

**LONDON BOROUGH OF BRENT**  
**STATEMENT OF ACCOUNTS**  
**2008/09**

**C O N T E N T S**

	<b>Page</b>
INTRODUCTION BY DIRECTOR OF FINANCE AND CORPORATE RESOURCES	1
EXPLANATORY FOREWORD	2
AUDITOR'S REPORT	10
STATEMENT OF RESPONSIBILITIES	15
COMMITTEE APPROVAL	16
ANNUAL GOVERNANCE STATEMENT	17
STATEMENT OF ACCOUNTING POLICIES	44
BRENT CORE FINANCIAL STATEMENTS	
• Income and Expenditure Account	53
• Statement of Movement on the General Fund Balance	54
• Statement of Total Recognised Gains and Losses (STRGL)	56
• Balance Sheet	57
• Cash Flow Statement	59
NOTES TO THE CORE FINANCIAL STATEMENTS	60
BRENT SUPPLEMENTARY FINANCIAL STATEMENTS	
- Housing Revenue Account	109
- The Collection Fund	115
GROUP ACCOUNTS	119
BRENT PENSION FUND	127
GLOSSARY AND ABBREVIATIONS	142

## **INTRODUCTION BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

Brent's annual accounts show the financial performance of the Council for the year 2008/09. They present fairly the financial position of the authority on 31<sup>st</sup> March 2009 and its income and expenditure for the year ending on that date.

It is hoped 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 2008/09.

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

Date: \_\_\_\_\_

\_\_\_\_\_  
DUNCAN McLEOD  
Director of Finance and Corporate Resources

## EXPLANATORY FOREWORD

### 1. INTRODUCTION

The accounts for the year 2008/09 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

**Income and Expenditure Account** - A summary of the resources generated and consumed during the year.

**Statement of Movement on the General Fund Balance** - This shows how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.

**Statement of Total Recognised Gains and Losses** - This demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains/losses.

**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 fixed assets held. It excludes the Pension Fund.

**Cash Flow Statement** - This summarises the inflows and outflows of cash arising from both revenue and capital 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).

## EXPLANATORY FOREWORD (Continued)

**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 2006 Code of Practice on Local Authority Accounting in Great Britain (ACOP), a Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.

### 2. GENERAL FUND REVENUE SPENDING IN 2008/09

The table below shows how actual expenditure on services in 2008/09 compares to the budgeted figures. Bracketed variances show underspends and unbracketed variances show overspends compared with budgets.

	Original Budget £000	Outturn £000	Variance £000
<b>Service Area Budgets</b>			
Finance & Corporate Resources/Central Units	21,478	21,452	(26)
Children & Families	58,291	58,388	97
Environment & Culture	47,673	48,454	781
Housing & Community Care			
- Housing & Customer Services	20,330	20,153	(177)
- Adult Social Care	86,522	87,689	1,167
<b>Total</b>	<b>234,294</b>	<b>236,136</b>	<b>1,842</b>
<b>Central Budgets</b>	38,892	37,046	(1,846)
<b>Area Based Grants</b>	(16,109)	(16,209)	(100)
<b>Net Cost of General Fund Services</b>	<b>257,077</b>	<b>256,973</b>	<b>(104)</b>
Contribution from Balances	(1,105)	(1,001)	104
<b>Total Budget Requirement</b>	<b>255,972</b>	<b>255,972</b>	<b>0</b>
<b>Financed By:</b>			
Formula Grant	159,404	159,404	0
Council Tax Income	97,717	97,717	0
Collection Fund Net Deficit	(1,149)	(1,149)	0
<b>Total</b>	<b>255,972</b>	<b>255,972</b>	<b>0</b>

The table above reflects the Council's service structure at the end of 2008/09. This differs from the Income and Expenditure Account since the relevant SORP requires that the I&E Account shows expenditure on services using CIPFA's standard classification in accordance with Best Value Accounting. In some cases this does not match the Council's structure.

## EXPLANATORY FOREWORD (Continued)

### Explanations of Major Variances

	(Under)/Overspending	
	£000	£000
<b>Finance &amp; Corporate Resources/Central Units</b>		
Payroll – Additional staffing and agency costs	167	
People Centre – Advertising and Recruitment – Additional cost under recovery of income	200	
Local Taxation – Efficiency in assessment/reduced staffing costs	(316)	
Housing Benefit Subsidy – Overpayments and benefit recovery	336	
Information Technology – Staffing underspending/additional grants	(399)	
Other	(14)	
		(26)
<b>Children and Families</b>		
Children with Disabilities – Historic demand and increase in direct payments	599	
School Improvement Service – Unachieved income projections	476	
Social Care Placements – Non achievement of savings and problems with in-house fostering	1,249	
Localities/Care Management – Agency and high legal costs	474	
Social Care Management – Increased income and agency/staff savings	(762)	
Strategy and Partnerships operational – Staff vacancies	(184)	
Strategy and Partnerships commissioning – Children’s mental health spend/Children Fund take up	(375)	
Finance - £1m from old year balances offset by additional agency savings	(444)	
Transport Review – Net Savings	(257)	
Lead tenant – Surplus on rent account	(285)	
Other	(394)	
		97
<b>Environment and Culture</b>		
Land Charges – Drop off in income	478	
Parks – Vacancies	(275)	
Parks – Assets and Infrastructure – Unscheduled health and Safety works	211	
Sports – Additional income/delayed maintenance	(326)	
Waste and Recycling – Compulsory recycling	789	
Parking Control – Reduced parking notices and removals	446	
Environmental Health – Staff vacancies	(125)	
Planning – Staff vacancies	(81)	
Directorate – Staff vacancies/support services	(336)	
		781

## EXPLANATORY FOREWORD (Continued)

	(Under)/Overspending	
	£000	£000
<b>Housing and Community Care</b>		
<u>Housing</u>		
One Stop Shop Staffing – Change management (mainly staffing)	(195)	
One Stop Shop Premises – Closure of One Stop Shop	(119)	
Housing Services – General Fund Contribution to HRA including additional communal lighting costs	381	
Housing Services – Care and Support Service contract	(209)	
Housing Services – Other	(35)	
	<hr/>	(177)
<u>Adult Social Care</u>		
Older People – Vacancies/additional income	(381)	
Learning Disabilities – Increased demand on direct payment and supported and other accommodation	614	
Physical Disabilities – Increases in nursing care numbers and higher demand in Millbrook contract	362	
Mental Health – Vacancies/higher housing benefit receipts	(191)	
Core Services – Unbudgeted Bad Debt provision, IT costs, Transformation savings unachieved (£423k) and admin savings unachieved during the year (£150k)	851	
Emergency Duty Team	(88)	
	<hr/>	1,167
<b>Central Items</b>		
Debt Charges/Net interest receipts – Mainly higher gross external interest received	(2,800)	
Capital Finance Reserve – Use of capital finance underspend to mitigate for lower interest on balances in future years	1,616	
Remuneration Strategy – Lower than expected costs and the capitalisation of compensation payments	(1,971)	
Premature Retirement Compensation – Mainly additional employer contributions to the LPFA	103	
South Kilburn Development – Slippage on the project	(437)	
Civic Centre – Capitalisation of additional costs	(414)	
Neighbourhood Working – Additional projects carried over from 2007/08	123	
Efficiency Programme – Slippage on efficiency programme	721	
Income Generation Initiatives – Slippage on introducing initiatives	587	
Other	626	
	<hr/>	(1,846)
<b>Area Base Grants</b>		
Additional Grant received		<hr/> (100)
<b>Total</b>		<hr/> <b>(104)</b> <hr/>

## EXPLANATORY FOREWORD (Continued)

### 3. CAPITAL EXPENDITURE

The Council's in-year capital expenditure in 2008/09 was £108.289m (2007/08 £77.490m). 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:

<b>Funding Source</b>	<b>2008/09 £000</b>
Borrowing	53,441
Government Grants	21,862
Capital Receipts	1,698
Major Repairs Reserve	11,793
General Fund Revenue Contributions	6,085
HRA Revenue Contributions	2,725
Capital Accruals	2,749
Capital Funding Account	7,936
<b>Total</b>	<b>108,289</b>

Gross capital receipts during the year totalled £1.832m.

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

<b>Scheme</b>	<b>2008/09 £000</b>
Council Housing	16,604
Housing Renovation Grants	4,730
South Kilburn – Granville New Homes	6,461
Places of change programme	2,500
Marshall House	4,466
Wembley Manor School	5,002
Ark Academy	1,130
Claremont High School	1,000
Preston Manor School	1,110
Grove Park, Hay Lane SEN Schools	661
Access Corridors	1,232
Libraries	702
Local Road Safety Schemes	2,787
Principal Roads, Carriageways and Footways	4,292
Bus Priority Network	1,026
Public Transport – Rail and Other	904
Priority Backlog Repairs to Operational Buildings	1,053
Dollis Hill Day Centre	692
ICT Schemes	2,099
Brent House Acquisition	17,694
Wembley Park Sports Ground	756

## EXPLANATORY FOREWORD (Continued)

Capital expenditure incurred by Service Departments in 2008/09 is summarised below:

<b>Department</b>	<b>2008/09 Programme £000</b>	<b>2008/09 Out-turn £000</b>	<b>Variation £000</b>
Children and Families	34,298	27,226	(7,072)
Environment and Culture	27,547	13,711	(13,836)
Housing and Community Care	26,797	36,265	9,468
Finance and Corporate Resources	6,912	4,296	(2,616)
Central Items	26,648	26,791	143
<b>Total</b>	<b>122,202</b>	<b>108,289</b>	<b>(13,913)</b>

Outstanding capital commitments at 31<sup>st</sup> March 2009 amounted to £42.727m and are shown below.

	<b>£000</b>
<b>Children &amp; Families:</b>	
Schools	16,761
Non-schools	165
<b>Environment &amp; Culture:</b>	
Roads & Highway	10,212
Leisure, Sport & Parks	1,130
Libraries & Culture	1,135
Environmental Initiatives	4,519
<b>Housing &amp; Community Care</b>	
Adults	482
Work to dwellings	2,293
Customer Services	14
<b>Finance &amp; Corporate Resources:</b>	
Information and Communications Technology schemes	336
Administrative and other Buildings	917
Local Area Agreements	1,201
<b>Central Items</b>	<b>3,562</b>
<b>Total</b>	<b>42,727</b>

## **EXPLANATORY FOREWORD (Continued)**

### **Borrowing/Investments**

During 2008/09 the Council's net borrowing (gross borrowing less investments) rose from £514.0m at 31<sup>st</sup> March 2008 to £575.7m at 31<sup>st</sup> March 2009. This resulted from a combination of increased borrowing to fund the capital programme, repayment of debt, and other changes in financing requirements. In addition, relatively high short term interest rates until September 2008 meant the council was able to increase its interest on balances. The result was that interest payable by the Council increased from £31.537m in 2007/08 to £32.817m in 2008/09 whilst interest receivable increased from £6.208m in 2007/08 to £6.956m in 2008/09.

As set out in the Notes to the Balance Sheet (Note 30) £15m has been deposited with Icelandic banks that have gone into administration. It is anticipated that around £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 £795m for 2008/09 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 15 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 collapsed in October 2008. Note 30 to the Core Financial Statements gives further details on the potential impact of the collapse of Heritable and Glitnir.

The effect of the economic climate on the value of fixed assets has been reviewed and it is the Council's opinion that the only impact for the 2008/09 accounts falls primarily on council dwellings within both the General Fund and Housing Revenue Account, Impairment Arising has been calculated and included within the Council's balance sheet. Further details of fixed assets are shown in Note 23 to the Core Financial Statements.

## **EXPLANATORY FOREWORD (Continued)**

### **6. HOUSING REVENUE ACCOUNT (HRA)**

The Council originally budgeted for a carried forward surplus of £400k after a net transfer to earmarked reserves. The original budgeted forward surplus of £400k was revised to £2.646m. The revised budgeted surplus was reported to members as part of the Housing Revenue Account (HRA) 2009-10, in February 2009. The final accounts show a carried forward surplus of £4.429m, which is £1.782m more than the revised budgeted forward surplus for the year. The main reasons are variances relating to repairs and maintenance expenditure, provision for bad and doubtful debts, HRA internal interest income, HRA communal services cost rechargeable to the General Fund Account, income from commercial rents and management costs.

### **7. SIGNIFICANT CHANGE FROM LAST YEAR'S ACCOUNTS**

In 2007/08 Brent received Local Area Agreement (LAA) grant from the Government. This was accounted for in the Net Cost of the Services in the Income and Expenditure Account. LAA grant has been replaced with Area Based Grant (ABG). ABG is accounted for in the Income and Expenditure Account as a general grant alongside Revenue Support Grant and amounts distributed from the Non Domestic Rates pool.

Disclosures relating to Retirement Benefits shown in Note 15 to the Core Financial Statements are in the new required format.

### **8. FURTHER INFORMATION**

Further information on these accounts may be obtained by writing to the Director of Finance and Corporate Resources, Room 114, Brent Town Hall, Wembley HA9 9HD or by e-mail from [zebunnissa.ali@brent.gov.uk](mailto:zebunnissa.ali@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.

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

### **Opinion on the Authority accounting statements**

I have audited the Authority and Group accounting statements and related notes of the London Borough of Brent for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Brent in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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

The Director of Finance and Corporate Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

I read other information published with the Authority and Group accounting statements and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and Annual Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements and related notes. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

### **Opinion**

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

### **Opinion on the pension fund accounts**

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

This report is made solely to the members of the London Borough of Brent in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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

The Director of Finance and Corporate Resources responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements and an Annual Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **Opinion**

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### **Auditor's responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, the Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

#### **Delay in certification of completion of the audit**

I am required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of Brent pension fund. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2009. As the authority has not yet prepared the Annual Report I have not yet been able to read the other information to be published

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

with those financial statements and I have not issued my report on those financial statements. Until I have done so, I am unable to certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Due to outstanding legal proceedings I cannot formally conclude the audit and issue my certificate. I am satisfied that these matters do not have a material effect on the 2008/09 financial statements.

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

29 September 2009

## 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 Resources;
- ◆ 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 RESOURCES' RESPONSIBILITIES

The Director of Finance and Corporate Resources 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 31<sup>st</sup> March 2009.

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

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

The Director of Finance and Corporate Resources has also:

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

Date: \_\_\_\_\_

\_\_\_\_\_  
DUNCAN McLEOD  
Director of Finance and Corporate Resources

## COMMITTEE APPROVAL

At a meeting of the General Purposes Committee held at Brent Town Hall on 30<sup>th</sup> June 2009 the accounts were approved and adopted on behalf of the Council.

\_\_\_\_\_

*CHAIR*

*General Purposes Committee*

Date: \_\_\_\_\_

**BRENT COUNCIL**  
**ANNUAL GOVERNANCE STATEMENT**  
**2008/09**

**1 Scope of responsibility**

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is contained in the council's Constitution and can be found on our website at <http://www.brent.gov.uk/Democracy.nsf/>.
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

**2 The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims or objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31st March 2009 and up to the date of approval of the statement of accounts.

## ANNUAL GOVERNANCE STATEMENT (Continued)

### 3 The governance framework

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are set out over the following pages against the six core principles upon which the CIPFA/SOLACE Framework is based. The six core principles being as follows:
1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
  2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
  3. Promoting values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
  4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
  5. Developing the capacity and capability of members and officers to be effective; and
  6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 Each of these core principles are broken down into a number of supporting principles and these are used by the Council on an annual basis to review and summarise the key elements of the overall governance framework, as well as to identify specific actions needed to address any weaknesses and/or to achieve further improvement in the year ahead. The full arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.
- 3.3 For the purposes of linking the 2008/09 statement back to that made at the end of 2007/08, the following table cross references the six core principles to the headings previously used to describe the key elements of the governance arrangements.

<b>Core Principle</b>	<b>Previous Heading</b>
1	Identifying and communicating the Council's vision and intended outcomes for citizens and service users.
	Reviewing the vision.
	Measuring service quality and ensuring best use of resources.
2	Defining roles.
3	Standards of behaviour.
	Decision making.

**ANNUAL GOVERNANCE STATEMENT (Continued)**

<b>Core Principle</b>	<b>Previous Heading</b>
4	Internal control and risk management.
	Audit arrangements.
	Compliance with statute and internal policies and procedures.
	Whistle-blowing and Complaints.
5	Training and development.
6	Communication and consultation.
	Partnerships.

3.4 The tables over the following pages provide an overview of the key elements of the governance arrangements against the six core principles, together with any actions to be focused upon during the 2009/10 financial year.

## ANNUAL GOVERNANCE STATEMENT (Continued)

<b>CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</b>		
<b>The local code should reflect the requirements for local authorities to:</b>	<b>Position at March 2009</b>	<b>Actions Needed to Address Weaknesses and responsible officer</b>
1. Develop and promote the authority's purpose and vision	<p>In November 2006 the Council agreed its new Corporate Strategy for the following four year period. The aims and targets set out in the Strategy are consistent with those set out in the partnership Community Strategy and have been used to support the development of the Local Area Agreement (LAA) 2008.</p> <p>The priorities of the Corporate Strategy are regularly promoted via The Brent Magazine, the website, press releases and targeted campaigns.</p> <p>At service area level, service priorities are extensively consulted on with users and other relevant stakeholders. Service Plans are presented annually to Lead Members prior to finalisation.</p>	
2. Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	<p>Implementation of the Corporate Strategy is regularly monitored by the Executive and the LAA by the Local Strategic Partnership (LSP).</p> <p>Implementation of Service Plans at service area level are monitored throughout the year by Departmental Management Teams (DMTs) using a range of embedded systems and processes.</p>	
3. Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.	<p>The introduction of the LAA in April 2006 provided the opportunity to review the governance arrangements and operational effectiveness of our LSP and partnership structures. A mapping of partnership activity was undertaken and a framework and guidance on effective partnership working adopted by the LSP.</p> <p>The Council and its partners on the LSP have been through an extensive consultation and challenge process to identify the 35 priorities for inclusion in their new LAA for 2008 onwards. These have now been agreed by the partnership and reviewed by the membership.</p> <p>At service area level, objectives of partnerships are documented in the Service Plans and within contract documentation.</p>	
4. Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	<p>A joint review of performance and summary of accounts has been produced annually over the last two years.</p> <p>Progress against the Corporate Strategy was published in August 2008 as part of The Brent Magazine, and will continue to be published annually.</p>	
5. Decide how the quality of service for users is to be	<p>The Corporate Strategy sets out specific improvement targets across the range of council services. These are reflected in our new LAA priorities, and also within Service Plans, and are</p>	

**CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Position at March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
<p>measured and make sure that the information needed to review service quality effectively and regularly is available.</p>	<p>monitored through the corporate PerformancePlus system. Performance reports on all Council and partnership improvement priority areas are reported to the Executive and the CMT on a quarterly basis.</p> <p>Significant improvements in monitoring of shared Community Plan objectives have taken place with quarterly monitoring reports on the LAA targets being considered by both the LSP and the Public Services Board. Key targets continue to be monitored through the Improving Brent Action Plan 2007-2010.</p> <p>At service area level, additional mechanisms are in place to monitor the quality of service being delivered, be this directly or through partner organisations.</p> <p>The annual Residents Attitude Survey is a further source of information regarding service users' satisfaction with the services being provided.</p>	
<p>6. Put in place effective arrangements to identify and deal with failure in service delivery.</p>	<p>Potential service failure is identified through the PerformancePlus system and Service Plans. These are regularly reviewed and referred to High Level Monitoring for a corporate response and remedial action.</p> <p>Performance issues in relation to specific partner organisations / contractors are dealt with at service area level in accordance with agreed contract management procedures. Issues are escalated as appropriate.</p>	
<p>7. Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.</p>	<p>The Improvement &amp; Efficiency Strategy was published during 2008/09 which set out the framework for improving value for money and performance over the next four years.</p> <p>A comprehensive benchmarking exercise of the Council's services was undertaken in conjunction with RSe Consulting. The results of this work led to the identification of areas to be included in the first wave of service reviews as part of the Improvement and Efficiency Strategy.</p> <p>Additional benchmarking of services included CIPFA benchmarking clubs for support services and a comparative review of efficiency savings and service costs with Hounslow and Hammersmith &amp; Fulham Councils.</p> <p>Arising from one of the recommendations of the One Council Finance review Deloitte MCS Ltd have benchmarked the cost of the finance function. This will inform their recommendations for the future structure and operation of finance across the Council.</p> <p>The corporate Efficiency Board measures progress on the efficiency programme which underpins the Efficiency Strategy. The council monitors progress on delivering government efficiency targets set under the Gershon initiative and also has an included a stretch efficiency target under its Phase 1 Local Area Agreement. The council now brings together finance, activity and</p>	<p>Delivery of the identified Improvement &amp; Efficiency reviews.</p> <p>(Brent Excellence Support Team Program Manager)</p>

<b>CORE PRINCIPLE 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</b>		
<b>The local code should reflect the requirements for local authorities to:</b>	<b>Position at March 2009</b>	<b>Actions Needed to Address Weaknesses and responsible officer</b>
	performance monitoring in a single performance and finance review report which enables officers and members to have a more holistic view of progress across the council on Value for Money. In addition, development of a value for money tool-kit for managers is one of a range of measures to support managers delivering better value for money. Unit costs are also used to measure progress in key areas e.g. on the children's transformation agenda.	

