 million 2009/10) and the purchases totalled £ 296.1million (£192.6 million 2009/10) during 2010/11.

BRENT PENSION FUND (Continued)

London Borough of Brent Pension Fund accounts as at 31 March 2011

	Note	<u>2008/2009</u> <u>£ 000s</u>	<u>2009/2010</u> <u>£ 000s</u>	<u>2010/2011</u> <u>£ 000s</u>
Contributions and benefits				
Contributions receivable	3		38,600	39,594
Transfer values in	4		4,389	4,306
			42,989	43,900
Benefits payable	5		28,376	32,948
Payments to and account leavers	6		4,869	5,117
Administrative expenses	7		1,155	1,214
			34,400	39,279
Net additions (withdrawals) from dealings with members			8,589	4,621
Returns on investment				
Investment income	8		12,059	12,007
Change in market value of investments	9		96,029	20,431
Investment management expenses	10		(1,435)	(1,515)
Return on investments			106,653	30,923
Net increase / (decrease) in the funds during the year			115,242	35,544
IFRS net assets of the scheme				
Opening net assets		472,039	339,573	454,815
Closing net assets		339,573	454,815	490,359
NET ASSETS STATEMENT 31 MARCH				
Investment assets	9	340,356	454,112	487,443
Investment liabilities		(154)	0	0
TOTAL Investments		340,202	454,112	487,443
Current assets	11	852	971	3,880
Current liabilities	12	1,481	(268)	(964)
Net assets of the scheme at 31 March		339,573	454,815	490,359

BRENT PENSION FUND (Continued)

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

There are no material differences on transition to IFRS.

The actuarial certificate (page 8) sets out the actuarial position of the Fund and the required level of contributions payable. In accordance with International Financial Reporting Standards, the actuary has valued the whole Fund as at 31st March 2010 on the basis of International Accounting Standard 26. This is produced as a separate report (web reference), and will be updated every three years in accordance with CIPFA guidance.

London Borough of Brent Pension Fund Accounting policies and notes to the accounts March 2011

1. Basis of preparation

The financial statements summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay pensions and other benefits in the future, and have been prepared on a going concern basis. The actuarial position of the fund, which **does** take account of such liabilities, is dealt with in the statement by the actuary on page 8 of the annual report of the Fund and these financial statements should be read in conjunction with it.

2. Accounting policies

The consolidated accounts of the Fund for the year to 31st March 2011 are presented in accordance with the following accounting policies:

A Statements of accounting policies

- (i) the pension costs that are charged to the council's accounts in respect of its employees are equal to the contributions paid to the pension fund for those employees.
- (ii) further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. These costs have been determined on the basis of contribution rates that are set to meet 100 per cent of the liabilities of the Pension Fund, in accordance with relevant Government Regulations.

B Basis of accounting

The Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of the Pension Schemes: A Statement of Recommended Practice (revised May 2007). Chapter 2 Recommended Accounting Practice, International Financial Reporting Standards(IFRS) and the CIPFA Code of Practice on Local Authority Accounting.

C Asset valuation principles

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

D Income from investments

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

BRENT PENSION FUND (Continued)

E Foreign currencies

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

F Transfer values to and from the fund

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

G Ex-gratia payments

No ex-gratia payments were met from the Fund in 2010/2011.

H Taxation

(i) Investments

The Fund is exempt from United Kingdom Capital Gains Tax. Income from overseas sources suffers a withholding tax in the country of origin, unless exemption is permitted as in the United States and Australia. A proportion of the tax deducted in some European countries is recovered. The amounts recovered will vary from the amounts paid due to exchange rate fluctuations. All VAT paid is recoverable.

ii) Compounded pensions

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

I Employers' contributions

In 2010/2011 employers' contributions of £31.2 million were paid (2009/10 £ 29.7 million).

The increased contributions will allow elimination of the funding deficit over a 25 year period.

J Statement of investment principles

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

K Related party's transactions

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

L The administrative authority's responsibilities

The authority is required to:

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

BRENT PENSION FUND (Continued)

M Responsibilities of the Director of Finance and Corporate Services

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

Clive Heaphy

Director of Finance and Corporate Services

BRENT PENSION FUND (Continued)

3 Contributions receivable

Employees contributed £8.3 million in 2010/2011. The numbers of contributing members increased during the year.