<b>CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>		
<b>The local code should reflect the requirements for local authorities to:</b>	<b>Position at March 2009</b>	<b>Actions Needed to Address Weaknesses and responsible officer</b>
1. Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.	Article 2 of the Constitution describes the role of Members of the Council, the Executive, Mayor, Full Council and overview and Scrutiny. Members completed annual reports which were published on the website although reports were not received from all Members.	Members will continue to be encouraged to submit annual reports.  (Member Development Manager)
	Up to date job descriptions are in place for Senior Officers.	
	Monitoring Officer Advice Notes give advice to Members on decision making and standards of conduct.	
	Local Democracy and Standards WebPages are updated regularly.	
	All non-confidential reports and Minutes are now on the Internet.	
	All Executive decisions and key decisions by officers are recorded	
2. Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.	Roles and responsibilities are covered in the Constitution. Draft job descriptions were not formally adopted by Members however these are now to be reviewed by Constitutional Working Group (CWG).	Job profiles to be developed for key post holders.  (Member Development Manager)
	Up to date job descriptions are in place for Senior Officers.	

<b>CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>		
<b>The local code should reflect the requirements for local authorities to:</b>	<b>Position at March 2009</b>	<b>Actions Needed to Address Weaknesses and responsible officer</b>
3. Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required.	Clearly set out in the Constitution. The Legislation Tracker shows which CMT member is responsible for implementation of emerging legislation.	
	The Borough Solicitor maintains a register of officer authorisations. The Constitution is renewed and reported to full Council every May.	
4. Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.	Covered in the Constitution and job descriptions.	
5. Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	Chief Executive and Leader agreed respective roles following election in May 2006 and continue to meet on a weekly basis.	
6. Make a senior officer (usually the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	Covered in the Constitution and job description.	
	Covered by statute and Financial Regulations.	
	All reports have to be cleared by the Director of Finance & Corporate Resources. Director attends all Leader's briefings and meetings of the Executive and full Council.	
	Independent assurance on the adequacy and effectiveness of the overall systems of internal control, including internal financial control, is provided by the Council's external auditors, internal auditors and a number of other external bodies / inspectorate. Both the internal and external auditors report to the Audit Committee on a quarterly basis.	
7. Make a senior officer (other	Covered in the Constitution and job descriptions.	

<b>CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>		
<b>The local code should reflect the requirements for local authorities to:</b>	<b>Position at March 2009</b>	<b>Actions Needed to Address Weaknesses and responsible officer</b>
than the Responsible Financial Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with.	Covered by statute and Financial Regulations.	
	All reports have to be cleared by the Borough Solicitor who attends all Leader's briefings and meetings of the Executive and full Council. A lawyer also attends all other committee meetings and is responsible for issuing the legislation tracker, monitoring officer advice notes and legal bulletins.	
8. Develop protocols to ensure effective communication between members and officers in their respective roles.	These are Covered in Part 7 of the Constitution and in the Access to Information protocol.	
9. Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable).	The scheme of Member allowances has been reviewed by the CWG and there have been two interim reports recommending changes to the allowances scheme.  As at the end of March 2009, the scheme was subject to a further review. This has since been reported to Full Council in May 2009.	
	The new appraisal scheme and revised management competencies have been implemented.	
10. Ensure that effective mechanisms exist to monitor service delivery.	The PerformancePlus system is now fully operational across the Council and a standard service planning template with detailed target setting was introduced in 2007.	
	An integrated quarterly Performance and Finance monitoring report is now produced. This is reviewed by the Executive, CMT and the Performance & Finance Select Committee.	
	Partners have had direct access to PerformancePlus during 2008 to monitor shared LAA objectives.	
11. Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and	2008 Place Survey completed.  Consultation on the Organisation's vision, strategic plans and priorities is undertaken through a number of established consultation mechanisms. These include five area consultative forums, six service user consultative forums, the Brent Youth Parliament and the Brent Citizens' Panel.  Recruitment to the Citizens' Panel through the Place Survey took place during 2008. Panel membership now stands at 2,000.  The outcomes of consultation are fed back through the Consultation Portal website.	2009 Residents' Attitude Survey has been commissioned. Findings to be reported on by August 2009.  (Head of Consultation)  Further development work on continuous panel

<b>CORE PRINCIPLE 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>		
<b>The local code should reflect the requirements for local authorities to:</b>	<b>Position at March 2009</b>	<b>Actions Needed to Address Weaknesses and responsible officer</b>
disseminated.		recruitment linked to consultation database. (Head of Consultation)
12. When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.	The term 'partnership' is now defined in the Constitution. Following a review of partnership activity in Brent, a set of protocols and guidelines for the operation of joint working was agreed by the LSP in early 2007. This document covers roles and responsibilities, protocols for financial administration and staff management. In January 2008 a partnership conference was held in Brent, addressed by the Local Government Ombudsman, to consider the issue of complaints within partnerships. We are now working on proposals for the handling of complaints within partnership services.	To further develop and formalise arrangements for the handling of complaints in relation to services operated by partner organisations. (Corporate Complaints Manager)
13. When working in partnership: ensure that there is clarity about the legal status of the partnership ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	So far guidance has been given on specific projects such as LAML, South Kilburn Neighbourhood Trust, WLA Joint Procurement Unit and other WLA initiatives.	With the increasing number of services delivered jointly within the LAA we will be looking at the appropriate legal structures and will provide guidance when required. (Borough Solicitor and Director of Policy & Regeneration)

<b>CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</b>		
<b>The local code should reflect the requirements for local authorities to:</b>	<b>Review January to March 2009</b>	<b>Actions Needed to Address Weaknesses and responsible officer</b>
1. Ensure that the authority's leadership sets a tone for the organisation by creating a	Executive members have undertaken a range of training including media and presentation skills and key members have had support from an external mentor. This will be ongoing. IDeA have been engaged to provide peer support to Liberal Democrat executive members with a	The importance of securing a climate of openness, support and respect will be

**CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Review January to March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
<p>climate of openness, support and respect.</p>	<p>specific brief to work on team working and communication within the Executive and within the political groups.</p> <p>The Member Code of Conduct includes the 10 general principles of conduct, including respect for others, leadership and stewardship. The Constitution contains the Planning Code of Practice, Licensing Code of Practice, Code of Practice on Publicity and the protocol for Member Officer Relations. Members and Chief Officers work collaboratively on the Policy Coordination Group, Leader's Briefing, Service Planning and Budget Awaydays.</p> <p>The Leader meets weekly with the Chief Executive and also addresses the Corporate Roadshows and the Senior Managers Conference.</p>	<p>emphasised in the job profiles for Members once adapted.</p> <p>(Borough Solicitor)</p>
<p>2. Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.</p>	<p>A new Code of Conduct for Officers was agreed in 2005. Other codes, including the IT Usage Policy and Harassment Policy are all held on the intranet and are subject to regular review. Staff are made aware of their responsibilities through general communications, such as the Chief Executive Newsletter, Insight Magazine and via attachments to payslips, as well as at team briefings.</p> <p>The Improving Brent Programme sets out the requirement for having the highest standards of ethical behaviour across the organisation.</p> <p>New Anti-Fraud Framework, replacing the earlier 2003 framework, was publicised and issued in February 2008. Work is ongoing on raising staff and member awareness through training presentations.</p>	
<p>3. Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<p>The Brent Member Code of Conduct reflects the model code published by the government, having been reviewed and amended in September 2007.</p> <p>Review of Members' and officers' gifts and hospitality completed and reported to Standards Committee and Director of HR.</p> <p>The Constitution contains various other codes including: Licensing, Planning, Member Officer Relations. Advice notes are issued by the Borough Solicitor regarding conduct.</p> <p>The registers of Members' interests and Members' gifts and hospitality are now placed on the web site enabling easy public access.</p> <p>Declarations of Interest for staff are required to be completed by designated staff upon commencement of employment with the authority, or at the point of progression to a relevant grade. Staff have a responsibility to inform the authority of any changes to their original declaration as appropriate.</p>	<p>CMT to approve the updated conflict of interest policy and guidance. Formal guidance to then be produced and approved regarding the</p>

**CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Review January to March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
	<p>Declarations are reviewed at service area level when completed so as to allow management to make arrangements to avoid any potential conflicts.</p> <p>Previously there has been no formal process in place regarding how this review should be undertaken or the required frequency of review. However, the conflict of interest policy has recently been updated, including a proposed amendment to clarify the position regarding officers with other contractual relationships with the Council.</p>	<p>review of declarations of interest by service areas.</p> <p>(Assistant Director, HR / Borough Solicitor)</p>
<p>4. Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.</p>	<p>The Member Code of Conduct includes reference to Leadership and Stewardship and other values.</p> <p>A new Code of Conduct and competency framework has been developed for managers and staff together with a management charter which all set out the expected behaviours for officers, including Leadership and working with others.</p>	
<p>5. Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p>	<p>Standards of conduct for Members are set out in the Constitution.</p> <p>Protocol for Member/officer relations is set out in Constitution.</p> <p>Standards Committee has remit to monitor compliance.</p>	
<p>6. Develop and maintain an effective standards committee.</p>	<p>The terms of reference for the Standards Committee are set out in the Constitution. The Committee has an independent chair and vice chair. The Committee has an annual work programme and is supported by the Borough Solicitor.</p>	
<p>7. Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.</p>	<p>The organisation's shared values are reflected in various policies and procedures, such as the Planning Code of Practice and its Access to Information Rules, both which encourage transparent, informed and well reasoned decision making. These are reinforced by the guidance notes issued to members from time to time in the form of Monitoring Officer Advice Notes and in legal bulletins. There have in the past been very few complaints to the Standards Board and this reflects the clear emphasis on high standards of ethics and probity and strong decision making arrangements.</p> <p>The Corporate Strategy also includes clear corporate values for the Council. However, as part of the new drive for a one council culture the need for clear internal or organisational values has been identified.</p>	<p>Organisational values to be developed and embedded with staff and managers involved to ensure shared ownership and buy-in.</p> <p>(Assistant Director, HR)</p>

**CORE PRINCIPLE 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

The local code should reflect the requirements for local authorities to:	Review January to March 2009	Actions Needed to Address Weaknesses and responsible officer
8. In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	As part of the process for agreeing the 35 improvement priorities for the LAA partners, there is a commitment to a number of values around addressing inequality, focusing on preventative actions and delivering value for money through the LAA. They have also signed up to a 'Compact Agreement' setting out the principles for partnership working and how they engage with the voluntary and community sector.	

**CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
1. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is responsible.	The Executive are responsible for the implementation of policy and ensuring the effectiveness of service delivery.	
	Scrutiny is responsible for monitoring the performance of the Executive.	
	Key targets continue to be monitored through the Improving Brent Action Plan 2007-2010. The Improving Brent Action Plan 2007-2010 sets out the key actions and priorities derived from the Corporate Strategy and is supported by a detailed monitoring report which is assessed every six months by the Corporate Management Team and the Executive against the agreed targets.	
	The Improving Brent Action plan includes enabling elected members to scrutinise effectively the decision-making and performance of the Council through robust Scrutiny and Overview arrangements.  The Chair of Overview and Scrutiny is given an opportunity to report back to every full Council meeting. Call in arrangements in the Constitution allows Overview and Scrutiny to review decisions made by the Executive. Forward Plan Select Committee is able to scrutinise decisions before they are made.	
2. Develop and maintain open and effective mechanisms for documenting evidence for decisions and	Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for Full Council, most are made by the Executive or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual Members. In accordance with the	

**CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Position at March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
<p>recording the criteria, rationale and considerations on which decisions are based.</p>	<p>Local government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process including call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.</p> <p>Decision making meetings of the Executive are open to the public.</p> <p>Copies of reports and decisions are available on the intranet and through the One Stop Shop and Libraries.</p> <p>All meetings are clerked by well trained and experienced committee support officers and lawyers are present to provide advice on law and procedure.</p>	
<p>3. Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<p>Review of Members' and officers' gifts and hospitality completed and reported to Standards Committee and Director of HR.</p> <p>The registers of Members' interests and gifts and hospitality are now placed on the web site enabling easy public access.</p> <p>The Monitoring Officer prepares an annual report to the Standards Committee.</p> <p>As per Core Principle 3, section 3.</p>	
<p>4. Develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee.</p>	<p>The Audit Committee was established in 2007 and has met quarterly. The terms of reference are set out in the Constitution.</p> <p>Work has commenced on reviewing the effectiveness of the current structure and membership of this Committee, with a number of options being discussed for its future makeup.</p> <p>The provision of the internal audit function within the Council is through the Audit &amp; Investigations Team, working in partnership with Deloitte &amp; Touche Public Sector Internal Audit Ltd. The Audit Committee approve the annual Internal Audit Plan and receive progress reports at each quarterly meeting.</p>	<p>To complete the review of the effectiveness of the Audit Committee and to finalise any revisions to the structure and membership, including updating the Terms of Reference, if appropriate.</p> <p>(Director of Finance &amp; Corporate Resources / Borough Solicitor)</p>

**CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Position at March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
	<p>External audit is provided by the Audit Commission. Their plans, interim reports and annual audit letter are all presented to the Audit Committee.</p>	
<p>5. Put in place effective transparent and accessible arrangements for dealing with complaints.</p>	<p>The Council has a well regarded corporate complaints procedure that has been praised and endorsed by the Local Government Ombudsman (LGO), as set out in the annual LGO letter and our annual report on complaints which is submitted to the Overview and Scrutiny Committee.</p> <p>Complaints are initially handled by service area managers and, if appealed, by trained complaints officers within departments. A central team is also in place with the Policy &amp; Regeneration Unit to handle escalated complaints on behalf of the Chief Executive and to oversee the process as a whole.</p>	
<p>6. Ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</p>	<p>Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Executive receives a briefing (Leaders Briefing) two weeks prior to the Executive meeting when members can ask detailed technical questions of officers.</p> <p>A large cohort of Members have attended general training skills sessions. Specific skills sessions and mentoring have been arranged for Executive members and those with special responsibilities. A programme of training and development is in place to support Members and provide them with enough information and the skills to be able to make effective decisions.</p>	<p>In addition to mentoring support for Executive members a new programme will be publicised and promoted with specific training for chairing meetings planned.</p> <p>(Member Development Manager)</p>
<p>7. Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.</p>	<p>All reports must be cleared by Finance and Legal and contain financial and legal implications.</p>	
<p>8. Ensure that risk management is embedded into the culture of the organisation; with members and managers at all levels recognising that risk management is part of their job.</p>	<p>The Risk Management Strategy has been revised and was presented to Audit Committee in December 2008. A revised Corporate Risk Guidance document has also been produced and circulated across the Council. Risk management training for Members took place in March 2009.</p> <p>As per the revised Strategy, Members have a key role in the management of risk via the following:</p> <ul style="list-style-type: none"> <li>• The Deputy Leader and Lead Member for Corporate Resources have overall responsibility for ensuring that working risk management processes are in place;</li> <li>• The Executive / Council consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major</li> </ul>	<p>Additional guidance on positive risk, project risk and links to business continuity management to be developed.</p> <p>(Head of Procurement Strategy &amp; Risk Management / Assistant Director of Regeneration /</p>

**CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
	<p>projects; and</p> <ul style="list-style-type: none"> <li>The Policy Co-ordination Group, combining the Executive and Corporate Management Team, review corporate risks through regular Corporate Hotspots monitoring reports.</li> </ul>	<p>Head of Emergency Planning &amp; Business Continuity)</p> <p>Further training to be delivered to DMTs and risk owners. In addition, an e-Learning tool is to be developed to assist with ongoing training and participation levels to be formally monitored.</p> <p>(Head of Procurement Strategy &amp; Risk Management)</p>
	<p>Corporate Hotspots include the highest category – likelihood and impact – of cross-council level and service area level risks, e.g. significant risks to the achievement of key strategic objectives, to the finances of the authority, to the health and well-being of residents and/or staff, or to the reputation of the authority.</p>	
	<p>Financial Hotspots are identified and reviewed across each of the Service Areas on a monthly basis by the Strategic Finance Group. In each case the risk is assessed in terms of the minimum and maximum impact from a monetary perspective.</p> <p>In addition, an indication is provided as to whether the risk has been included in the year-end forecast for each Service Area, thereby providing a link between risk management and budget monitoring.</p>	
	<p>Risks are also identified as part of the budget setting process. Major spending risks were identified for 2009/10 and in each case a ‘worst case’ monetary figure has been recorded, together with the ‘likelihood’ and the ‘net risk’ monetary figure.</p>	
	<p>A consistent, standard risk template has been devised and is utilised for the drafting of Service Plan related risk. Risks are linked to both Service Plan objectives and Council objectives.</p> <p>The register has been set up to include the measurement of inherent/residual risk and revised guidance has been issued to all staff. More frequent monitoring has been implemented via management reports provided to Corporate Steering Groups responsible for pertinent risk categories. These Steering Groups also have responsibility to feedback to risk owners and/or escalation of risk as required.</p>	<p>Reporting cycles and structure / method of reporting to be fully established.</p> <p>(Head of Procurement Strategy &amp; Risk Management)</p>

**CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Position at March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
		<p>Work to be undertaken to identify sources of assurance for identified risks and controls and to develop a draft Assurance Framework for the Council.</p> <p>(Head of Procurement Strategy &amp; Risk Management / Internal Audit)</p>
	<p>Risk management is also considered as part of major projects, although further work regarding developing a standard project management methodology for the Council is currently being taken forward and will seek to ensure that this is done in a standard way, in accordance with the overall RM framework.</p>	<p>To ensure that project risk management is fully aligned with the overall RM framework as part of the development of a standard project management methodology for use across the Council.</p> <p>(Assistant Director of Regeneration / Head of Procurement Strategy &amp; Risk Management)</p>
<p>9. Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access.</p>	<p>New Whistleblowing Policy now in place. This has been publicised to staff and is on the intranet under 'Raising Concerns'. The new policy is more explicit regarding contractors/agents and the points of contact outside the authority.</p> <p>Whistleblowing allegations are dealt with, in the first instance, by the Audit &amp; Investigations Team.</p>	
<p>10. Actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.</p>	<p>See above section 6. In addition regular Monitoring Officer Advice Notes are issued.</p>	

**CORE PRINCIPLE 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
11. Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	See above section 6. In addition regular Monitoring Officer Advice Notes are issued.	
12. Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.	Legal comment and consultation on reports. Monitoring Officer Advice Notes issued and Legislation Trackers in place.	

**CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective**

The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
1. Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	<p>The Council runs a Member development programme which is reported to the Standards Committee annually. The Borough Solicitor provides training to new and existing Members on decision making and standards of conduct.</p> <p>The Council has a Corporate Learning &amp; Development Plan and programme which is reviewed and evaluated on an annual basis to meet the strategic and service objectives of the Council. The programme is also developed on the basis of a training needs analysis of individual staff as a result of annual performance appraisal. Each new member of staff is required to undergo induction training. However, induction rates are still below 100%.</p>	<p>A concerted plan to ensure all new starters attend mandatory induction is required. CMT to monitor and ensure compliance within departments.</p> <p>(Head of Learning &amp; Development and Strategic HR Managers)</p>

**CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Position at March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
<p>2. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.</p>	<p>Officers have an annual appraisal containing developmental objectives linked to the Corporate Strategy and Departmental Service Plans. The Council's Corporate Learning and Development Plan and service offering are based on the needs identified in individual appraisals and Service Plans.</p> <p>Workforce Development Plans have now been completed for all Service Areas including current and future skills and staffing requirements.</p> <p>Each role has a job description and role specification.</p> <p>All the statutory officers are members of the Corporate Management Team (CMT).</p>	
<p>3. Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.</p>	<p>As part of the development of departmental Service Plans and Workforce Development Plans, analysis is being undertaken to identify the skills required for future service delivery to ensure that officers are fully skilled to deliver quality services.</p>	
<p>4. Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</p>	<p>The Learning &amp; Development Plan and service offering reflect the skills and knowledge required to deliver the corporate strategy and is reviewed on an annual basis to ensure continuing improvement and alignment to the goals of the Council. Individuals are encouraged to develop through their annual appraisal, six monthly reviews and regular one-to-ones which focus on improving performance and achievement of corporate/departmental objectives.</p> <p>A new appraisal system has been developed based on the competency framework which includes providing a customer focussed service, and leadership and influencing skills. The corporate training offering also offers courses on customer care and working with partners. The 2008 staff survey results show 70% of staff receive an appraisal.</p> <p>The annual review of the Member development programme was reported to the Standards Committee in March 2009.</p>	<p>Achieving higher levels of staff appraisal is a priority for the organisation to focus on improving performance. A review of the appraisal scheme to improve implementation and quality is required. (Head of Learning &amp; Development)</p>
<p>5. Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs.</p>	<p>Standards for performance are set out in the Corporate Strategy, individual Service Plans, and the Best Value Performance Plan. Quarterly reports on service and financial performance are produced and considered by the CMT, Executive and Performance &amp; Finance Select Committee. This includes performance on key partnership targets within the LAA.</p> <p>The LAA is designed to deliver the aims of the published Community Strategy. Services that are undergoing significant change of require support to achieve improvements are monitored through regular meetings with the Chief Executive. A summary of the Council's performance is published each year in the Brent Magazine and delivered to all households.</p> <p>All performance data is available on the Council's website.</p>	

**CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective**

The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
	As indicated above, the Council has an annual corporate Learning & Development programme based on strategic objectives including the Council's performance improvement priorities. A national performance management training programme has recently been piloted for staff in conjunction with the corporate Policy and Performance team.	
6. Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	<p>Area and Service User Consultative forums (ACfs and SUCfs) are chaired by Members and supported by lead officers from the service areas.</p> <p>The number of ACf and SUCf Chairs and Lead Managers meetings have been reduced from eight per year.</p> <p>SUCfs include: Pensioners forum; Black and Minority Ethnic forum; Voluntary Sector forum; Private Sector Housing forum; and Brent Disabled forum.</p> <p>The Youth Parliament has been operating since March 2007 and provides an opportunity for children and young people to present their views to the Council.</p> <p>The forum progress reports to Overview &amp; Scrutiny Committee now include additional information on Citizens' Panel and other consultation issues.</p> <p>These reports are no longer quarterly but only 'occasional', (as requested), due to agenda priorities.</p> <p>Regular ward meetings provide a forum for Members to discuss matters of concern with officers and shape how services are provided at the neighbourhood level. Depending on the issues being addressed, these meetings may be attended by the Police and other relevant partner agencies.</p> <p>All committee meetings are held in public, with the exception of any elements relating to exempt or confidential information.</p>	<p>Two joint ACf/SUCf Chairs &amp; Lead Managers meetings per annum proposed from May 2009.</p> <p>(Head of Consultation)</p> <p>Mapping of other consultation and voluntary sector groups is ongoing.</p> <p>(Head of Consultation)</p>
7. Ensure that career structures are in place for members and officers to encourage participation and development.	<p>Whilst many areas/professions have a clear career structure, work is being undertaken to develop career pathways, generic job roles and a talent management system. A new management development centre has been established to assist in the further development of junior and middle managers. The current workforce development planning work includes succession planning.</p> <p>A Talent management and succession planning scheme was approved by CMT in March 2009.</p>	<p>Complete work in relation to career pathways, generic job roles and talent management.</p> <p>(Assistant Director, HR)</p> <p>Talent management scheme to be introduced during 2009/10.</p>

**CORE PRINCIPLE 5 - Developing the capacity and capability of members and officers to be effective**

The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
		(Assistant Director, HR)

**CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability**

The local code should reflect the requirements for local authorities to:	Position at March 2009	Actions Needed to Address Weaknesses and responsible officer
1. Make clear to themselves, all staff and the community, to whom they are accountable and for what.	<p>Council policy and services are promoted to residents via The Brent Magazine produced monthly, the Council website and wider media.</p> <p>Use the staff magazine - Insight, the intranet, and internal briefing programme to communicate with staff.</p> <p>Brent Brief, a fortnightly briefing document to allow managers to deliver corporate, service area and team information was introduced in March 2009.</p>	<p>Continue using and further developing / improving all forms of communication.</p> <p>(Director of Communication &amp; Diversity)</p>
2. Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.	<p>A new Consultation &amp; Engagement Strategy is being developed in line with the new duty to inform, consult and involve, and the requirements of the Comprehensive Area Assessment (CAA) process. The new strategy will promote better alignment of consultation with our partners and will contain an Annual Partnership Consultation Plan.</p> <p>The Consultation Portal will be further developed to establish more effective ways of evaluating consultation activity.</p>	<p>Consultation with partners to establish a framework for joint working and information sharing. New Plan to be agreed by May 2010.</p> <p>(Head of Consultation)</p>
3. Produce an annual report on scrutiny function activity.	<p>An annual report is presented to the Overview &amp; Scrutiny Committee in July each year.</p>	
4. Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively.	<p>Consultation Strategy 2006–2009 was formally launched in January 2006. Implementation is monitored by the Consultation Team.</p> <p>Strategy objectives and quality standards reinforced through training to members and staff. Also at Corporate Induction sessions.</p> <p>Further details as per Core Principle 5, section 6.</p>	<p>Core training on consultation strategy and techniques being developed.</p> <p>(Head of Consultation)</p>
5. Hold meetings in public unless there are good reasons for confidentiality.	<p>All meetings are held in public. Some parts of meetings are held in private when exempt or confidential information might be disclosed. This is subject to the agreement of the members present.</p>	

**CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Position at March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
<p>6. Ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p>	<p>As per Core Principle 5, section 6, Brent's consultation network includes area and service user consultative forums, the Brent Youth Parliament and the Brent Citizens' Panel and the Brent LINK (Brent Local Information Network).</p> <p>Service user consultative forums cover Pensioners, Black and Minority Ethnic, Voluntary Sector, Private Sector Housing and Disabled Users. Other consultation, voluntary sector and user groups are currently being mapped by the Consultation Team.</p>	<p>Mapping of other consultation and voluntary sector groups is ongoing. (Head of Consultation)</p>
	<p>Neighbourhood Working Project in progress.</p>	<p>Continued implementation and further development of the Neighbourhood Working Project. (Head of Neighbourhood Working)</p>
	<p>2009 Residents' Attitude Survey now commissioned.</p>	<p>Reporting scheduled for August 2009. (Head of Consultation)</p>
<p>7. Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result.</p>	<p>A Communication Strategy 2007-2010 has been agreed by CMT.</p>	<p>Further development of consultation portal in progress. (Head of Consultation)</p>
<p>8. On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</p>	<p>Progress against the Corporate Strategy was published in August 2008 as part of The Brent Magazine.</p>	

**CORE PRINCIPLE 6 - Engaging with local people and other stakeholders to ensure robust public accountability**

<p><b>The local code should reflect the requirements for local authorities to:</b></p>	<p><b>Position at March 2009</b></p>	<p><b>Actions Needed to Address Weaknesses and responsible officer</b></p>
<p>9. Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p>	<p>A review of the Council's adherence to the Freedom of Information (FOI) Act is reported to CMT on an annual basis. The Council is meeting its obligations under the act and performance is generally high with regard to responding to requests within the statutory time limit.</p> <p>A report on the impact of the Environmental Information Regulations (EIR) is also presented to CMT on an annual basis and efforts are made to co-ordinate FOI and EIR requests wherever possible.</p>	
<p>10. Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.</p>	<p>The Council's managing change policy includes guidance on staff and trade union consultation. A draft engagement policy has also been developed. The role of the line manager in people management has been documented and is shortly to be published which includes guidance on engagement. The content of this is being incorporated into the Council's new people management courses.</p>	

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

### **4 Review of Effectiveness**

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit & Investigation's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:

#### **The Council**

- Has monitored performance against the Corporate Strategy Objectives by taking an annual report and has set the annual budget in accordance with the Corporate Strategy priorities;
- Receives the annual budget report which summarises the financial position and the transactions for the year and considers the annual performance plan; and
- Has agreed the Constitution, setting out the decision making structure, delegated authority and financial regulations that underpin the internal control framework. This follows cross party review by the Constitutional Working Group.

#### **The Executive**

- Makes key decisions in accordance with the Budget and Policy Framework;
- Has established a Performance Board to consider the performance of specific service areas;
- Has sessions with the Corporate Management Team twice per year to consider the medium term financial strategy and its linkages with the council's policy priorities; and
- Meets monthly with the Corporate Management Team to receive an update on the Council's financial position and monitoring reports from the Strategic Finance Group.

#### **The Audit Committee**

- Has met four times during 2008/09 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter;
- Maintains an overview of the Council's Constitution in respect of contract standing orders and financial regulations;
- Monitors the effective development and operation of risk management and corporate governance in the Council; and

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

- Reviews the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

### **The Standards Committee**

- Receives reports from the council's Monitoring Officer on issues concerning member conduct and would consider reports referred from Ethical Standards Officers or the Monitoring Officer which require investigation and/or determination.

### **The Forward Plan Select Committee**

- Enables pre-scrutiny of Executive decisions by non-executive members.

### **Overview & Scrutiny**

- Oversees and scrutinises decisions made by the Executive;
- Has task groups who undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes; and
- Has two cross cutting sub-committees to examine detailed performance information on a six monthly basis, namely the Health Select Committee and the Performance & Finance Committee.

### **The Performance & Finance Select Committee**

- Receives reports on Best Value, budget monitoring and considers the Annual Performance Plan and quarterly "Vital Signs" document.

### **Budget Panel**

- Is a sub-committee of Overview and Scrutiny and participates in the budget setting process by examining the robustness of the budget, the ability to deliver savings, key revenue budget outputs and decisions, and key capital budget outputs and decisions.

### **Audit & Investigations**

- Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Produce an Annual Audit Report including the Head of Audit annual opinion on the Council's internal controls; and
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Service Directors and copied to the relevant Service or Corporate Area Director. Recommendations for improvement are made in each report. Each significant audit report is followed up after a suitable period and any failure to implement recommendations is noted and reported back to the relevant director and the Audit Committee.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

### **External Audit and Inspectorates**

- The Director of Finance & Corporate Resources meets with the Council's external auditors on a monthly basis and, if appropriate, they raise any concerns they have regarding the internal control environment. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised; and
- The outputs from various Inspectorates in relation to the Comprehensive Performance Assessment (CPA) provide some assurance as to the internal control environment. The latest assessment in February 2009, the last under the CPA regime, gave the Council a three star, "improving strongly" rating, its highest rating to date.

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **5 Significant Governance Issues**

5.1 Set out below are a number of significant governance issues which have been identified, together with a summary of the actions taken to date, or which are being proposed for 2009/10 to deal with these.

An indication as to the progress made against those issues raised in the 2007/08 Annual Governance Statement is also included.

- The Chief Executive has launched the One Council agenda which aims to develop a joined up culture and to achieve greater consistency of application of corporate policy, standards and procedure across all service areas. This includes an Improvement & Efficiency Programme, encompassing a range of service reviews together with a number of One Council Task Groups in areas including: Procurement, Project Management and Financial Management. The Council is also progressing with the construction of a new civic centre and with a significant schools expansion programme. This major transformation agenda will require elements of change to existing governance arrangements and will also involve significant levels of resource and co-operation from staff across the Council. This was also raised as a significant issue in 2007/08. However, its repeat inclusion is not due to a lack of progress in terms of the actions needed, rather it reflects the expansion and progression made with regards to the overall scope of the transformation agenda.
- With the increasing number of services delivered jointly within the LAA the council continues to examine the appropriate legal and organisational structures to ensure that governance arrangements remain adequate. This was also raised as a significant issue in 2007/08. Its repeat inclusion reflects the ongoing significance of partnership working.

## ANNUAL GOVERNANCE STATEMENT (Continued)

- Risk Management was raised as a significant issue in 2007/08. The risk management framework has been strengthened during 2008/09, as set out in Core Principle 4, section 8. The requirement now is for specific elements of the framework to be further developed and for the framework as a whole to be embedded across the Council. An action plan is in place regarding this.
- From a treasury management perspective, the collapse of the Icelandic banks left the Council with two outstanding deposits: one for £10m with Heritable Bank and one for £5m with Glitnir Bank. The Council has been working with other local authorities, the Local Government Association (LGA) and other organisations such as the Chartered Institute of Public Finance and Accountancy (CIPFA), to recover the two loans or to mitigate the effects of non-recovery until the situation is resolved. Members have been updated on the position throughout and the Treasury Management Strategy and Annual Investment Strategy for 2009/10 reflected this. The Council will continue to seek recovery of the two amounts during 2009/10.
- Within Environment & Culture, two significant governance issues have been identified as requiring improvement in 2009/10:
  - Successful conclusion of the Trading Standards Consortium Agreement; and
  - Improved monitoring and forecasting of cost and income streams and the development of more sophisticated models of the financial performance in waste management, the parking account and income associated with property.
- Children & Families have experienced significant overspends on children with disabilities in 2008/09. Measures for resolving this are being actioned which include securing budget growth through the 2009/10 Council's budgeting process and reviewing the service through the current programme of Improvement & Efficiency reviews. In addition, an issue has been identified with regards to the governance arrangements within a Foundation School. This is currently subject to further investigation, continuing into 2009/10.
- Adult Social Care has had significant difficulties in managing its overall budget in recent years. In 2007/08 this reflected the ongoing discussions with the Primary Care Trust over financial responsibility for a number of clients. These discussions are ongoing and there is still a degree of uncertainty regarding responsibility for funding of some clients. There has been a significant but forecast overspend in 2008/09. Budget monitoring is tight and accurate once the year has commenced. Overspending budgets are identified and this is fed into the budget setting process for the following year. All appropriate measures are taken to control overspending during the year, including increased levels of activity monitoring information, but demand is difficult to manage given that clients who meet the Council's eligibility criteria are entitled to a care service. One of the key aims of the Transformation Programme taking place across Adult Social Care is to help achieve savings, partly through increasing staff efficiency through the development of a new assessment and care management framework, and partly through improving value for money through the

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

development of a new service commissioning unit. The Transformation Programme is split into seven key workstreams and is managed by a Transformation Team, with oversight from the Transformation Board.

- The Council implemented its new Interact Payroll and HR system in October 2007. The system is provided by Logica CMG who are also responsible for undertaking elements of the payroll process. Interact is an integrated system and the original target date for full functionality was April 2008. However, a number of issues have arisen since the system going live and, whilst the payroll has been processed each month so as to ensure that employees are paid on time, resources, including from Logica CMG, have had to be diverted to dealing with these. An action plan is in place to address the issues. However, as at 2008/09 year-end, Logica are failing to deliver against this action plan in a timely manner. The matter is now being escalated to the Logica Board.
- Declarations of Interest for staff are required to be completed by designated staff upon commencement of employment with the authority, or at the point of progression to a relevant grade. Staff have a responsibility to inform the authority of any changes to their original declaration as appropriate. Declarations are reviewed at service area level when completed so as to allow management to make arrangements to avoid any potential conflicts. Previously there has been no formal process in place regarding how this review should be undertaken or the required frequency of review. However, the conflict of interest policy has recently been updated, including a proposed amendment to clarify the position regarding officers with other contractual relationships with the Council. The updated policy is to be approved and corporate guidance subsequently produced and approved regarding this.

5.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:** .....

**Cllr Paul Lorber**  
**Leader of the Council**

.....

**Gareth Daniel**  
**Chief Executive**

## STATEMENT OF ACCOUNTING POLICIES

1. **Code of Practice** - The general policies adopted in preparing these accounts are in accordance with the 2008 Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA - Statement of Recommended Practice (SORP).

### INCOME AND EXPENDITURE

2. **Debtors and Creditors** - The revenue accounts of the Council have been compiled on an accruals basis in accordance with Financial Reporting Standard (FRS) 18.
3. **Cost of Support Services** - Brent's structure means that some finance, personnel and IT functions are undertaken directly by Service Units. Other support services are located in Service Areas and in the corporate centre of Brent.

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.

4. **Pensions** - The Council participates in the two following pension schemes which provide members with defined benefits related to pay and service.

**Teachers:** This is an unfunded scheme administered by the Department for Children, Schools and Families.

**Other Employees:** Other employees, subject to certain qualifying criteria, are eligible to join the funded Local Government Pension Scheme.

Retirement benefits are accounted for according to the principles of FRS17. The accounts recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.

5. **Revenue Grants** - Revenue grants are matched with the expenditure to which they relate. They are accounted for on an accruals basis.

### CAPITAL ASSETS

6. **Fixed Assets** - 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 on Local Authority Accounting.

Individual categories of assets are valued on the following basis:

- ◆ Land, operational properties and other operational assets 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). 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.
- ◆ Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at their OMV.
- ◆ Community assets are included in the balance sheet at depreciated historic cost where appropriate otherwise they are included at a nominal value.
- ◆ Infrastructure assets, vehicles, plant, furniture and equipment have been valued at historic cost, net of depreciation.
- ◆ Intangible fixed assets represent expenditure which has been properly capitalised but which does not result in, or remain matched with, tangible fixed assets. Expenditure on purchasing intangible fixed assets such as computer software has been capitalised at cost.

Subsequent revaluations of fixed assets are planned on a five year cycle, with a proportion of the asset base being revalued each year. The majority of land and building assets plus foundation schools and caretakers' houses were revalued at 1<sup>st</sup> April 2004. Subsequently a proportion of these were revalued at 1<sup>st</sup> April 2006 and 1<sup>st</sup> April 2008. Council dwellings were revalued at 31<sup>st</sup> March 2006 and their values have been up-rated to 31<sup>st</sup> March 2009 using Land Registry indices to reflect changes in property values.

Assets acquired under finance leases are capitalised together with the liability to pay future rentals.

### **Depreciation**

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

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

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

## **STATEMENT OF ACCOUNTING POLICIES (Continued)**

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

### **Impairment**

Impairment reviews on groups of assets are undertaken on an annual basis by the valuer. Where impairment is identified as being due to the consumption of benefit the loss is charged to the relevant service revenue account. In other cases impairment is initially set off against asset balances in the Revaluation Reserve.

### **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.

### **Income from the Sale of Fixed Assets**

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

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

## **7. 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. In accordance with the revised regulations for the calculation of MRP issued in 2008 the Council retrospectively set its policy for both supported and unsupported borrowing in 2007/08 as Option 1 "the regulatory method", which allows the continuation of the system introduced in 2004/05 applying 4% to the adjusted Capital Finance Requirement.

From 2008/09 the Council has adopted the following policy for non-HRA assets:

- For supported borrowing, the council will continue with the existing method (Option 1).

## STATEMENT OF ACCOUNTING POLICIES (Continued)

- For prudential borrowing, the council will adopt Option 3, 'the asset life method', and an 'annuity' approach for calculating repayments. 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.

- 8. Charges to Revenue** - The General Fund is charged with a depreciation charge 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.

External interest payable and the provision for depreciation are charged to the Income and Expenditure Account. Depreciation charges are reversed in the Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

- 9. 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 Income and Expenditure Account and written off to the Capital Adjustment Account.

- 10. Premature Redemption of Debt** - The practice for the Income and Expenditure Account, in accordance with the SORP 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.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

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 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. It is, therefore, judged that refinancing will usually be undertaken for the longest period which the Public Works Loans Board (PWLB) will allow borrowing to be undertaken from them, unless the yield curve facilitates borrowing for shorter periods or prudence indicates that borrowing should be spread across short and long maturities.
- Given the current pattern of rates, there is a significant penalty incurred in redeeming much of the Council's debt prematurely and an incentive to borrow to meet long-term financing needs cheaply. 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 while remaining alert to meeting the council's long term financing requirements before long term rates rise further in response to increased debt issuance and inflation concerns.

- 11. 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 credited initially to the Government grants deferred account. Amounts are released over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Government grants and contributions are subsequently reversed out of the Income and Expenditure Account.

- 12. Leasing** - The Council has acquired a number of assets, mainly vehicles, plant and computer equipment, by means of leases. 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.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

**13. Private Finance Initiative (PFI)** - 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 new 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.

FRS 5 provides the detailed factors to be taken into account when determining the treatment of these assets, and whether they should be reflected on the balance sheet of the purchaser or the contractor. An assessment of the projects risks and rewards and the substance of the transaction was carried out in accordance with FRS 5. As a result, the assets generated from the projects are not included on the council's balance sheet.