	<u>2009/10</u> <u>£000s</u>	<u>2009/10</u> <u>£000s</u>	<u>2010/11</u> <u>£000s</u>	<u>2010/11</u> <u>£000s</u>	<u>2009/10</u> <u>£000s</u>	<u>2010/11</u> <u>£000s</u>
	ongoing	deficit	ongoing	deficit		
Employers						
Brent	16,842	9,218	17,383	9,514	26,060	26,897
Scheduled	1,993	395	2,176	465	2,388	2,641
Admitted	908	412	1,091	633	1,320	1,724
Members						
Brent					7,384	6,892
Scheduled					912	904
Admitted					289	316
Additional voluntary contributions					247	220
	19,743	10,025	20,650	10,612	38,600	39,594

4 Transfers in

	<u>2009/10</u> <u>£000s</u>	<u>2010/11</u> <u>£000s</u>
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Individual Transfers in from other schemes	4,389	4,306
--	--------------	--------------

5 Benefits payable

On retirement or death

Pensions		
Brent	20,781	21,721
Scheduled	689	906
Admitted	735	795
Lump sum retirement benefits		
Brent	4,775	7,762
Scheduled	251	972
Admitted	249	296
Lump sum death benefits		
Brent	690	496
Scheduled	16	0
Admitted	190	0
	28,376	32,948

6 Payments to and on account of leavers

Refund to members leaving service	45	(6)
Individual transfers to other schemes	4,824	5,123
	4,869	5,117

7 Administration expenses

Administration and processing	1,055	1,064
Actuarial fees	61	115
Audit fees	39	35
	1,155	1,214

BRENT PENSION FUND (Continued)

8 Investment Income	2009/10	2010/11
	£000s	£000s
Dividend income equities	7,535	5,003
Income from fixed interest securities	2,902	2,371
Income from property unit trusts securities	1,104	1,285
Income from private equity	663	2,408
Interest on cash deposits	38	42
Infrastructure	68	289
Commission recapture	3	17
Miscellaneous	296	758
Class action	4	0
	12,613	12,173
Irrecoverable tax	(554)	(166)
Total investment income	12,059	12,007

9 Investments (summary as in the Statement of Recommended Practice)

Fixed interest securities – public sector	14,769	17,144
Equities	227,124	72,751
Pooled investment vehicles	205,591	396,519
Derivative contracts	9	0
Cash	5,676	540
	453,169	486,954

Investments (detail)

	Value at	Purchases	Sales	Change in	Value at
	31.03.10	At cost	Proceeds	Market	31.03.11
	£'000s	£'000s	£'000s	Value	£'000s
				£'000s	
UK equities-quoted	100,325	6,814	37,966	3,578	72,751
Global equities-quoted UK Alliance	14,721	3,683	17,810	(594)	0
Global equities-quoted Alliance	112,078	52,160	158,312	(5,926)	0
Global Equities-LGIM	0	111,304	0	10,817	122,121
Emerging markets-LGIM	0	34,724	0	1,580	36,304
Fixed interest (including unit trusts)	81,792	63,211	61,291	1,253	84,965
Property UK FOF UT	19,731	4,000	0	2,696	26,427
Property European FOF UT	6,756	0	0	(90)	6,666
UK equities small companies UT	15,447	77	2,400	2,760	15,884
*Private equity-YFM/CapDyn LLP	38,331	13,045	1,413	2,110	52,073
Hedge fund Open ended Trust	41,842	0	0	444	42,286
*Infrastructure LLP	5,011	3,079	0	20	8,110
GTAA Open ended Trust	11,450	4,000	0	3,377	18,827
	447,484	296,097	279,192	22,025	486,414
Cash deposits	5,676	0	5,175	39	540
Henderson Bond Future	0	106	(15)	(121)	0
Henderson FX	4	1,829	1,829	(4)	0
AllianceBernstein FX	0	5,765	4,298	(1,467)	0
AllianceBernstein Futures	5	154	118	(41)	0
	453,169	303,951	290,597	20,431	486,954
Investment income due	943				489
	454,112				487,443

BRENT PENSION FUND (Continued)

UT is unit trust

LP is limited partnership

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year.