**14. Stocks** - Stocks and stores are valued at the lower of cost and net realisable value.

**15. Provisions** - The Council makes provision in compliance with FRS 12 where there is an 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 31 to the Core Financial Statements there is a provision for unrecovered debts which has been netted off against the debtors figure on the balance sheet (see note 27 to the Core Financial Statements)

**16. Reserves** - These are amounts set aside for earmarked purposes out of the balances on the Council's funds. Further details of Earmarked Reserves are given in Note 38 to the Core Financial Statements.

**17. Investments** - Long term investments are shown in the accounts at the original cost price, plus brokerage and fees. Short term investments are valued at cost. Valuations are supplied by the Council's external Cash Fund Managers, who invest in certificates of deposit, cash deposits and government fixed interest gilts. Any losses in market value compared with the cost of the investment are recognised in the Revenue Account.

As set out in the Notes to the Balance Sheet (Note 30) £15m has been deposited with Icelandic banks that have subsequently gone into administration. It is anticipated that around £13m will be recovered over the period to 2013.

**18. VAT** - This is included in the income and expenditure accounts only to the extent that it is irrecoverable.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

**19. Interest in Companies** - Brent Housing Partnership 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.

**20. Financial Liabilities** – Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure account 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 Income and Expenditure account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure account 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 Income and Expenditure account spread over the life of the loan by an adjustment to the effective interest rate.

Where premia and discounts have been charged to the Income and Expenditure account, 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 Income and Expenditure account 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 Statement of Movements on the General Fund balance.

## **21. 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

## **STATEMENT OF ACCOUNTING POLICIES (Continued)**

### **Loans and Receivables**

Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure account 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 Income and Expenditure account 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 Income and Expenditure account.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure account.

### **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 Income and Expenditure account 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 Income and Expenditure account 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure account, 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 Income and Expenditure account.

## **STATEMENT OF ACCOUNTING POLICIES (Continued)**

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure account, along with any accumulated gains/losses previously recognised in the STRGL.

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

### **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.

## **22. 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.

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009

This Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Note	2008/09 Gross Expenditure £000	2008/09 Income £000	2008/09 Net Expenditure £000	2007/08 Net Expenditure £000
<b>1. On its Services the Council Spent</b>				
Education	325,513	(284,438)	41,075	12,210
Cultural Services	17,393	(3,019)	14,374	14,979
Highways, Roads and Transport	34,188	(16,407)	17,781	17,345
Environmental	32,453	(3,821)	28,632	27,469
Planning and Development	14,693	(7,978)	6,715	5,728
Housing (General Fund)	281,141	(252,849)	28,292	19,496
Adult Social Care	99,791	(20,352)	79,439	69,531
Children's Social Services	42,082	(4,962)	37,120	35,329
Courts	690	(484)	206	169
<b>3. Central Services</b>	<b>62,841</b>	<b>(52,351)</b>	<b>10,490</b>	<b>14,042</b>
Net Cost of General Fund Services	910,785	(646,661)	264,124	216,298
Housing Revenue Account	<u>48,546</u>	<u>(62,220)</u>	<u>(13,674)</u>	<u>(25,765)</u>
<b>Net Cost of Services</b>	<b>959,331</b>	<b>(708,881)</b>	<b>250,450</b>	<b>190,533</b>
(Profit)/Loss on Disposal of Fixed Assets			(602)	7,085
<b>4. Levies</b>			<b>7,872</b>	<b>6,455</b>
<b>5. (Surplus)/Deficit on Trading Accounts</b>			<b>(235)</b>	<b>(448)</b>
Interest Payable			32,817	31,537
Amounts payable into Housing Capital Receipts Pool			633	4,695
HRA share of Corporate and Democratic Core			179	269
Amortised premiums and discounts			8,050	4,793
HRA investment income/mortgage interest			(976)	(511)
<b>6. Interest and Investment Income</b>			<b>(6,956)</b>	<b>(6,208)</b>
Pensions Interest Cost and Expected Return on Pensions Assets			<u>21,440</u>	<u>11,020</u>
<b>Net Operating Expenditure</b>			<b>312,672</b>	<b>249,220</b>
Income from Collection Fund			(96,567)	(92,334)
General Government Grants			(19,479)	(21,635)
Area Based Grant			(16,209)	-
Distribution from Non-Domestic Rates Pool			<u>(139,925)</u>	<u>(128,920)</u>
<b>(Surplus)/Deficit for the Year</b>			<b><u>40,492</u></b>	<b><u>6,331</u></b>

## 2008/09 STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE (SMGFB)

The Income and Expenditure (I&E) Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed. Consequently depreciation charges in the I&E Account are reversed in the SMGFB so only external interest payments and provision for the repayment of principal are charged against council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under-spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2008/09 £000	2007/08 £000
(Surplus)/Deficit for the Year on the Income and Expenditure Account	40,492	6,331
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year (see table on the next page for further details)	(40,347)	(10,175)
(Increase)/Decrease in General Fund Balance for the Year	145	(3,844)
General Fund Balance brought forward	(22,785)	(18,941)
<b>General Fund Balance carried forward</b>	<b>(22,640)</b>	<b>(22,785)</b>
Amount of General Fund Balance held by schools under local management schemes	(14,586)	(13,730)
Amount of General Fund Balance generally available for new expenditure	(8,054)	(9,055)
	<b>(22,640)</b>	<b>(22,785)</b>

## DETAILS OF RECONCILING TRANSACTIONS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

### Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year

	2008/09 £000	2008/09 £000	2007/08 £000	2007/08 £000
- Depreciation and impairment of fixed assets (Note 7)	(53,862)		(16,448)	
- Government grants deferred amortisation	5,033		4,440	
- Write downs of deferred charges to be financed from capital resources	(10,130)		(5,262)	
- Net profit/(loss) on sales of fixed assets	602		(7,085)	
- Net charges made for retirement benefits in accordance with FRS17	(7,140)		(9,090)	
- Net premia charged to services	(3,457)		-	
		(68,954)		(33,445)

### Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year

- Minimum revenue provision for capital financing (Note 7)	8,462		8,114	
- Capital expenditure charged in year to the General Fund Balance	14,021		11,596	
- Capital expenditure funded by the Housing Revenue Account	2,725		5,995	
- Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool (Note 22)	(633)		(4,695)	
		24,575		21,010

### Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

- Transfer to/(from) HRA balances	1,920		1,616	
- Net transfer to/(from) earmarked reserves	2,172		697	
- Transfer to/(from) Major Repairs Reserve	(60)		(53)	
		4,032		2,260
Net additional amount required to be debited/ (credited) to the General Fund balance for the year		(40,347)		(10,175)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate change in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	<b>2008/09</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
(Surplus) or Deficit for the Year on the Income and Expenditure Account	40,492	6,331
(Surplus) or Deficit arising on Revaluation of Fixed Assets (see note 23 to Core Financial Statements)	51,218	(120,502)
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities (see note 15 to Core Financial Statements)	130,210	(30,770)
Revised treatment of Financial Instruments Adjustment Account	-	36,425
Other (Gains) and Losses	15	(31)
<b>Total recognised (Gains) or Losses for the Year</b>	<b>221,935</b>	<b>(108,547)</b>

## BALANCE SHEET

The Balance Sheet summarises in its top section all the assets that the Council owns and the liabilities that it owes to others. The bottom section sets out how the net assets of the Council are allocated between usable resources, resources that have been set aside to finance capital expenditure, unrealised gains from increases in asset values, and reserves needed to manage the complexities of local authority accounting.

### BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2009

Note	31.03.09		31.03.08	
	£000	£000	£000	£000
23.	Fixed Assets			
	Council Dwellings	698,608	788,334	
	Other Land and Buildings	510,445	458,409	
	Vehicle, Plant, Furniture and Equipment	20,563	13,344	
	Infrastructure	128,861	121,028	
	Intangible Assets	1,070	453	
	Non-Operational Assets			
	- Commercial Properties	6,179	7,030	
	- Assets under construction	3,231	-	
	Net Fixed Assets			1,388,598
25.	Investments (Long Term)			10,629
26.	Long Term Debtors			950
	Total Long Term Assets			1,400,177
	Current Assets			
	Stock and Work in Progress	421	132	
	Payments in Advance	6,304	3,440	
27.	Debtors	133,041	115,819	
27.	Less provision for bad debts	(60,247)	(53,981)	
	Short Term Investments	42,835	103,209	
	Cash at Bank	8,882	2,841	
	Cash in Hand	184	187	
				171,647
	Current Liabilities			
	Short Term Borrowing	(79,699)	(14,207)	
28.	Creditors	(70,513)	(77,746)	
	Deposits	(1,630)	(1,457)	
	Receipts in Advance	(10,502)	(7,859)	
				(101,269)
	Net Current Assets/(Liabilities)			70,378
	Total Assets Less Current Liabilities			1,470,555
29.	Long Term Borrowing			(613,663)
31.	Provisions			(4,702)
32.	Government Grants Deferred			(123,371)
36.	Capital Grants Unapplied			(3,570)
15.	Liability related to defined benefit pension schemes			(341,520)
	<b>Total Assets Less Liabilities</b>			<b>383,729</b>

## BALANCE SHEET (Continued)

Note	31.03.09		31.03.08	
	£000	£000	£000	£000
	The Council finances this from:			
33.		65,913		117,506
34.		543,309		568,490
40.		(43,037)		(36,425)
35.		-		499
37.		260		328
		116		4,694
38.		48,535		46,363
15.		(478,870)		(341,520)
	Balances:			
39.	22,640		22,785	
	4,428		2,509	
	(1,500)		(1,500)	
		25,568		23,794
		<b>161,794</b>		<b>383,729</b>

## CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2008/09		2007/08	
	£000	£000	£000	£000
<b>Revenue Activities</b>				
- Cash Outflows				
Cash Paid to and on Behalf of Employees	331,498		314,195	
Other Operating Cash Payments	387,231		328,516	
Housing Benefit Paid	187,579		170,033	
NNDR Payments to National Pool	88,242		75,796	
Precepts Paid	29,304		28,534	
Payments to the Capital Receipts Pool	633	1,024,487	4,695	921,769
- Cash Inflows				
Rents (after Rebates)	(18,973)		(18,496)	
Council Tax Income	(99,966)		(96,612)	
NNDR Income	(99,428)		(84,052)	
NNDR Income from National Pool	(139,925)		(130,164)	
Revenue Support Grant	(19,479)		(21,635)	
Area Based Grants	(16,209)		0	
DWP Grants for Rebates	(211,046)		(203,731)	
Other Government Grants (See Note 49)	(331,041)		(342,339)	
Cash received for Goods and Services	(69,757)		(58,522)	
Other operating cash receipts	(49,950)	(1,055,774)	(36,422)	(991,973)
<b>Servicing of Finance</b>				
- Cash Outflows				
Interest Paid	33,065		31,537	
Premia Paid	8,451		0	
- Cash Inflows				
Interest Received	(5,747)	35,769	(6,208)	25,329
Total Revenue Activities Cash (Surplus)/Deficit (See Note 50)		4,482		(44,875)
<b>Capital Activities</b>				
- Cash Outflows				
Purchase of Fixed Assets	91,268		71,664	
Purchase of long-term investments	0	91,268	10,368	82,032
- Cash Inflows				
Sale of Fixed Assets	(1,832)		(9,314)	
Capital Grants Received	(40,006)	(41,838)	(21,828)	(31,142)
<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>53,912</b>		<b>6,015</b>
<b>Management of Liquid Resources</b>				
Net (Inflow)/Outflow from Short Term Deposits		(14,400)		19,343
<b>Financing</b>				
- Cash Outflows				
Repayments of Amounts Borrowed		505,150		699,357
- Cash Inflows				
New Loans Raised	(60,000)		(110,000)	
New Short Term Loans	(490,700)	(550,700)	(617,348)	(727,348)
<b>(Increase)/Decrease in Cash (See Note 51)</b>		<b>(6,038)</b>		<b>(2,633)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### NOTE 1: INCOME AND EXPENDITURE ACCOUNT

The figures for the costs of individual services have been compiled in accordance with CIPFA's Best Value Accounting Code of Practice. This includes the allocation of overheads to services, charging depreciation to services and the treatment of past service contributions to meet the Pension Fund deficit. In addition information is shown in accordance with CIPFA's latest Service Expenditure Analysis.

### NOTE 2: AREA BASED GRANTS(ABG)/LOCAL AREA AGREEMENT (LAA)

An Area Based Grant (ABG) 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.

From 2008/09 onwards, Area Based Grants replaced the previous arrangements under which local authorities received LAA grants to achieve LAA targets to support the delivery of local, regional and national priorities in their areas. In 2007/08 £16.5m grants were credited to the Net Cost of Services in Brent's Income and Expenditure Account.

In 2008/09 ABG is required to be shown as part of Government Grants (not attributable to specific services) at the end of the Income and Expenditure Account and not in the Net Cost of Services.

### NOTE 3: CENTRAL SERVICES

Central Services for 2008/09 comprise the following elements:

	2008/09 Gross Expenditure £000	2008/09 Income £000	2008/09 Net Expenditure £000	2007/08 Net Expenditure £000
Corporate and Democratic Core	5,066	-	5,066	5,424
Non Distributed Costs	-	-	-	5,810
Central Services to the Public	43,955	(33,305)	10,650	9,042
Other Operating Income and Expenditure	13,820	(19,046)	(5,226)	(6,234)
	<b>62,841</b>	<b>(£52,351.00)</b>	<b>10,490</b>	<b>14,042</b>

### NOTE 4: LEVIES

The Council is required to pay levies to a number of bodies.

	2008/09 £000	2007/08 £000
Lee Valley Regional Park	289	285
London Pension Fund Authority	399	281
Environment Agency	191	172
West London Waste Authority	6,993	5,717
	<b>7,872</b>	<b>6,455</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 5: TRADING ACCOUNTS

The following activities operate on a 'trading account' basis.

Activity	2008/09		2007/08	
	Turnover £000	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000
Finance	351	4	347	(9)
Grounds Maintenance	893	(131)	1,110	103
Transport	6,874	55	6,940	298
Lead Tenants	8,558	(163)	6,653	(840)
<b>TOTAL</b>	<b>16,676</b>	<b>(235)</b>	<b>15,050</b>	<b>(448)</b>

**Financial Information Solutions (FIS)** - FIS provides financial services to Environment and Culture and a number of other Council units.

**Grounds Maintenance** - Grounds maintenance is the ex-DLO function of the Parks Service and only includes those contracts subject to external competition.

**Brent Transport Service (BTS)** - BTS provide home to school transport for schools, transport services for adult and children's social care, courier service for the Council and a small number of fleet management contracts for other Council units.

**Lead Tenant Accounts** - The Council operates a number of lead tenant accounts for its main office buildings. All the costs of running these buildings are charged to these accounts and the tenants are charged a rental based on market rents plus a service charge.

### NOTE 6: INTEREST RECEIVABLE

Interest receivable was £6.956m in 2008/09 (£6.208m in 2007/08). There were no unrealised gains or losses included as interest receivable in the 2007/08 or 2008/09 revenue accounts.

### NOTE 7: DEPRECIATION AND IMPAIRMENT OF ASSETS

General Fund Depreciation and Impairment of all Council assets chargeable to income and expenditure accounts total £53.861m.

**Depreciation** - This contribution to the Capital Adjustment Account represents the difference between depreciation charged and the minimum revenue provision (MRP) as follows:

	2008/09 £000	2007/08 £000
Statutory MRP	8,462	8,114
Provision for General Fund Depreciation	(18,972)	(16,448)
<b>Additional Charge/(Credit) to/(from) Statement of Movement on the General Fund Balance</b>	<b>(10,510)</b>	<b>(8,334)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

**Impairments** - This represents instances where there has been a significant decline in a fixed asset valuation which has arisen as a result of obsolescence, physical damage or a change in the environment in which the authority operates.

	2008/09 £000
Revaluation Reserve	375
Capital Adjustment Account	31,359
Financial Instruments Adjustment Account re: Icelandic banks (Note 30 and 40)	3,155
	<b>34,889</b>

### NOTE 8: CONTRIBUTION FROM THE CAPITAL ADJUSTMENT ACCOUNT

This contribution represents the net write-off of expenditure in relation to assets which the Council does not own or from which the Council does not derive any material benefit or expenditure which government direction allows to be capitalised. This expenditure is referred to as Revenue Expenditure Funded from Capital under Statute.

	2008/09 Grant £000	2008/09 Expenditure £000	2007/08 Expenditure £000	2007/08 Grant £000
Renovation Grants	1,490	4,730	5,013	1,067
Regeneration	3,112	4,130	3,250	3,249
Leased Buildings	2,500	7,373	701	168
Voluntary Aided Schools	319	479	1,178	467
Social Housing Grant	-	8	71	-
Single Status	-	831		-
<b>Total Contribution</b>	<b>7,421</b>	<b>17,551</b>	<b>10,213</b>	<b>4,951</b>

The net amount is included within the following items in the Net Cost of Services:

	2008/09 £000	2007/08 £000
Planning and Economic Development	1,019	687
Housing General Fund	7,431	4,017
Central Services	1,520	534
Education	160	24
	<b>10,130</b>	<b>5,262</b>

### NOTE 9: 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Details of the deployment of DSG receivable in 2008/09 are as follows:

	<u>Schools Budget Funded by Dedicated Schools Grant</u>		
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Original grant allocation to Schools Budget for the current year in the authority's budget	19,115	165,991	185,106
Adjustment to finalised grant allocation	-	-	-
DSG receivable for the year	19,115	165,991	185,106
Actual expenditure for the year	19,543	165,991	185,534
(Over)/underspend for the year	(428)	-	(428)
Planned top-up funding of ISB from Council resources	-	-	-
<b>(Over)/underspend carried forward to 2009/10</b>	<b>(428)</b>	<b>-</b>	<b>(428)</b>

### NOTE 10: EMPLOYEES' REMUNERATION

The number of employees whose remuneration in 2008/09 and 2007/08, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	2008/09			2007/08		
	Schools Staff	Officers	Total Employees	Schools Staff	Officers	Total Employees
£50,000 - £59,999	217	58	275	196	75	271
£60,000 - £69,999	79	44	123	57	25	82
£70,000 - £79,999	26	14	40	21	14	35
£80,000 - £89,999	7	-	7	5	3	8
£90,000 - £99,999	7	13	20	8	12	20
£100,000 - £109,999	5	-	5	4	-	4
£110,000 - £119,999	-	-	-	-	1	1
£120,000 - £129,999	1	5	6	-	5	5
£130,000 - £139,999	-	-	-	-	-	-
£140,000 - £149,999	-	1	1	-	-	-
£150,000 - £159,999	-	-	-	-	-	-
£160,000 - £169,999	-	-	-	-	-	-
£170,000 - £179,999	-	1	1	-	1	1
	<b>342</b>	<b>136</b>	<b>478</b>	<b>291</b>	<b>136</b>	<b>427</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 11: EXPENDITURE ON PUBLICITY

Section 5(i) of the Local Government Act 1986 requires a local authority to keep a separate account of its expenditure on publicity. Expenditure on publicity in 2008/09 amounted to £2.193m (£2.180m in 2007/08). This expenditure can be broken down as follows:

	2008/09 £000	2007/08 £000
Schools expenditure	548	714
Recruitment Advertising	909	637
Other	736	829
<b>Total</b>	<b>2193</b>	<b>2,180</b>

### NOTE 12: EXPENDITURE ON LEASING

Operating leases where the Council is the lessee relating to land and buildings were:

	2008/09 £000	2007/08 £000
Operational Land and Buildings (GF)	2,498	2,459
Operational non-residential (HRA)	312	0
Operational residential (HRA)	2,292	3,031
<b>Total</b>	<b>5,102</b>	<b>5,490</b>

The payments the authority is committed to make in 2009/10 in relation to operational leases for land and buildings are:

	Operational Land & Buildings (GF) £000	Operational Non-residential (HRA) £000	Operational Residential (HRA) £000	Total £'000
Within one year	2,476	312	370	3,158
Within two to five years	6,016	1,246	0	7,262
In more than five years	1,903	701	0	2,604
<b>Total</b>	<b>10,395</b>	<b>2,259</b>	<b>370</b>	<b>13,024</b>

Operating leases where the Council is the lessee relating to other purposes were:

	2008/09 £000	2007/08 £000
Vehicles	87	171
Plant	24	38
Equipment	0	0
Other	0	0
<b>Total</b>	<b>111</b>	<b>209</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

In 2008/09 the undischarged obligation in respect of operating leases was £63,000 (31.03.2008 £174,000). The payments the authority is committed to make in 2009/10 in relation to operational leases for other purposes are:

	Vehicles £000	Plant £000	Equipment £000	Other £000	Total £000
Within one year	48	0	0	0	48
Within two to five years	15	0	0	0	15
In more than five years	0	0	0	0	0
<b>Total</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63</b>

Operating leases where the Council is the lessor relating to land and buildings were:

	2008/09 £000	2007/08 £000
Non-operational Land & Buildings (GF)	1,728	934
Non-operational non-residential (HRA)	0	0
<b>Total</b>	<b>1,728</b>	<b>934</b>

The value of assets held of use in operating leases is:

	31.03.09 £000	31.03.08 £000
<b>Non-operational Land &amp; Buildings (GF)</b>		
Gross Book Value	30,055	28,579
Less: Accumulated Depreciation	(2,975)	(2,536)
Net Book Value	27,080	26,043
<b>Non-operational non-residential (HRA)</b>		
Gross Book Value	0	0
Less: Accumulated Depreciation	0	0
Net Book Value	0	0

There are no financing leases where the Council is either the lessee or the lessor.