*Private equity and Infrastructure

The Brent pension fund has made commitments as a limited partner to ten funds managed by Capital Dynamics, the Capital Fund for London and to the Alinda Infrastructure Fund. As at 31st March 2011, outstanding commitments totalled £91.3m.

Fixed interest securities	<u>2009/10</u>	<u>2010/11</u>
	<u>£000s</u>	<u>£000s</u>
Segregated		
UK public sector	14,769	17,144
Pooled		
UK corporate – open ended unit trust	22,325	23,957
Overseas government open ended unit trust	8,834	8,257
Secured loans open ended unit trust	8,630	4,613
Credit opportunities open ended unit trust	11,534	9,201
Credit alpha open ended unit trust	11,062	12,516
Currency fund open ended unit trust	1,255	646
Absolute return fund open ended unit trust	0	0
Infrastructure Limited Partnership	812	920
Money market fund	2,571	7,711
	81,792	84,965

Pooled investment vehicles (excluding fixed interest).

	<u>2009/10</u>	<u>2010/11</u>
	<u>£000s</u>	<u>£000s</u>
Property - UK fund of funds unit trust	19,731	26,427
Property - European fund of funds unit trust	6,756	6,666
UK Equities – small companies unit trust	15,447	15,884
Overseas equities – developed markets	0	122,121
Overseas equities - emerging markets	0	36,304
Private equity limited partnerships	38,331	52,073
Hedge fund open ended trust	41,842	42,286
Infrastructure limited partnership	5,011	8,110
GTAA open ended trust	11,450	18,827
	138,568	328,698

Derivative Contracts	<u>2009/10</u>	<u>2010/11</u>
	<u>£000</u>	<u>£000</u>
Currency – Henderson	4	-
Futures – bonds	-	-
Futures – equities	5	-

BRENT PENSION FUND (Continued)

Type of derivative	Expiration	Economic exposure value £000	Fair Value	
			Asset	Liability
Henderson				
UK Sterling	27 th June 2011	50	-	
US Dollars	27th June 2011	(50)	-	
Futures UK LIFFE Long Gilt	28th June 2011	(1172)	-	
Futures Canada MSE 10 year	21st June 2011	(616)		-
Futures Australia 3 year Bond	15th June 2011	(1522)	-	
Futures EUX Euro-bund	8th June 2011	1074		-

Derivative receipts and payments represent the realised gains and losses on contracts. The various derivatives are held for the following purposes:-

- Gilt futures. The manager purchases exposure to the value of gilts at a future date, paying a margin that increases / reduces as the value of the future varies. Futures are used because the market is liquid and costs are lower.
- Currency exposure is obtained through futures, and has two main purposes. First, the pooled currency fund managed by Henderson took views on currency movements, seeking to make gains as currencies rose / fell. Second, the Fund has sought to protect the value of investments against adverse currency movements by fixing the sterling value in the future.
- Global Tactical Asset Allocation (GTAA) seeks to make gains through the relative movements in currency, bonds and equities. Exposure is gained through a pooled fund managed by Mellon.

BRENT PENSION FUND (Continued)

AVC Investments

Additional voluntary contributions are not included in the pension fund accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds Regulations 1998). Individuals hold assets invested separately from the main fund in the form of with profits, equity related, or building society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVCs). Members participating in this arrangement each receive an annual statement made up to 31st March confirming the value of their account and the movements in the year. The aggregate value of the AVC investments is as follows:-

	<u>2009/10</u>	<u>2010/11</u>
	<u>£000s</u>	<u>£000s</u>
Equitable Life	194	180
Clerical Medical	1,235	1,212
	<u>1,429</u>	<u>1,392</u>

10 INVESTMENT MANAGEMENT EXPENSES

	<u>2009/10</u>	<u>2010/11</u>
	<u>£000s</u>	<u>£000s</u>
Administration, management and custody fees	1,340	1,429
Performance measurement fees	18	19
Other advisory fees	77	67
	<u>1,435</u>	<u>1,515</u>