### NOTE 13: PENSION ARRANGEMENTS

Pensions are provided for all full-time Council employees under the requirements of statutory regulations. In certain circumstances these regulations extend to cover part-time employees. The principal schemes in operation are:

**TEACHERS** - This is a defined benefit scheme administered by the Department for Children, Schools and Families (DCSF). In 2008/09 Brent paid £13.2m (2007/08 £12.4m). The Council contributed at a rate of 14.1% of pensionable pay for the period (14.1% in 2007/08), and in addition is responsible for all pension payments relating to added years awarded by the authority together with the related increases. These amounted to a further £2.0m in 2008/09 (2007/08 £1.8m).

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

**OTHER EMPLOYEES** - Pensions are provided from the Pension Fund, the accounts of which have been produced separately. The employer's contributions, at rates advised by the Fund's actuaries, are charged to revenue as incurred. The Council's actuaries recommended an employer's contribution of 22% of pensionable pay in 2008/09 (385% of employees contributions in 2007/08). In 2008/09 the Council paid employer contributions of £25.0m (2007/08 £25.0m), representing 21.1% of pensionable pay of all employees. The Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2008/09 Brent made no discretionary payments (2007/08 £31,000). Expenditure in 2008/09 on added years awarded by the authority amounted to £3.0m (£3.1m 2007/08) representing 2.5% of pensionable pay.

Pension payments made during 2008/09 in accordance with SSAP 24 "*Accounting for Pension Costs*" are £22.3m representing 19.5% of pensionable pay.

The 2007 Actuarial Valuation indicates that the assets of the fund cover 72% of fund liabilities following a fall in investment returns offset by falling interest rates, and increasing member longevity. Employer contributions have been set to cover the deficit over 25 years.

Employer rates as a percentage of pensionable pay are as follows:

2004/05	18.6%
2005/06	20.1%
2006/07	21.6%
2007/08	23.1%
2008/09	22.9%
2009/10	22.9%

### **NOTE 14: CAPITAL COST OF DISCRETIONARY INCREASES IN PENSION PAYMENTS**

These are shown as part of the Financial Reporting Standard No. 17 disclosure below.

### **NOTE 15: RETIREMENT BENEFITS**

In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS 17) the London Borough of Brent is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

The London Borough of Brent participates in the Local Government Pension Scheme and acts as an Administering Authority. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. Brent also has unfunded liabilities related to added years service given to both teachers and other staff.

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

The most recent valuation was carried out as at 31<sup>st</sup> March 2007, and has been updated by independent actuaries to the London Borough of Brent Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31<sup>st</sup> March 2009. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. Changes to the Local Government Pension Scheme permit employees retiring on or after 6<sup>th</sup> April 2007 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed 50% of employees retiring after 6<sup>th</sup> April 2007 will take advantage of this change to the pension scheme.

London Borough of Brent's contribution rate over the accounting period was 22.9% of pensionable pay. The contribution rate certified for London Borough of Brent at the 31<sup>st</sup> March 2007 valuation is 22.9% of pensionable pay.

These figures include the past service element of the contribution rate.

### **Disclosure under FRS17 (LGPS funded benefits)**

#### **Introduction**

The disclosures below relate to the funded liabilities within the London Borough of Brent Pension Fund (the "Fund") which is part of the Local Government Pension Scheme. London Borough of Brent participates in the Fund which provides defined benefits, based on members' final pensionable salary. In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

#### **Contributions for the accounting period ending 31<sup>st</sup> March 2010**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2010 are estimated to be £25.99M. In addition, Strain on Fund Contributions may be required.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Assumptions

The latest actuarial valuation of London Borough of Brent 's liabilities took place as at 31<sup>st</sup> March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

#### Principal financial assumptions (% per annum)

	31.03.09	31.03.08	31.03.07
Inflation	3.4	3.7	3.2
Rate of general increase in salaries *	4.9	5.2	4.7
Rate of increase to pensions in payment	3.4	3.7	3.2
Rate of increase to deferred pensions	3.4	3.7	3.2
Discount rate	6.7	6.8	5.3

\* In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31<sup>st</sup> March 2007.

#### Principal demographic assumptions

Post retirement mortality	31.03.09	31.03.08
<b>Males</b>		
Base table (in 2007)	PNMAOO with allowance for MC* improvement factors to 2007	PNMAOO with allowance for MC* improvement factors to 2007
Scaling to above base table rates (normal health)	100%	100%
Cohort improvement factors (from 2007)	80% of LC**	100% of MC*
Minimum underpin to improvement factors	1.25%	1.00%
Future lifetime from age 65 (currently aged 65)	23.1	22.1
Future lifetime from age 65 (currently aged 45)	25.4	24.0
<b>Females</b>		
Base table (in 2007)	PNFAOO with allowance for MC* improvement factors to 2007	PNFAOO with allowance for MC* improvement factors to 2007
Scaling to above base table rates (normal health)	100%	100%
Cohort improvement factors (from 2007)	60% of LC**	100% of MC*
Minimum underpin to improvement factors	1.25%	0.50%
Future lifetime from age 65 (currently aged 65)	25.0	24.1
Future lifetime from age 65 (currently aged 45)	27.3	25.3

\* MC (Medium Cohort)

\*\* LC (Lower Cohort)

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Expected return on Assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS17.

	Long-term expected rate of return at 31.03.09 (% pa)*	Asset split at 31.03.09 (%)	Long-term expected rate of return at 31.03.08 (% pa)	Asset split at 31.03.08 (%)	Long-term expected rate of return at 31.03.07 (% pa)	Asset split at 31.03.07 (%)
Equities	7.0	43.2	7.6	53.1	7.7	62.4
Private Equity	7.0	9.2	7.6	3.0	7.7	2.2
Hedge Funds	6.5	10.6	7.1	7.7	7.2	6.2
Currency	10.0	0.0	10.0	7.5	10.0	6.3
Property	6.0	8.4	6.6	8.0	6.7	7.5
Gov. Bonds	4.0	4.6	4.6	6.7	4.7	6.0
Corp. Bonds	5.8	6.8	6.8	2.1	5.3	5.9
Cash/other**	5.0	17.2	7.1	12.0	5.6	3.5
<b>Total</b>	<b>6.3</b>	<b>100.0</b>	<b>7.4</b>	<b>100.0</b>	<b>7.3</b>	<b>100.0</b>

*The overall expected rate of return on Fund assets is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table*

### Narrative description of the basis used to determine expected return

*London Borough of Brent employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31<sup>st</sup> March 2009.*

### Reconciliation of funded status to balance sheet

	Value as at 31.03.09 £m	Value as at 31.03.08 £m	Value as at 31.03.07 £m
Notional value of assets	306.84	405.45	436.76
Present value of liabilities	697.01	660.95	708.68
Net pension asset / (liability)	(390.17)	(255.50)	(271.92)

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Analysis of Income and Expenditure / Profit and Loss charge

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Current service cost	15.48	22.29
Past service cost	0.00	5.81
Interest cost	44.90	37.79
Expected return on assets	(29.14)	(31.48)
Curtailment cost	0.00	0.00
Settlement cost	0.00	0.00
Expense recognised	31.24	34.41

### Changes to the present value of liabilities during the accounting period

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Opening present value of liabilities	660.95	708.68
Current service cost	15.48	22.29
Interest cost	44.90	37.79
Contributions by participants	7.18	6.41
Actuarial (gains)/losses on liabilities*	(7.45)	(99.18)
Net benefits paid out <sup>#</sup>	(24.05)	(20.85)
Past service cost	0.00	5.81
Net increase in liabilities from disposals and acquisitions	0.00	0.00
Curtailements	0.00	0.00
Settlements	0.00	0.00
Closing present value of liabilities	697.01	660.95

\* Includes changes to the actuarial assumptions.

<sup>#</sup> Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £0.43M for the period ending 31<sup>st</sup> March 2009.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Changes to the fair value of assets during the accounting period

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Opening fair value of assets	405.45	436.76
Expected return on assets	29.14	31.48
Actuarial gains / (losses) on assets	(135.66)	(73.48)
Contributions by the employer	24.78	25.12
Contributions by participants	7.18	6.41
Net benefits paid out <sup>#</sup>	(24.05)	(20.84)
Net increase in assets from disposals and acquisitions	0.00	0.00
Settlements	0.00	0.00
Closing fair value of assets	306.84	405.45

<sup>#</sup> Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £0.43M for the period ending 31<sup>st</sup> March 2009.

### Actual return on assets

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Expected return on assets	29.14	31.48
Actuarial gain / (loss) on assets	(135.66)	(73.48)
Actual return on assets	(106.52)	(42.00)

### Analysis of amount recognised in STRGL\*

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Total actuarial gains/(losses)	(128.21)	25.71
Total gain/(loss) in STRGL	(128.21)	25.71

\* STRGL (Statement of Total Recognised Gains & Losses)

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### History of asset values, present value of liabilities and surplus/deficit\*

	As at 31.03.09 £m	As at 31.03.08 £m
Fair value of assets	306.84	405.45
Present value of liabilities	697.01	660.95
Surplus/(deficit)	(390.17)	(255.50)

\* FRS17 requires the history to show this period plus the previous four periods if applicable. Asset values for all but the first two of these periods should be shown at current bid price. The asset values for the most recent three periods are shown at current bid price in this draft disclosure note. In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at midmarket value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 and 2005 are shown at mid-market value and have not been remeasured as permitted by FRS17 (as revised). Information for years other than the two years above can be obtained from this and previous FRS17 disclosures.

### History of experience gains and losses\*

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Experience gains/(losses) on assets	(135.66)	(73.48)
Experience gains/(losses) on liabilities <sup>#</sup>	(2.81)	(19.42)

\* FRS17 requires the experience gains / (losses) to be disclosed for the current accounting period plus the previous four accounting periods if applicable. Information for periods other than the two periods shown above can be obtained from previous FRS17 disclosures. For those employers with unfunded liabilities it has only been a requirement to split out the funded and unfunded experience from 2008 onwards. The table below relates to funded and unfunded benefits.

	<u>2007/08</u>		<u>2006/07</u>		<u>2005/06</u>		<u>2004/05</u>	
	Amount (£m)	% of Assets/ Liabilities						
Actual return less expected return on assets	(73.48)	16.82	2.00	0.46%	42.43	10.7%	5.46	1.7%
Experience gains and losses on pension liabilities	(20.04)	2.83	(1.87)	0.43%	(5.49)	0.8%	65.61	11.2%
Changes in assumptions underlying the present value of pension liabilities	124.29	17.54	1.72	0.39%	(51.99)	7.8%	(143.83)	24.5%
<b>Total</b>	<b>30.77</b>		<b>1.85</b>		<b>(15.05)</b>		<b>(72.76)</b>	

# This item consists of gains / (losses) in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Disclosure under FRS17 (LGPS and Teachers' unfunded benefits)

#### Introduction

The disclosures below relate to unfunded pension arrangements established by London Borough of Brent . These are defined benefit arrangements based on members' final pensionable salary. In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

#### Contributions for the accounting period ending 31<sup>st</sup> March 2010

In the accounting period ending 31<sup>st</sup> March 2010 the Employer expects to pay £5.17m directly to beneficiaries.

#### Assumptions

The latest actuarial valuation of unfunded LGPS benefits took place as at 31<sup>st</sup> March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation results for FRS17 purposes were:

#### Principal financial assumptions (% per annum)

	31.03.09	31.03.08	31.03.07
Inflation	3.4	3.7	3.2
Rate of increase to pensions in payment	3.4	3.7	3.2
Discount rate	6.7	6.8	5.3

#### Principal demographic assumptions

Post retirement mortality	31.03.09	31.03.08
<b>Males</b>		
Base table (in 2007)	PNMAOO with allowance for MC* improvement factors to 2007	PNMAOO with allowance for MC* improvement factors to 2007
Scaling to above base table rates (normal health)	100%	100%
Cohort improvement factors (from 2007)	80% of LC**	100% of MC*
Minimum underpin to improvement factors	1.25%	1.00%
Future lifetime from age 65 (currently aged 65)	23.1	22.1
Future lifetime from age 65 (currently aged 45)	25.4	24.0

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Post retirement mortality	31.03.09	31.03.08
<b>Females</b>		
Base table (in 2007)	PNFAOO with allowance for MC* improvement factors to 2007	PNFAOO with allowance for MC* improvement factors to 2007
Scaling to above base table rates (normal health)	100%	100%
Cohort improvement factors (from 2007)	60% of LC**	100% of MC*
Minimum underpin to improvement factors	1.25%	0.50%
Future lifetime from age 65 (currently aged 65)	25.0	24.1
Future lifetime from age 65 (currently aged 45)	27.3	25.3

\* MC (Medium Cohort)

\*\* LC (Lower Cohort)

### Reconciliations of funded status to balance sheet

	Value as at 31.03.09 £m	Value as at 31.03.08 £m	Value as at 31.03.07 £m
Present value of liabilities	88.70	86.02	91.28
Net pension (liability)	(88.70)	(86.02)	(91.28)

### Analysis of Income and Expenditure/Profit and Loss charge

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Current service cost	0.00	0.00
Past service cost	0.00	0.00
Interest cost	5.68	4.71
Curtailement cost	0.00	0.00
Settlement cost	0.00	0.00
Expense recognised	5.68	4.71

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Changes to the present value of unfunded liabilities during the accounting period

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Opening present value of liabilities	86.02	91.28
Current service cost	0.00	0.00
Interest cost	5.68	4.71
Actuarial (gains) / losses on liabilities*	2.00	(5.06)
Net benefits paid out	(5.00)	(4.91)
Past service cost	0.00	0.00
Net increase in liabilities from disposals and acquisitions	0.00	0.00
Curtailments	0.00	0.00
Settlements	0.00	0.00
Closing present value of unfunded liabilities	88.70	86.02

\* *Includes changes to the actuarial assumptions*

### Analysis of amount recognised in STRGL\*

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Total actuarial gains / (losses)	(2.00)	5.06
Total gain (loss) in STRGL	(2.00)	5.06

\* *STRGL (Statement of Total Recognised Gains & Losses)*

### History of present value of liabilities and surplus / deficit

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Present value of liabilities	88.70	86.02
Surplus / (deficit)	(88.70)	(86.02)

\* *FRS17 requires the history to show this period plus the previous four periods if applicable. Information for years other than the two periods shown above can be obtained from this and previous FRS17 disclosures.*

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### History of experience gains and losses\*

	Period ending 31.03.09 £m	Period ending 31.03.08 £m
Experience gains / (losses) <sup>#</sup>	(1.09)	(0.62)

\* FRS17 requires the experience gains/(losses) to be disclosed for the current accounting period plus the previous four accounting periods if applicable. It has, however, only been a requirement for experience gains and losses relating to unfunded liabilities to be split out from the unfunded liabilities from 2008 onwards. In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6<sup>th</sup> April 2007. This disclosure note presents the history of liabilities, and experience gain/(loss) on liabilities, for periods ending 2008 and 2009. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits.

<sup>#</sup> This item consists of gains/(losses) in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

### Movement in Pensions Reserve

The movement in net surplus/deficit for the year to 31<sup>st</sup> March 2009 is as follows:

	£m	£m
Net surplus/(deficit) at beginning of year		(341.52)
Movement in year:		
Operating Charge:		
Current service cost	(15.48)	
Past service costs	-	
Total Operating Charge	<hr/>	(15.48)
Contributions:		
Contributions paid		29.78
Finance Income:		
Expected return on Pension Fund assets	29.14	
Interest on pension scheme liabilities	<hr/>	
Total Finance Income		(21.44)
Actuarial gain/(loss)		<hr/>
<b>Net surplus/(deficit) at end of year</b>		<b><hr/><hr/></b>

### NOTE 16: 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 49 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 2008/09 have Brent Members as Directors, Trustees or employees. The following information has been obtained from Members' 2008/09 Declarations of Related Party Transactions:

	<b>£000</b>
Brent Arts Council	10
Middlesex ITEC	43
Tricycle Theatre	225

One councillor is a director of an organisation which provided services to the council costing £166,000. The contract was entered into in compliance with the Council's standing orders.

Another councillor is a member of the Wembley Crime Prevention Panel which gets a grant of £2,000 from one ward. This councillor does not represent the ward that gave the grant.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Pooled Budgets - Details of partnerships with Brent tPCT and the North West London Mental Health Trust are shown in Note 20 to the Core Financial Statements.

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

### NOTE 17: MEMBERS' ALLOWANCES

Total payments including National Insurance costs in 2008/09 were £886,000 (£855,000 in 2007/08). The scheme for Members' allowances and amounts paid to each Member under the scheme are publicly available.

### NOTE 18: BUILDING CONTROL ACCOUNT

The Building Act 1984 and specifically the Building Control Regulations 1998 required Local Authorities to establish a scheme for Building Control charges from 1<sup>st</sup> April 1999. The basic principle is that income received over any three year period shall not be less than the costs directly or indirectly incurred. In 2008/09 a surplus of £58,000 was made as shown in the chargeable column below.

The figures for 2008/09 and 2007/08 are as follows:

	Chargeable 2008/09 £000	Non- Chargeable 2008/09 £000	Total Building Control 2008/09 £000
<b><u>Expenditure</u></b>			
Employee Expenses	701	141	842
Premises	2	1	3
Transport	9	3	12
Supplies and Services	140	49	189
Central and Support Service Charges	188	66	254
Capital Charges	4	1	5
<b>Total Expenditure</b>	<b>1,044</b>	<b>261</b>	<b>1,305</b>
<b><u>Income</u></b>			
Building Regulations Charges	(1,098)	-	(1,098)
Miscellaneous	(4)	-	(4)
<b>Total Income</b>	<b>(1,102)</b>	<b>-</b>	<b>(1,102)</b>
<b>Surplus/(Deficit) for Year</b>	<b>58</b>	<b>(261)</b>	<b>(203)</b>
<b><u>Comparatives for 2007/08</u></b>			
Expenditure	1,091	361	1,452
Income	(1,109)	(14)	(1,123)
<b>Surplus/(Deficit) for Year</b>	<b>(18)</b>	<b>(347)</b>	<b>(329)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 19: LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Income from these services amounted to £1.520m in 2008/09 (£1.740m in 2007/08) and fully covered expenditure. The other public bodies are:

	2008/09 £000	2007/08 £000
London Borough of Harrow (Trading Standards)	782	815
Brent Primary Care Trust	592	835
Other	146	90
	<b>1520</b>	<b>1740</b>

### NOTE 20: POOLED BUDGETS

The Council entered into partnership agreements under Section 31 of the Health Act 1999 with Brent Teaching Primary Care Trust (tPCT) 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. 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 North West London Mental Health Trust (NWLMHT) which is the host partner for Mental Health.

The Partnerships' income and expenditure for 2008/09 was:

	Learning Disabilities £000	Mental Health £000	Occupational Therapy £000
Funding: London Borough of Brent	(403)	(458)	(563)
Brent tPCT	(93)	-	(499)
NWLMHT	-	(1,068)	-
<b>Total Funding</b>	<b>(496)</b>	<b>(1,526)</b>	<b>(1,062)</b>
<b>Expenditure</b>	<b>496</b>	<b>1,526</b>	<b>1,429</b>
<b>Net Overspend/(Underspend)</b>	<b>-</b>	<b>-</b>	<b>367</b>
<b>2007/08 Net Overspend/(Underspend)</b>	<b>-</b>	<b>24</b>	<b>369</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 21: AUDIT COSTS

The London Borough of Brent incurred the following fees relating to external audit and inspection:

	2008/09 £000	2007/08 £000
- Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with Section 5 of the Audit Commission Act 1998.	441	431
- Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1999.	27	40
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above under Section 28 of the Audit Commission Act 1998.	100	95
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above.	-	45

In 2007/08 as well as duties relating to external audit and inspection, the Council's former auditors also provided consultancy services on revenue income optimisation and VAT advice in relation to the Wembley Park Development.

### NOTE 22: HOUSING CAPITAL RECEIPTS

Under section 11 of the Local Government Act 2003, the Secretary of State determined from 1<sup>st</sup> April 2004 onwards to replace the "set aside" means of redistribution for housing capital receipts, with the pooling regime. Councils are now required to pay over to the Secretary of State 75% of Right to Buy and 50% of other housing land capital receipts, subject to defined exemptions and deductions, for pooling centrally and distribution on a needs basis.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 23: FIXED ASSETS

	Operational Assets						Non-Operational Assets			Total Assets £000's
	Council Dwellings	Land & Buildings	VPF&E	Infrastructure	Intangible Assets	Total Operational	Commercial Properties	Asset under construction	Total Non Operational	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
<b>Cost or Valuation</b>										
At 1 <sup>st</sup> April 2008	802,746	491,231	32,141	143,303	453	1,469,874	7,242	0	7,242	1,477,116
Additions	16,603	48,947	9,939	11,344	653	87,486	0	3,252	3,252	90,738
Disposals	(375)	(799)	0	0	0	(1,174)		0	0	(1,174)
Revaluations	(98,738)	6,680	(33)	0	0	(92,091)	(723)	0	(723)	(92,814)
At 31 <sup>st</sup> March 2009	720,236	546,059	42,047	154,647	1,106	1,464,095	6,519	3,252	9,771	1,473,866
<b>Depreciation and Impairments</b>										
At 1 <sup>st</sup> April 2008	(14,412)	(32,823)	(18,796)	(22,276)	0	(88,307)	(212)	0	(212)	(88,519)
Charge for 2008/09	(7,216)	(11,379)	(3,958)	(3,510)	(36)	(26,099)	(128)	(21)	(149)	(26,248)
Disposals	0	56	0	0	0	56	0	0	0	56
Impairments	0	(375)	0	0	0	(375)	0	0	0	(375)
Revaluations	0	8,907	1,270	0	0	10,177	0	0	0	10,177
At 31 <sup>st</sup> March 2009	(21,628)	(35,614)	(21,484)	(25,786)	(36)	(104,548)	(340)	(21)	(361)	(104,909)
Balance Sheet Amount at 31 <sup>st</sup> March 2009	698,608	510,445	20,563	128,861	1,070	1,359,547	6,179	3,231	9,410	1,368,957
Balance Sheet Amount at 1 <sup>st</sup> April 2008	788,334	458,409	13,344	121,028	453	1,381,568	7,030	0	7,030	1,388,598
<b>Nature of Asset Holding</b>										
Owned	698,608	510,445	20,563	128,861	1,070	1,359,547	6,179	3,231	9,410	1,368,957
Finance Lease	0	0	0	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0	0	0	0
	698,608	510,446	20,563	128,861	1,070	1,359,547	6,179	3,231	9,410	1,368,957

The majority of land and building assets were valued as at 1<sup>st</sup> April 2004 by Phil Churton, MRICS, of Brent Council. Foundation Schools and Caretakers Houses were valued as at 1<sup>st</sup> April 2004 by Marcus J C Perry, FRICS, of Brent Council. A proportion of schools have been revalued at 1<sup>st</sup> April 2006 and 1<sup>st</sup> April 2008 by James Young, BSc, MRICS. Voluntary aided schools are not included since they are not council assets. Council dwellings were revalued by FPD Savills at 31<sup>st</sup> March 2006 and their values have been up-rated to 31<sup>st</sup> March 2008 using Land Registry indices to reflect changes in property values. Impairment reviews on groups of assets are undertaken on an annual basis by the valuer. Where impairment is identified as being due to the consumption of benefit the loss is charged to the relevant service revenue account, otherwise it is written off against the Revaluation Reserve.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 24: CAPITAL EXPENDITURE

The Council's in-year capital expenditure was financed as follows:

	2008/09 £000	2007/08 £000
Borrowing	53,441	21,185
Government Grants	21,862	24,154
Capital Receipts	1,698	7,443
Major Repairs Reserve	11,793	4,009
General Fund Revenue Contributions	6,085	5,348
HRA Revenue Contributions	2,725	5,995
Capital Accruals	2,749	3,106
Capital Funding Account	7,936	6,250
	<b>108,289</b>	<b>77,490</b>

### NOTE 25: LONG TERM INVESTMENTS

The Council invested £100,000 to become a founder member of Greater London Enterprise (GLE) in 1986. GLE exists to support employment and business opportunities in London. The initial investment can only be realised through GLE being wound-up. It is estimated that the Council's stake in GLE is worth approximately £1m.

In 2006/07 the Council invested £161,000 to become a member of the London Authorities Mutual Limited (LAML) plus a further £100,000 in 2007/08. Insurance provision for some policies was provided to the Council in 2007/08.

The remaining long term investments are deposits with building societies for more than one year after 31<sup>st</sup> March 2009.

### NOTE 26: LONG TERM DEBTORS

These are debtors which fall due after a period of at least one year, analysed as follows:

	31.03.09 £000	31.03.08 £000
Sale of Council Houses	231	304
Housing Act Advances	-	1
Other	273	645
	<b>504</b>	<b>950</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 27: DEBTORS AND BAD DEBT PROVISION

An analysis of debtors is shown below:

	31.03.09 £000	31.03.08 £000
Housing Rents	3,434	3,446
Government Departments and Local Authorities	28,810	22,365
Council Tax Payers	41,091	37,908
NNDR Payers	11,562	4,160
Council Tax/NNDR Summons Costs	5,549	4,706
Parking	5,656	4,893
HRA	6,329	13,111
Housing Benefit Overpayments	9,912	8,881
Adult Social Care	10,829	7,859
Sundry	9,869	8,490
	<b>133,041</b>	<b>115,819</b>

An analysis of the provision for bad debts is shown below:

	31.03.09 £000	31.03.08 £000
Council Tax Payers	29,759	25,013
NNDR Payers	3,329	2,555
Council Tax/NNDR Summons Costs	5,113	4,567
Parking	4,966	4,078
HRA (including Housing Rents)	6,814	7,651
Housing Benefit Overpayments	8,246	7,673
Adult Social Care	661	942
Sundry	1,359	1,502
	<b>60,247</b>	<b>53,981</b>

### NOTE 28: CREDITORS

An analysis of creditors is shown below:

	31.03.09 £000	31.03.08 £000
Government Departments and Local Authorities	16,473	20,551
Housing Revenue Account	18,587	19,463
Consolidated Loans Pool	19	38
Collection Fund	5,051	3,605
Adult Social Care	1,588	4,115
Children and Families	15,636	11,634
Environment and Culture	7,102	8,679
Other	6,057	9,661
	<b>70,513</b>	<b>77,746</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 29: LONG TERM BORROWING

Loans that mature within one year are shown under short term borrowing. The analysis of long term loans by maturity is shown below:

	31.03.09 £000	31.03.08 £000
Between 1 – 2 years	-	-
Between 2 – 5 years	-	-
Between 5 – 10 years	-	-
More than 10 years	593,473	613,663
	<b>593,473</b>	<b>613,663</b>
Under the 2007 Statement of Recommended Practice (SORP), the Fair Value of these loans is assessed as:	<b>688,664</b>	<b>731,095</b>

The calculation of fair value is based on the discount rates assessed by the Public Works Loans Board (PWLB) when authorities wish to redeem debt prematurely. Similar discount rates have been applied to market debt as to PWLB debt.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy / sell at an appropriate price, with no other motive in their negotiations than to secure a fair price.

As the average interest rate payable on the debt is 5%, and loans could be borrowed at a lower rate as at 31<sup>st</sup> March, the fair value of the debt is higher than its book cost. The authority would be required to pay a large premium to discharge the debt.

The borrowing is treated as loans and receivables, and shown at amortised cost.

The risks involved in managing debt and investment portfolios are discussed in Note 41.

### NOTE 30: 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:

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

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

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 Scots law. The company was placed in administration on 7<sup>th</sup> October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17<sup>th</sup> 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 based on it recovering 80p in the £. 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 2012. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

July 2009 – 15%  
July 2010 – 30%  
July 2011 – 15%  
July 2012 – 10%  
July 2013 – 10%

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

### **Glitnir Bank hf**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

- 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 therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14<sup>th</sup> 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 only equate to 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 40p 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 31<sup>st</sup> March 2010.

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 14<sup>th</sup> November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £3,155k has been transferred to the Financial Instruments Adjustment Account. The balance of £394k relates to interest which has been borne in full by the General Fund.

Discussions are ongoing with DCLG to amend Regulations to allow the authority to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account and Pension Fund.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 31: PROVISIONS

These monies have been set aside to cover the following potential liabilities:

	31.03.08 £000	Additions £000	Reductions £000	31.03.09 £000
Uninsured Losses	3,987	2,608	(2,486)	4,109
Employment Tribunals	63	-	(63)	-
Disrepair Cases	190	-	(96)	94
Leasing – Dilapidations	107	-	-	107
Housing Repairs	200	-	-	200
Gloucester Close	26	-	-	26
Quainton Street S106	52	-	(32)	20
Planning Appeals Costs	77	-	(77)	-
Travellers Site Legal Fees	-	5	-	5
	<b>4,702</b>	<b>2,613</b>	<b>(2,754)</b>	<b>4,561</b>

**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. The Council estimates that the amount held as a provision plus additional amounts to be provided in 2009/10 will be more than sufficient to meet all claims that are likely to be settled in 2009/10.

**Employment Tribunals** - Covered costs that were likely to be incurred on a limited number of cases.

**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 2009/10.

**Quainton Street S106** - Ongoing court case.

**Planning Appeal Costs** - Costs provided for planning appeal.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### OTE 32: GOVERNMENT GRANTS DEFERRED ACCOUNT

	£000
Balance at 1 <sup>st</sup> April 2008	123,371
Grants Received in Year	14,442
Grants Released to Revenue	(5,033)
<b>Balance at 31<sup>st</sup> March 2009</b>	<b>132,780</b>

Capital Grants received for the purchase of fixed assets which are to be depreciated will be transferred to this account. Approved amounts will then be released to match the depreciation charge over the natural life of the asset.

### NOTE 33: REVALUATION RESERVE

	£000
Balance at 1 <sup>st</sup> April 2008	(117,506)
<b>Movements in Year:</b>	
Net Asset Revaluations and Additions	72,812
Depreciation for Valuations and Disposals	(10,233)
Impairment of Assets	(10,986)
<b>Balance at 31<sup>st</sup> March 2009</b>	<b>(65,913)</b>

The Revaluation Reserve accounts for amounts where the current value net book value of an asset is above its historic cost. It represents the accumulated amount of revaluation gains less amounts written off owing to depreciation and impairment.

The Revaluation Reserve is a relatively new reserve and therefore the closing balance only shows revaluation gains accumulated since 1<sup>st</sup> April 2007.

### NOTE 34: CAPITAL ADJUSTMENT ACCOUNT

	£000
Balance at 1 <sup>st</sup> April 2008	(568,490)
<b>Movements in Year:</b>	
Capital Receipts Applied	(1,698)
Capital Grants Released	(5,033)
General Fund Revenue Contributions to Capital Expenditure	(6,085)
Capital Funding Account	(7,935)
HRA Contributions to Capital Expenditure	(2,725)
Major Repairs Reserve	(11,793)
<b>Less:</b>	
Transfer to Revenue (Note 7)	10,510
Disposals and Impairment	32,535
Net Expenditure written off (Note 8)	10,130
HRA Depreciation (see HRA Note 6)	7,275
<b>Balance at 31<sup>st</sup> March 2009</b>	<b>(543,309)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The Capital Adjustment Account records the consumption of historic cost over the life of the asset and deferred charges over the period that the authority benefits from the expenditure. The account also records the resources set aside to finance capital expenditure.

### NOTE 35: CAPITAL RECEIPTS UNAPPLIED

These are capital receipts which are available for financing new capital expenditure.

	2008/09 £000	2007/08 £000
Balance of Usable Receipts at 1 <sup>st</sup> April 2008 (2007)	499	3,322
Add - Receipts from Sale of Assets etc.	1,832	9,315
Less – Pooled Payments	(633)	(4,695)
Less - Receipts Applied to New Capital Expenditure	(1,698)	(7,443)
<b>Balance of Usable Receipts at 31<sup>st</sup> March 2009 (2008)</b>	<b>0</b>	<b>499</b>

### NOTE 36: CAPITAL GRANTS UNAPPLIED

	2008/09 £000	2007/08 £000
Grants unapplied brought forward	3,570	5,896
Grants received during year	40,006	21,828
Grants applied during year	(7,421)	(4,951)
Grants transferred to Deferred Account	(14,442)	(19,203)
<b>Grants unapplied carried forward</b>	<b>21,713</b>	<b>3,570</b>

Note 24 shows £21.862m applied to fund capital spending in 2008/09. This consists of capital grants applied of £7.421m and grants transferred to deferred account of £14.442m.

### NOTE 37: DEFERRED CREDITS

This comprises deferred capital receipts from the sale of Council houses and income from Private Street Works.

	2008/09 £000	2007/08 £000
Balance brought forward	328	414
Movement during the year	(68)	(86)
<b>Balance carried forward</b>	<b>260</b>	<b>328</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 38: EARMARKED RESERVES

	31.03.08 £000	Additions £000	Reductions £000	31.03.09 £000
Section 106 and Commuted Car Parking	9,770	3,630	(2,559)	10,841
Care of the Elderly	244	8	(17)	235
Capital Funding	0	1,302	0	1,302
NNDR Revaluation Refunds	263	16	(165)	114
Systems Development	813	820	(1,133)	500
Middlesex House and Lancelot Road	2,781	777	0	3,558
Housing Revenue Account	2,918	220	(87)	3,051
Nurseries	766	0	(218)	548
Standards Fund	3,513	763	0	4,276
Property	2,307	0	(64)	2,243
Single Regeneration Budget	1,362	0	(1,055)	307
Local Public Service Agreement (LPSA)	2,592	339	(2,181)	750
JFS School PFI	1,799	215	0	2,014
Supporting People	2,429	0	(226)	2,203
Chalkhill Community Building	2,206	0	(335)	1,871
Viewstar Replacement	172	0	(68)	104
HB Verification Framework	224	0	(224)	0
Granville Plus	123	0	0	123
Brent Performance Fund	101	135	0	236
Willesden Sports Centre PFI	1,322	108	0	1,430
Remuneration Strategy	1,664	0	0	1,664
Local Housing Allowance	838	0	(174)	664
Dedicated Schools Grant Balance	1,100	0	(428)	672
Wembley Youth and Community	250	0	0	250
LABGI	840	0	(840)	0
Boiler Refurbishment	362	0	0	362
Learning & Skills Council (LSC)	405	0	(405)	0
Long Term Sickness	422	291	0	713
IT Invest to Save	120	0	(120)	0
Employment & Support Allowance	140	0	(140)	0
Affordable Housing PFI	254	0	(254)	0
Local Development Framework	200	0	0	200
South Kilburn Delivery	438	258	0	696
Transformation	750	0	(38)	712
Working Neighbourhood Fund	0	2,303	0	2,303
Capital Finance	0	1,616	0	1,616
Stonebridge Housing Action Trust	108	0	(42)	66
Brent tPCT Settlement	1,400	0	(263)	1,137
ESF/Sure Start	180	0	(180)	0
Payroll Liabilities	111	60	(77)	94
Area Child Protection	77	55	0	132
Destination Wembley	0	1,104	(527)	577
Miscellaneous	999	664	(692)	971
	<b>46,363</b>	<b>14,684</b>	<b>(12,512)</b>	<b>48,535</b>

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

**Section 106 and Commuted Car Parking** - Amounts received under Section 106 of the Town and Country Planning Act 1990 which are earmarked for particular purposes arising from the related developments.

**Care of the Elderly** - Monies bequeathed by a former resident to be utilised for providing services for the elderly within the borough.

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

**NNDR Revaluation Refunds** - Monies earmarked to pay consultants working on valuation appeals of Council properties.

**Systems Development** - To finance improvements and enhancements in the Borough's Information Technology and Communication (ITC) systems.

**Middlesex House and Lancelot Road** - In 1987 the Council entered into financial arrangements in connection with a loan raised by Network Housing Association (NHA) to fund the purchase and conversion of Middlesex House and a new building at Lancelot Road. These were to be primarily utilised to house homeless families. The Council leases the properties from NHA.

The Council entered a revised arrangement with NHA in 2000/01 effective from 1<sup>st</sup> April 1997. This included the Council paying grants to NHA which are calculated annually based on factors, such as the level of RPI, included in the agreement.

The maximum amount that the Council can be called upon to pay NHA in each financial year is set out in a model included in the agreement. The reserve represents this amount which is transferred annually less any actual expenditure which is charged to the revenue account.

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

**Nurseries** - Monies earmarked for the education of nursery school children in the borough.

**Standards Fund** - Unspent Standards Fund balances may be carried forward into the following financial year to be spent by 31<sup>st</sup> August.

**Property** - Monies earmarked to be spent on repairs, maintenance and dilapidations to council freehold and leasehold buildings. Also to support more efficient use of office accommodation and new ways of working.

**Single Regeneration Budget (SRB)** - Monies set aside to cover the set up/closure costs of SRB schemes.

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

**Local Public Service Agreement (LPSA)** - The balance of the grant for local public service agreements which was unspent at 31<sup>st</sup> March 2009.

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

**Supporting People** - Monies underspent in previous year. During 2006/07 services were reviewed and managed to reduce contract values. The underspend will be utilised during 2009/10 to balance funding cuts and set up new services in Brent. The grant conditions say this must be carried forward to spend on housing support.

**Chalkhill Community Building** - Monies earmarked for the development of a new community building on the Chalkhill estate.

**Viewstar Replacement** - Monies earmarked for the third stage of the new Housing Benefits document imaging system for filing and work allocation – phases 1 and 2 have been completed.

**HB Verification Framework** - Additional investment to meet new requirements for the verification of housing benefit claims and other changes in legislation.

**Granville Plus** - Balance remaining for the redevelopment of community facilities to include a children centre in South Kilburn.

**Brent Performance Fund** - The fund is used to pay for various service improvements across the Council. The underspend is being carried forward to fund initiatives in 2009/10.

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

**Remuneration Strategy** - Monies for the development and the implementation of the single status agreement for employees and other recruitment and retention initiatives.

**Local Housing Allowance** - Reserve for on-going implementation costs of new Local Housing Allowance commencing in April 2008 – costs for staff training, software development, publicity, start-up activities.

**DSG Balance** - Balance carried forward of Dedicated Schools Grant.

**Wembley Youth and Community** - Monies provided for the renovation of the Wembley Youth and Community Centre.

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

**LABGI** - To provide a reserve for Local Authority Business Growth Initiative monies owing to the uncertainty about future distribution of funds.

**Boiler Refurbishment** - Refurbishment of the boiler at the Centre for Staff Development.

**Learning and Skills Council** - Adult and community learning grant from the LSG to be utilised in 2009/10.

**Long Term Sickness** - Monies expected to be required to pay for long term sickness in schools funded by contributions from schools.

**Invest to Save** - Monies carried forward to fund agreed invest to save projects in IT.

**Employment and Support Allowance** - Grant received for new benefit on employment and support, awaiting guidance notes on the administrative process before being utilised.

**Affordable Housing PFI** - Monies for costs and risks incurred on the proposed PFI scheme.

**Local Development Framework** - Local development framework inquiry costs.

**South Kilburn Delivery** - Costs to be incurred in the delivery of the project plan for South Kilburn.

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

**Working Neighbourhood Fund** - Programme of employment and skills provision through Brent into work.

**Capital Financing Reserve** - To smooth the impact of interest rate falls in 2009/10.

**Stonebridge Housing Action Trust** - Money received to manage a redevelopment scheme in former Housing Action Trust land and two primary school sites.

**Brent tPCT** - Brent Teaching Primary Care Trust (tPCT) indicated that a number of patients that it funded for care should transfer to the local authority. The Council did not accept the legal basis for many of these changes. However, the majority of cases have now been resolved between the two bodies. Part of this settlement requires the Council to earmark £1.4m in this reserve. It will be utilised to fund joint initiatives between the Council and tPCT which will be agreed by both parties.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

**ESF/Sure Start** - Ethnic minority achievement grant to be carried forward and utilised in 2008/09.

**Payroll Liabilities** - Monies provided for various payroll liabilities e.g. uncashed payroll and pension cheques.

**Area Child Protection** - Money received from Brent Local Safeguarding Childrens Board for childrens services to promote the welfare of children.