AVC INVESTMENTS

	194	180
	1,235	1,212
	<u>1,429</u>	<u>1,392</u>

11 CURRENT ASSETS

Contributions due		
Employers	569	2,507
Employees	92	98
Additional voluntary contributions	2	1
Other miscellaneous debtors	308	1,274
	<u>971</u>	<u>3,880</u>

12. CURRENT LIABILITIES

Management / advisor's fees	(222)	(48)
Lump sums not paid	0	0
Accrued expenses	(46)	(916)
	<u>(268)</u>	<u>(964)</u>

13. Short-Term Debtors

Central government bodies	0	0
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	971	3,880
	<u>971</u>	<u>3,880</u>

BRENT PENSION FUND (Continued)**14. Short-Term Creditors**

Central government bodies	0	0
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	(264)	(964)
	(264)	(964)

15. Cash and cash equivalents

Cash held by authority	0	0
Bank current accounts	5,676	540
Short-term deposits with building societies	0	0
	5,676	540

GLOSSARY

ACCRUALS

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

AREA BASED GRANT

Area Based Grant is paid by the Government to local authorities starting from 2008/09. It is a non-ringfenced general grant.

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CORPORATE AND DEMOCRATIC CORE

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

CORPORATE MANAGEMENT

Those activities which relate to the general running of the authority. These provide the infrastructure that allows services to be provided whether by the authority or not and the information required for public accountability. Activities relating to the provision of services, even indirectly, are overheads on those services, not a charge to corporate management.

GLOSSARY (Continued)

CREDITORS

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

DEBTORS

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

DEMOCRATIC REPRESENTATION AND MANAGEMENT

This concerns corporate policy making and all other member-based activities. It includes the costs of officer time spent on appropriate advice and support activities plus subscriptions to local authority associations.

FINANCE LEASE

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

FIXED ASSETS

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

FORMULA GRANT

The amount provided by Government to local authorities in the form of Revenue Support Grant and redistributed National Non-Domestic Rates based on relative needs and council tax base.

GOING CONCERN

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

GOVERNMENT GRANTS - SPECIFIC

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

INFRASTRUCTURE ASSETS

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

GLOSSARY (Continued)

LONG TERM INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments which do not meet the above criteria, should be classified as current assets.

LEVIES

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

LONG-TERM CONTRACTS

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

MINIMUM REVENUE PROVISION

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

NATIONAL NON DOMESTIC RATE (NNDR)

A flat rate in the pound set by the Central Government and levied on all non-residential premises according to their rateable value collected by the council and paid into a central pool (NNDR POOL) which is administered by the Central Government. The total collected is then redistributed to councils as part of Formula Grant.

OPERATING LEASES

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

OPERATIONAL ASSETS/NON OPERATIONAL ASSETS

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

GLOSSARY (Continued)

PRECEPTS

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

PRIOR YEAR ADJUSTMENTS

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

PRUDENCE

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

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation which, together with redistributed National Non Domestic Rates, makes up total Formula Grant.

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

Guidance issued by the professional bodies on best accounting practice.

ABBREVIATIONS

ALMO	Arms Length Management Organisation
AVC	Additional Voluntary Contribution
BHP	Brent Housing Partnership
CIPFA	Chartered Institute of Public Finance and Accountancy
DCLG	Department for Communities and Local Government (part of central government)
DCSF	Department of Children, Schools and Families
FTE	Full Time Equivalent
GLA	Greater London Authority
HRA	Housing Revenue Account
IFRS	International Finance Reporting Standards
I&E Account	Income and Expenditure Account
LABGI	Local Authority Business Growth Incentive
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NNDR	National Non Domestic Rates (also called Business Rates)
PFI	Private Finance Initiative
PPP	Public Private Partnership
PWLB	Public Works Loans Board
SMGFB	Statement of Movement on the General Fund Balance
SORP	Statement of Recommended Practice
SRB	Single Regeneration Budget
SSAP	Statement of Standard Accounting Practice
STRGL	Statement of Total Recognised Gains and Losses