**Destination Wembley** - Monies carried forward to meet commitments in Wembley Regeneration area.

**Miscellaneous** - This comprises of a variety of miscellaneous small reserves each totalling below £100,000. Some of these small reserves have relevance to more than one Service Area.

### NOTE 39: GENERAL FUND BALANCES

The balance held on the General Fund comprises:

	31.03.09 £000	31.03.08 £000
Schools	14,586	13,730
Other	8,054	9,055
	<b>22,640</b>	<b>22,785</b>

Schools balances are committed to be spent on the Education service.

### NOTE 40: FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

Premia incurred and General Fund discounts earned in prematurely redeeming debt are shown here. Premia are apportioned between the General Fund and Housing Revenue Account (HRA), and charged to the HRA over the remaining life of the redeemed debt or 10 years, whichever is shorter, and to the General Fund over the life of the debt which was raised to replace it. If an opportunity arises to capitalise the General Fund component, this is normally exercised, as it represents an efficient way of managing the portfolio. Discounts are offset against premia before amortising the balance unless separate amortisation is required, as for the HRA. These are shown separately in Note 30.

The 2007 SORP has changed the accounting treatment of premature redemption of debt. Previously premia were charged over the life of the replacement debt. Under the new SORP, if debt is extinguished (the net present value of cash flows changes by at least 10%, or the replacement loan is not taken out with the same lender on the same day as premature redemption) the premia/ discounts are taken to the Income and Expenditure account.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

For 2007/08, none of the loans were modified (exchange of loan instruments with the existing lender is simultaneous, and the present value of the cash flows under the new loan vary by less than 10%) but were extinguished. The premature redemptions carried out in 2008/09 were also extinguishments.

Regulations issued by the Department of Communities and Local Government have been designed to ensure that the accounting changes do not impact on the council tax payer, so that the premia or discounts arising on the early redemption of debt in 2008/09 that may have been charged to the General Fund may be spread over an appropriate period. Adjustments are made through a Financial Instruments Adjustment Account.

The amounts included in the balance sheet are as follows:

	<b>£000</b>
Deferred Premia on the Premature Redemption of Debt	43,558
Discounts on Premature Redemption of Debt	<u>(3,676)</u>
	39,882
Impairment of deposits with Icelandic Banks (see Note 30 to the Core Financial Accounts)	3,155
	<u>43,037</u>

### NOTE 41: SHORT TERM INVESTMENTS

#### Key Risks

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Overall Procedures for Managing Risk

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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 2009 £000 (a)	Historical experience of default % (b)	Estimated maximum exposure to default £000
Deposits with banks and financial institutions	40,852	0.2	15.0
Building societies	36,614	0	0
Government institutions	0	0	0
Supranational institutions	0	0	0
Certificates of deposit	22,816	0	0
<b>Total short term investments</b>	<b>100,282</b>	<b>0.1</b>	<b>15.0</b>
Trade debtors	100,952	57.0	57,492.8
	<b><u>201,234</u></b>		<b><u>57,507.8</u></b>

The short term investments are loans and receivables and shown at amortised cost, with the exception of £22,815,167 which are fair value through profit and loss, but still at amortised cost.

The Certificates of deposit have a capital value of £22,050,000, and accrued value of £722,001. As at 1<sup>st</sup> April 2008, the capital value was £20,850,000 and the accrued value was £445,310. Our treasury adviser, Butler, 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 past due amount can be analysed by age as follows:

	£000
Less than three months	19,003
Three to six months	1,689
Six months to one year	17,009
More than one year	63,251
	<b><u>£100,952.00</u></b>

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The maturity analysis of borrowing is as follows:

	<b>£000</b>
Less than one year	79,699
Between one and two years	0
Between two and ten years	0
Between ten and 15 years	5,136
More than fifteen years	502,003
Market loans	86,334
	<u><b>673,172</b></u>

The maturity analysis of investments is as follows:

	<b>£000</b>
Less than one year	42,835
Between one and two years	31,890
Between two and three years	25,557
More than three years	0
	<u><b>100,282</b></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.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	700
Increase in interest receivable on variable rate investments	750
Impact on Income and Expenditure Account	<u>(50)</u>
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	<u>350</u>
Decrease in fair value of fixed rate investment assets	
Impact on STRGL	<u>0</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	<u>180,000</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.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### 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 31<sup>st</sup> March 2009.

### NOTE 42: PROVISION FOR CREDIT LIABILITIES

This comprises amounts set aside from revenue and capital receipts to repay loans and credit arrangements as required by the Local Government and Housing Act 1989. From 1<sup>st</sup> April 1994 it is accounted for on a memorandum basis and is not a separate entry on the balance sheet. During the year all amounts set aside were utilised for the repayment of debt.

	2008/09 £000	2007/08 £000
Balance brought forward	-	-
Minimum Revenue Provision	8,462	8,114
Reserved Capital Receipts	-	-
	8462	8,114
Amount of Debt Repaid	(8,462)	(8,114)
<b>Balance Carried Forward</b>	-	-

### NOTE 43: 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 £30m.

Potential claims from two parties arising out of a planning agreement have been notified to the Council which disputes liability. No provision is being made.

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 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.

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

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

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.

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

The Council has provided a guarantee of £609,500 as part of its membership of the London Authorities Mutual Limited (LAML) a mutual insurance fund and company limited by a guarantee set up by a number of London Boroughs. The LAML is established to provide the Boroughs with various types of insurance coverage from 1<sup>st</sup> April 2007. At present, the guarantee is currently not enforceable as the High Court rules that Brent did not have the power to grant a guarantee to LAML either under S. 111 of the Local Government Act 1972 or S.2 of the Local Government Act 2000. The appeal hearing has taken place at the Court of Appeal and Judgment confirmed the guarantee is not enforceable. The Council is considering whether to appeal to the House of Lords. The Court also ruled that the Council is liable for legal costs and damages for not carrying out a procurement exercise when insurance contracts were awarded to LAML and has refused Brent's application for permission to appeal to the House of Lords. Brent also has to decide whether to apply to the House of Lords seeking permission to appeal on this issue.

The Council may be required to make a payment to leaseholders in respect of possible defects in statutory notices; the Council has however been advised that an application for dispensation from the consequences of the defects should be successful. No specific provision has been made.

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.

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

The Council is liable to pay costs of the employer and the contractor in a claim in respect of management of a contract for building works. The costs as claimed by the parties amount to a sum in excess of that which the Council has specifically provided.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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.

The Council is in receipt of a claim in relation to alleged breach of contract regarding the administration of a building contract relating to a primary school. Adjudication proceedings have taken place and a settlement is being concluded for which the Council has made specific provision.

The Council may receive claims for back-pay relating to the negotiation of a national Single Status agreement (an exercise that employees are paid the same for carrying out jobs of equal value). This note should not be regarded as an acceptance of liability in any case.

### NOTE 44: COUNCIL'S ASSETS

The Council's fixed assets principally include:

	31.03.09	31.03.08
Council Dwellings		
Council Dwellings	9,061	9,079
Land and Buildings		
Secondary Schools	13	13
Primary Schools	59	59
Nursery Schools	4	4
Special Schools	5	5
Pupil Referral Unit	2	2
Libraries	12	12
Social Services Establishments	86	86
Administrative Buildings	4	3
Car Parks	15	15
Infrastructure		
Kilometres of Roads	471	471
Community Assets		
Acres of Parks and Open Spaces	1,000	1,000
Acres of Allotments	49	49

### NOTE 45: CAPITAL COMMITMENTS

Capital commitments are shown below. These include both schemes under contract and those it would be prudent to provide for:

	31.03.09 £000	31.03.08 £000
Capital Commitments	42,727	35,833
	<b>42,727</b>	<b>35,833</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Capital commitments at 31<sup>st</sup> March 2009 are shown below:

	£000
Children & Families:	
Schools	16,761
Non-Schools	165
Environment & Culture:	
Roads & Highways	10,212
Leisure, Sport & Parks	1,130
Libraries & Culture	1,135
Environmental Initiatives	4,519
Housing & Community Care:	
Adults	482
Works to dwellings	2,293
Customer Services	14
Finance & Corporate Resources:	
ICT schemes	336
Administrative Building	917
Local Area Agreements	1,201
Central Items	3,562

### NOTE 46: EURO COSTS

No direct expenditure or commitments on the Euro were incurred in 2008/09. Areas where expenditure is likely to be incurred if the Euro is adopted have been identified but not yet quantified because of the uncertainty of the timescale. However Brent's IT strategy states that all replacement PCs and software must be Euro compliant.

### NOTE 47: PRIVATE FINANCE INITIATIVE (PFI)

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 new 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.

FRS 5 provides the detailed factors to be taken into account when determining the treatment of these assets, and whether they should be reflected on the balance sheet of the purchaser or the contractor. An assessment of the projects risks and rewards and the substance of the transaction was carried out in accordance with FRS 5. As a result, the assets generated from the projects are not included on the council's balance sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Payments made to the PFI contractors are debited to the Revenue Account and Government Grants received in this respect are credited to the Revenue Account. In 2008/09 the amounts paid under PFI contracts was £4.459m and grant received was £1.965m. The difference was funded from the council's revenue budget.

### NOTE 48: ANALYSIS OF NET ASSETS EMPLOYED

	31.03.09 £000	31.03.08 £000
General Fund	(246,179)	(81,422)
Housing Revenue Account	370,802	450,185
Trading Accounts	33,746	14,966
	<b>158,369</b>	<b>383,729</b>

The FRS 17 deficit relating to the pension fund (£478.9m at 31.03.09) has been mainly charged to the general fund. This is why negative net assets are shown above for the general fund.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 49: OTHER GOVERNMENT GRANTS CASH FLOW

	Funding Bodies	2008/09 £000	2007/08 £000
Access and Systems Capacity	DH	0	2,924
AIDS and HIV	DH	325	298
Asylum Seekers	HO	1,877	903
Carers	DH	0	1,402
Child and Adolescent Mental Health	DH	0	956
Childcare Affordability	LDA	1,005	817
Connexions	DCSF	0	257
Crime and Disorder Partnerships	HO	255	165
Dedicated Schools (DSG)	DCSF	185,106	174,214
Delayed Discharge	DH	0	521
E-Government	CLG	0	350
Homeless Strategy	CLG	875	820
Housing Benefits for Council Tenants (HRA)	DWP	29,173	28,129
Housing Subsidy	CLG	15,909	18,905
Human Resources Development Strategy	CLG	0	338
Local Authority Business Growth Incentive (LABGI)	CLG	4,266	710
LAA Pump Priming	CLG	8,180	16,854
Learning and Skills Council	DCSF/DIUS	26,676	26,169
Leaving Care Grant	DWP	414	175
Local Housing Allowance	DWP	0	322
Local Public Service Agreements	CLG	0	1,284
Magistrates Courts	MOJ	518	519
Mental Health	DH	0	1,008
National Training Strategy	DH	0	728
Partnerships for Older People	DH	363	746
Planning Delivery	CLG	367	411
Positive Activities for Young People	CLG	234	0
Preserved Rights	DH	0	1,362
Private Finance Initiative	CLG	2,849	2,850
Regeneration Budget	CLG	6,428	6,766
Social Reform Grant	DWP	460	0
Standards Fund	DCSF	31,129	36,210
Supporting People	CLG	12,807	13,035
Training and Development	DCSF	293	275
Young People's Substance Misuse	HO	0	389
Other Grants	Misc	1,532	1,527
		<b>331,041</b>	<b>342,339</b>

#### Funding Bodies:

- DH - Department of Health
- DWP - Department of Works and Pensions
- DCSF - Department of Children, Schools and Families.
- HO - Home Office
- DIUS - Department for Innovation, Universities and skills
- CLG - Communities and Local Government
- DEFRA - Department for Environment, Food and Rural Affairs
- LDA - London Development Agency
- MOJ - Ministry of Justice

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 50: RECONCILIATION OF SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO NET CASH FLOW

	2008/09 £000	2007/08 £000
<b>Net (Surplus)/Deficit on the Income and Expenditure Account</b>	20,187	6,331
Additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see Statement of Movement on the General Fund Balance)	(20,042)	(10,175)
HRA surplus for the year	(1,920)	(1,616)
	(1,775)	(5,460)
<b>Non Cash Transactions</b>		
Minimum Revenue Provision	(8,463)	(8,114)
Major Repairs Reserve	(7,215)	(4,009)
Other Provisions/Earmarked Reserves	(8,297)	(2,669)
Capital expenditure charged in year to General Fund Balance	(14,021)	(11,596)
Capital expenditure charged in year to the Housing Revenue Account	(2,725)	(5,995)
Capital Grants applied in year	7,421	4,951
Write downs of deferred charges to be financed from capital resources	10,130	5,262
Transfer from Usable Capital Receipts to meet payments to the Housing Receipts Pool	633	4,695
<b>Accruals Items</b>		
Increase/(Decrease) in Stock and WIP	289	(119)
Increase/(Decrease) in Debtors	19,077	577
(Increase)/Decrease in Creditors	5,923	(11,695)
Increase/(Decrease) in Payments in advance	2,864	(4,065)
(Increase)/Decrease in Receipts in advance	(2,643)	(1,632)
(Increase)/Decrease in Deposits	(173)	(213)
(Increase)/Decrease in Deferred Premia	3,457	(3,665)
(Increase)/Decrease in Discounts on premature debt redemption	0	(1,128)
<b>Net Revenue Cash Flow (Surplus) / Deficit</b>	<b>4,482</b>	<b>(44,875)</b>

### NOTE 51: INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	Balance 31.03.09 £000	Balance 01.04.08 £000	Movement In Year £000
Cash	9,066	3,028	6,038
2007/08 Comparative			2,633

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 52: ANALYSIS OF CHANGES IN NET DEBT

	Balance 31.03.09 £000	Balance 31.03.08 £000	Movement In Year £000
Cash in Hand	184	187	(3)
Cash at Bank/(Overdrawn)	8,537	2,841	5,696
	<u>8,721</u>	<u>3,028</u>	<u>5,693</u>
Short Term Borrowing	(79,699)	(14,207)	(65,492)
Long Term Borrowing	(593,473)	(613,663)	20, 190
	<u>(664,451)</u>	<u>(624,842)</u>	<u>(39, 609)</u>
Short Term Investments	42,835	103,209	(60,374)
<b>Total</b>	<b><u>(621,616)</u></b>	<b><u>(521,633)</u></b>	<b><u>(99,983)</u></b>

### NOTE 53: POST BALANCE SHEET EVENTS

Since the end of the financial year on 31<sup>st</sup> March 2009 no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

### NOTE 54: GOVERNMENT GRANTS (NOT ATTRIBUTABLE TO SPECIFIC SERVICES)

Government Grant shown in the Income and Expenditure Account comprises the following amounts:

	2008/09 £000	2007/08 £000
Formula Grant	19,479	21,635
Area Based Grant	16,209	-
	<b>35,688</b>	<b>21,635</b>

## HOUSING REVENUE ACCOUNT - 2008/09

The Housing Revenue Account (HRA) records the financial transactions relating to the Council's housing stock i.e. it reflects the Council's landlord role.

This account shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs, and how these are met by rents, subsidy and other income. The Housing Revenue Account has to be self financing and there is a legal prohibition on cross subsidy to or from Council Tax Payers.

### **HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT** **FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009**

<u>Note</u>	2008/09 £000	2007/08 £000
<b><u>Income</u></b>		
Dwelling Rents	(45,237)	(43,216)
Non Dwelling Rents	(663)	(528)
Charges for Services and Facilities	(279)	(259)
Transfer from General Fund	(546)	154
HRA Subsidy Receivable	(15,495)	(19,029)
Sums directed by the Secretary of State	0	0
Housing Benefit Transfers	0	0
<b>Total Income</b>	<b>(62,220)</b>	<b>(62,878)</b>
<b><u>Expenditure</u></b>		
Repairs and Maintenance	8,367	7,445
Supervision and Management	18,492	18,157
Rent and Rates	3,519	3,614
Depreciation of Fixed Assets	7,276	7,320
5 Impairment of Fixed Assets	11,023	0
Bad or Doubtful Debts	(189)	490
Debt Management Expenses	58	87
Sum directed by Secretary of State	0	0
<b>Total Expenditure</b>	<b>48,546</b>	<b>37,113</b>
<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	<b>(13,674)</b>	<b>(25,765)</b>
HRA share of Corporate and Democratic Core	179	269
<b>Net Cost of HRA Services</b>	<b>(13,495)</b>	<b>(25,496)</b>
<b>HRA share of the operating income and expenditure included in the Council's Income and Expenditure Account</b>		
(Gain) or Loss on Sale of HRA Fixed Assets	(366)	0
Interest payable and similar charges	16,039	16,207
Amortised Payment and Discount	4,593	4,793
HRA Investment Income/Mortgage Interest	(976)	(511)
Pension interest cost and expected return on pensions assets	306	144
<b>(Surplus) or Deficit for the Year on HRA Services</b>	<b>6,101</b>	<b>(4,863)</b>

**HOUSING REVENUE ACCOUNT - 2008/09 (Continued)**

**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
(Surplus) or deficit for year on the HRA Income and Expenditure Account	6,101	(4,863)
Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance		
- Gain or (loss) on sale of HRA fixed assets	366	0
- Impairment of fixed assets	(11,023)	0
- Net charges made for retirement benefits in accordance with FRS17	(527)	(435)
- Capital expenditure funded by the Housing Revenue Account	2,725	5,995
- Transfer to/from Major Repairs Reserve	(60)	(53)
- Employer's contributions payable to the Brent Pension Fund and retirement benefits payable direct to pensioners	365	313
- Transfer to other earmarked reserves	133	(2,573)
<b>Increase in HRA Balance for the Year</b>	<b>(1,920)</b>	<b>(1,616)</b>
<b>Housing Revenue Account Balance brought forward</b>	<b>(2,509)</b>	<b>(893)</b>
<b>Housing Revenue Account Balance carried forward</b>	<b>(4,429)</b>	<b>(2,509)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 9,481 to 9,361, a net reduction of 120 dwellings. These reductions result from Right to Buy sales, reductions in HRA Leased Properties, conversions of two or more dwellings into larger units, and estate regeneration programmes. They were offset to some extent by new additions during the year.

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

	<b>31.03.09</b>	<b>31.03.08</b>
Leasehold	300	402
Freehold	9,061	9,079
<b>Total</b>	<b>9,361</b>	<b>9,481</b>

### NOTE 2: RENT ARREARS

The level of rent arrears at 31<sup>st</sup> March 2009 was £3.207m. Movements on the arrears and related provisions are shown below.

	<b>Arrears £000</b>	<b>Provision £000</b>	<b>Net Arrears £000</b>
Balances at 31.03.2008	3,446	2,720	726
HRA Leased Properties	2,713	618	2,095
Reclassified to General Fund Account		(170)	170
Amounts written off and other adjustments during the year		(937)	937
(Decrease)/Increase in Provision		523	(523)
(Decrease)/Increase in HRA Leased Properties Arrears	(2,952)		(2,952)
<b>Balances at 31.03.09</b>	<b>3,207</b>	<b>2,754</b>	<b>453</b>

The balances of the arrears and provisions at 31<sup>st</sup> March 2009 include Housing Rent Debtors on Housing Revenue Account (HRA) Leased Properties account. In previous years, the HRA Leased properties arrears and related provision has not been disclosed as part of the Rent Arrears, but has been shown as part of other external debtors balances in the account. This year balance of HRA Leased Properties has been disclosed as part of the Rent Arrears, in order to ensure better disclosure of the Rent Arrears.

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 3: FIXED ASSETS

	Council Dwellings £000	Non- Operational £000	Total £000
<b>Gross Book Value at 1<sup>st</sup> April 2008</b>	<b>802,746</b>	<b>5,873</b>	<b>808,619</b>
Revaluation	(98,738)	(723)	(99,461)
Expenditure during the Year	16,603	0	16,603
Disposals	(375)	0	(375)
<b>Gross Book Value at 31.03.2009</b>	<b>720,236</b>	<b>5,150</b>	725,386
Accumulated Depreciation B/fwd	(14,412)	(68)	(14,480)
Depreciation/adjustment for the Year	(7,216)	(60)	(7,276)
<b>Net Book Value at 31.03.09</b>	<b>698,608</b>	<b>5,022</b>	<b>703,630</b>

### NOTE 4: VACANT POSSESSION VALUE OF HRA DWELLINGS

The vacant possession value of dwellings within the HRA at 1<sup>st</sup> April 2008 was £1.800 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 OF FIXED ASSETS

HRA dwellings are valued at Existing Use Value. The Council calculates any arising impairment or gain on the properties held within the HRA through the application of a regional annual housing indexation factor. The indexation factor for 2008/09 is -12.3% which when applied to the Gross Book Value at 31<sup>st</sup> March 2007 for Council Dwellings of £803m resulted in a downward revaluation adjustment of £99m. This represents the impairment arising due to the decline in market value resulting from the current recession. In line with the requirements of the statement of Recommended Practice the impairment arising has been offset against the current balance on the Revaluation Reserve which stands at £88m with the remaining balance of £11m being charged directly to the HRA Income and Expenditure account. There is a matching contra entry on the Statement of Movement on HRA Balance to negate the impact of the impairment loss on housing rents.

### NOTE 6: MAJOR REPAIRS RESERVE

The Major Repairs Reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

	2008/09 £000	2007/08 £000
Balance at 1 <sup>st</sup> April 2008 (2007)	4,694	1,436
Transfer to Major Repairs Reserve	7,275	7,320
Transfer from Major Repairs Reserve	(60)	(53)
Capital expenditure financed from Major Repairs Reserve	(11,793)	(4,009)
<b>Balances at 31.03.09 (2008)</b>	<b>116</b>	<b>4,694</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 7: HRA SUBSIDY

	2008/09 £000	2007/08 £000
Management Allowance	7,566	7,359
Maintenance Allowance	12,548	12,566
ALMO Allowance	4,320	4,320
Capital Charges	21,499	22,280
MRA	7,216	7,267
Interest on Receipt	(23)	(26)
Other Reckonable Expenditure	2,411	3,149
Rent Allowance Constraint	0	200
	<b>55,338</b>	<b>57,115</b>
Guideline Rent Income	(40,069)	(37,885)
Housing Subsidy Due for the Year	15,469	19,230
Prior Year Audit Adjustment	26	(201)
	<b>15,495</b>	<b>19,029</b>

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.

### NOTE 8(A): HRA CAPITAL EXPENDITURE FUNDING IN 2008/09

	2008/09 £000	2007/08 £000
Borrowing	1,784	1,000
External Contribution	300	0
Revenue Contribution	2,726	5,995
Major Repairs Reserve	11,793	4,009
<b>Total</b>	<b>16,603</b>	<b>11,004</b>

### NOTE 8(B): HRA CAPITAL RECEIPTS IN 2008/09

	2008/09 £000	2007/08 £000
Land	0	0
Houses	375	6,606
Other Properties	0	0
<b>Total</b>	<b>375</b>	<b>6,606</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 9: DEPRECIATION

	2008/09 £000
Operational Assets	
- Dwellings	7,216
- Other land and buildings	0
Non-operational assets	60
<b>Total</b>	<b>7,276</b>

### NOTE 10: NET INTEREST RATE CHARGED TO THE HRA

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

	31.03.09 £000	31.03.08 £000
Interest on HRA mid year Capital Financing Requirement (Prior Year Adjustment)	16,039 0	16,363 (156)
<b>Total</b>	<b>16,039</b>	<b>16,207</b>

### NOTE 11: TRANSFER TO PENSION RESERVE

The 2008/09 HRA has been produced in accordance with the requirements of Financial Reporting Standard (FRS) 17 – Retirement Benefits. FRS17 is described further in the notes to the Core Financial Statements.

The adjustment to Net Cost of Services in the HRA in 2008/09 and 2007/08 was:

	2008/09 £000	2007/08 £000
Direct Employee Costs	133	0
Premature Retirement Compensation	0	(22)
<b>Adjustment</b>	<b>133</b>	<b>(22)</b>

### 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 rent is collected by Brent Housing Partnership Limited to provide these services. The Council has entered into a contract with Brent Housing Partnership Limited to provide these services. The income and expenditure arising from these activities are shown in the Council's accounts in accordance with requirement of the current CIPFA Code of Practice and legislation. Brent Housing Partnership Limited is required by law to prepare a set of accounts which shows its management and administrative cost.

## COLLECTION FUND

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

### COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2009

Notes		2008/09 £000	2007/08 £000
	<b>Income</b>		
1	Income from Council Tax	99,890	94,744
	Transfers from General Fund		
	- Council Tax Benefits	28,754	26,844
4	Collection Fund Deficit	1,500	1,500
2	Income from Non Domestic Rates	95,442	79,431
		<b>225,586</b>	<b>202,519</b>
	<b>Expenditure</b>		
3	Precepts and Demands	127,021	122,019
2	Non-Domestic Rates:-		
	- Payment to National Pool	95,026	79,016
	- Cost of Collection Allowance	416	415
	Provision for uncollectable amounts (net of write-offs)	3,123	1,069
		<b>225,586</b>	<b>202,519</b>
	<b>Deficit/Surplus for Year</b>	<b>0</b>	<b>0</b>
	<b>Collection Fund Account Reserves</b>		
	Fund Balance Brought Forward	(1,500)	(1,500)
	Increase/(Decrease) in Fund Balance	0	0
	Fund Balance Carried Forward	(1,500)	(1,500)

## COLLECTION FUND (Continued)

### NOTES TO THE COLLECTION FUND

#### NOTE 1: COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1<sup>st</sup> 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 94,585 for 2008/09. This basic amount of Council Tax for a Band D property (£1,342.93 for 2008/09) 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:

<b>Proportion of Band D Charge</b>	<b>Number of Band D Equivalent Properties</b>	
Band A	0.67	1,322
Band B	0.78	7,266
Band C	0.89	23,867
Band D	1.00	26,924
Band E	1.22	23,964
Band F	1.44	8,180
Band G	1.67	5,049
Band H	2.00	<u>438</u>
		<u>97,010</u>
		x 97.5% Collection Rate = 94,585

The final income of £123.088m for 2008/09 (including the provision for non-payment, and adjustments to debits during the year) was receivable from the following sources:

	<b>£000</b>
Billed to Council Tax Payers	101,390
Council Tax Benefits	28,754
	<b>130,144</b>

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

## COLLECTION FUND (Continued)

### NOTE 2: NATIONAL NON-DOMESTIC RATES (NNDR)

Non Domestic Rates are organised on a national basis. The Government specified a rate of 46.2p in the £ for 2008/09 (45.8p for small businesses having a rateable value of below £10,000) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nation-wide re-valuation of all properties which took effect from 1<sup>st</sup> April 2005. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £222,104,243 at 31<sup>st</sup> March 2009, 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:

	2008/09 £000	2007/08 £000
Original Debit	102,064	97,283
Transitional Relief	(263)	(203)
Charitable Relief	(5,013)	(5,170)
Provision for Uncollectible Amounts	(1,822)	(586)
Other Adjustments	3,385	(1,776)
Empty/Void Relief	(2,909)	(10,117)
Net NNDR Income	95,442	£79,431.
		00
Cost of Collection Allowance Payable to General Fund	(416)	(415)
<b>Amount Payable to NNDR Pool</b>	<b>95,026</b>	<b>£79,016.</b>
		<b>00</b>

The charge in the other adjustments figures is due mainly to a very large new assessment for a Royal Mail Distribution Centre, backdated to 2005, which resulted in a bill of £5.4m. This one assessment exceeded the value of various backdated reductions relating to downward revaluations. The reduction in empty/void relief in 2008/09 is due to new legislation which greatly reduced the entitlement to relief on empty properties.

### NOTE 3: PRECEPTS

	2008/09 £000	2007/08 £000
London Borough of Brent	97,717	93,485
Greater London Authority	29,304	28,534
	<b>£127,02</b>	<b>1£122,0</b>
	<b>1.00</b>	<b>19.00</b>

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

## 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.

	2008/09 £000	2007/08 £000
London Borough of Brent	1,149	1,151
Greater London Authority	351	349
<b>Deficit</b>	<b>£1,500.0</b> <b>0</b>	<b>£1,500.0</b> <b>0</b>

## 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 Treenear at Chancel House, Neasden Lane, London, NW10 2UF, e-mail address [greg.treenear@bhphousing.co.uk](mailto:greg.treenear@bhphousing.co.uk).

BHP's accounts have been consolidated as a subsidiary using the merger 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 INCOME AND EXPENDITURE ACCOUNT

The Group Income and Expenditure Account shows expenditure and how it was financed.

### GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2009

	2008/09 Gross Expenditure £000	2008/09 Income £000	2008/09 Net Expenditure £000	2007/08 Net Expenditure £000
Education	325,513	(284,404)	41,109	12,210
Cultural Services	17,393	(2,552)	14,841	15,632
Highways, Roads and Transport	34,188	(16,403)	17,785	17,389
Environmental	32,453	(3,820)	28,633	27,470
Planning and Development	14,693	(7,978)	6,715	5,728
Housing (General Fund)	281,141	(252,379)	28,762	26,027
Adult Social Care	99,791	(20,352)	79,439	69,531
Children's Social Services	42,082	(4,962)	37,120	35,329
Courts	690	(484)	206	169
Central Services	62,841	(50,996)	11,845	14,838
Net Cost of General Fund Services	910,785	(644,330)	266,455	224,323
Housing Revenue Account	45,560	(62,474)	(16,914)	(34,633)
<b>Net Cost of Services</b>	<b>956,345</b>	<b>(706,804)</b>	<b>249,541</b>	<b>189,690</b>
Profit/loss on Disposals of Fixed Assets			(602)	7,085
Levies			7,872	6,455
(Surplus)/Deficit on Trading Accounts			(224)	(415)
Interest Payable			32,817	31,537
Interest Receivable			633	(6,342)
Contribution to Housing Pooled Capital Receipts			179	4,695
HRA Share of Corporate and Democratic Core			8,050	269
Amortised premiums and discounts			(976)	4,793
HRA investment income/mortgage interest			(7,101)	(511)
Pensions interest cost and expected return on pensions assets			21,560	10,890
Taxation Paid			47	54
<b>Net Expenditure</b>			<b>311,796</b>	<b>248,200</b>
Distribution From:				
General Government Grants			(19,479)	(21,635)
Non-Domestic Rate Pool			(139,925)	(128,920)
Income from Collection Fund			(96,567)	(92,334)
Area Based Grant			(16,209)	-
<b>(Surplus)/Deficit for the Year</b>			<b>39,616</b>	<b>5,311</b>

**RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT**

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
(Surplus) or deficit on Brent's Single Entity Income and Expenditure Account for the year	40,492	6,331
BHP Surplus	(876)	(1,020)
<b>Group (Surplus) or Deficit for the Year</b>	<b>39,616</b>	<b>5,311</b>

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/09 £000	2007/08 £000
Net (Surplus) or Deficit for the Year	39,616	5,311
(Surplus) or Deficit Arising on Revaluation of Fixed Assets	51,218	(120,502)
Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	136,980	(31,660)
Revised Treatment of Financial Instruments Adjustment Account	-	36,425
Other (Gains) and Losses	15	(31)
<b>Total Recognised (Gains) or Losses for the Year</b>	<b>227,829</b>	<b>(110,457)</b>

## GROUP BALANCE SHEET

The Group Balance Sheet shows the financial position of the group as a whole and summarises its assets and liabilities.

### GROUP BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2009

	31.03.09		31.03.08	
	£000	£000	£000	£000
Fixed Assets				
Council Dwellings	698,608		788,334	
Other Land and Buildings	511,162		458,409	
Vehicle, Plant, Furniture & Equipment	20,647		13,365	
Infrastructure	128,861		121,028	
Intangible Assets	1,070		453	
Non-Operational Assets				
Commercial Properties	6,179		7,030	
Assets under construction	3,231		16	
		1,369,758		1,388,635
Investments (Long Term)		54,654		10,629
Long Term Debtors		504		950
Total Long Term Assets		1,424,916		1,400,214
Current Assets:				
Stock and Work in Progress	529		255	
Payments in Advance	6,304		3,440	
Debtors	133,034		112,328	
Less provision for bad debts	(60,247)		(53,981)	
Short Term Investments	42,835		103,209	
Cash at Bank	11,548		8,044	
Cash in Hand	185		187	
		134,188		173,482
Current Liabilities:				
Short Term Borrowing	(79,699)		(14,207)	
Creditors	(69,994)		(76,556)	
Deposits	(1,630)		(1,457)	
Receipts in Advance	(10,502)		(7,859)	
		(161,825)		(100,079)
Net Current Assets/(Liabilities)		(27,637)		73,403
Total Assets Less Current Liabilities		1,397,279		1,473,617
Long Term Borrowing		(593,473)		(613,663)
Provisions		(4,561)		(4,702)
Government Grants Deferred		(132,780)		(123,371)
Capital Grants Unapplied		(21,713)		(3,570)
Liability related to defined benefit pension schemes		(488,090)		(343,820)
<b>Total Assets Less Liabilities</b>		<b>156,662</b>		<b>384,491</b>
This is financed from:				
Miscellaneous Brent Reserves		136,226		359,935
Balances:				
General Fund	22,640		22,785	
Housing Revenue Account	4,428		2,509	
Collection Fund	(1,500)		(1,500)	
BHP Trading Surplus	3,558		2,682	
BHP Pension Deficit	(8,690)		(1,920)	
		20,436		24,556
		<b>156,662</b>		<b>384,491</b>

## GROUP CASH FLOW STATEMENT

This statement groups together both revenue and capital income and expenditure. It provides a link between the Balance Sheet at the beginning of the year, the revenue account for the year and the Balance sheet at the end of the year. It summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2008/09		2007/08	
	£000	£000	£000	£000
<b>Net Cash(Inflow)/Outflow from Revenue Activities</b>		(29,493)		(74,685)
<b>Servicing of Finance</b>				
- Cash Outflows				
Interest Paid	33,065		31,537	
Premia Paid	8,451			
- Cash Inflows				
Interest Received	(5,892)	35,624	(6,342)	25,195
Total Revenue Activities Cash (Surplus)/Deficit (See Note 2)		6,131		(49,490)
Taxation Paid		56		28
<b>Capital Activities</b>				
- Cash Outflows				
Purchase of Fixed Assets	92,099		71,680	
Purchase of long-term investments	0	92,099	10,368	82,048
- Cash Inflows				
Sale of Fixed Assets	(1,832)		(9,314)	
Capital Grants Received	(40,006)	(41,838)	(21,828)	(31,142)
<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>56,448</b>		<b>1,444</b>
<b>Management of Liquid Resources</b>				
Net (Inflow)/Outflow from Short Term Deposits		(14,400)		19,083
<b>Financing</b>				
- Cash Outflows				
Repayments of Amounts Borrowed		505,150		699,357
- Cash Inflows				
New Loans Raised	(60,000)		(110,000)	
New Short Term Loans	(490,700)	(550,700)	(617,348)	(727,348)
<b>(Increase)/Decrease in Cash (See Note 3)</b>		<b>(3,502)</b>		<b>(7,464)</b>

## NOTES TO THE GROUP ACCOUNTS

### NOTE 1: SUMMARY OF TRANSACTIONS INCLUDED IN GROUP BALANCE SHEET

<u>2008/09</u>	<b>LBB £000</b>	<b>BHP £000</b>	<b>Total £000</b>
Debtors	132,841	193	133,034
Cash at Bank	8,537	2,666	11,203
Creditors	64,340	5,654	69,994

<u>2007/08</u>	<b>LBB £000</b>	<b>BHP £000</b>	<b>Total £000</b>
Debtors	111,985	343	112,328
Cash at Bank	2,841	5,203	8,044
Creditors	71,816	4,740	76,556

### NOTE 2: RECONCILIATION OF SURPLUS TO NET CASH FLOW

	<b>2008/09 £000</b>	<b>2007/08 £000</b>
<b>Surplus/(Deficits) for the Year on the Group</b>		
<b>Net Income and Expenditure Account</b>	(19,311)	(5,311)
Additional amount required by statute and non-statutory best practices to be debited or credited (see Brent's Statement of Movements on the General Fund Balance)	20,042	10,175
HRA	1,920	1,616
	<b>2,651</b>	<b>6,480</b>
<b>Non Cash Transactions</b>		
Minimum Revenue Provision	8,463	8,114
Major Repairs Reserve	7,215	4,009
Other Provisions/Earmarked Reserves	8,297	2,669
Capital expenditure charged in year to General Fund Balance	14,021	11,596
Capital expenditure charged in year to the Housing Revenue Account	2,725	5,995
Capital Grants applied in year	(7,421)	(4,951)
Write downs of deferred charges to be financed from capital resources	(10,130)	(5,262)
Transfer from Usable Capital Receipts to meet payments to the Housing Receipts Pool	(633)	(4,695)
<b>Accruals Items</b>		
(Increase)/Decrease in Stock and WIP	(274)	61
(Increase)/Decrease in Debtors	(19,170)	221
Increase/(Decrease) in Creditors	(8,370)	14,550
(Increase)/Decrease in Payments in advance	(2,864)	4,065
Increase/(Decrease) in Receipts in advance	2,643	1,632
Increase/(Decrease) in Deposits	173	213
Increase/(Decrease) in Deferred Premia	(3,457)	3,665
Increase/(Decrease) in Discounts on premature debt redemption	0	1,128
<b>Net Revenue Cash Flow Surplus/(Deficit)</b>	<b>(6,131)</b>	<b>49,490</b>

## NOTES TO THE GROUP ACCOUNTS

### NOTE 3: INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	<b>Balance 31.03.09 £000</b>	<b>Balance 01.04.08 £000</b>	<b>Movement In Year £000</b>
Cash	11,733	8,231	3,502
2007/08 Comparative			7,464

## BRENT PENSION FUND

### 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 Investment Sub-Committee

As part of its responsibility as administering authority, Brent has established the 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.

<b>Chair</b>	Councillor Crane
Vice-Chair	Councillor H. Patel
Member	Councillor Bacchus
Member	Councillor Hashmi
Member	Councillor D. Brown
Member	Councillor Patel
Member	Councillor Detre

### Co-opted members

(North West London College)	Mr. A. Patel
(GMBU)	Mr. G. Fraser

Independent Adviser	V Furniss
---------------------	-----------

### Fund Managers

The houses act as the Council's agents and have authority to purchase and sell stocks as appropriate. The following houses manage individual portfolios:

<b>Fund Managers</b>	<b>Asset Class</b>	<b>£m</b>	<b>%</b>
Henderson Global Investors	Fixed Interest	75.8	22.3
AllianceBernstein Ltd	Global Equities	69.8	20.6
Brent Finance and Corporate Resources	UK Equities	86.7	25.5
Blackrock Investment Management	UK and European Property	29.1	8.6
Gartmore Investment Managers	UK Small Caps	9.4	2.8
Yorkshire Fund Managers	Private Equity	2.5	0.7
Capital Dynamics	Private Equity	23.4	6.9
Fauchier Partners	Hedge Fund	36.8	10.9
Mellon Global Investors	Global Tactical Asset Allocation	5.9	1.7
		<b>339.4</b>	<b>100</b>

## BRENT PENSION FUND (Continued)

### Custodians

The Fund uses two custodians for segregated portfolios as follows:

BNP Paribas Security Services (Fixed Interest)

Bank of New York Europe Limited (Global equities, UK Equities & Property)

**Table A: Value of the fund as at 31<sup>st</sup> March**

YEARS	2005 £000s	2006 £000s	2007 £000s	2008 £000s	2009 £000s
VALUE	376,653	456,747	498,500	472,039	339,573

**Table B: Fund membership and contributions 2005 to 2009**

	2005	2006	2007	2008	2009
Number of contributing Employees as at 1 April	5,168	5,644	5,849	5,922	6,075
Deferred	4,292	4,679	5,159	5,380	5,713
Pensioners and Dependants	4,819	4,881	5,024	5,161	5,269
	£M	£M	£M	£M	£M
Employee Contributions	6.1	6.7	7.1	7.4	8.5
Employer Contributions	19.3	21.5	25.6	28.4	28.1
<b>Total Contributions</b>	<b>25.4</b>	<b>28.2</b>	<b>32.7</b>	<b>35.8</b>	<b>36.6</b>

## ACTUARIAL VALUATION

### London Borough of Brent

#### Statement of the Actuary for the year ended 31<sup>st</sup> March 2009

### 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<sup>st</sup> March 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997.

## **BRENT PENSION FUND (Continued)**

### **ACTUARIAL POSITION**

1. Rates of contributions paid by the participating Employers during 2008/09 were based on the actuarial valuation carried out as at 31<sup>st</sup> March 2007.
2. The valuation as at 31<sup>st</sup> March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date (of £499.0M) covering 72% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration. The main reasons for the improvement in the funding ratio since 31<sup>st</sup> March 2004 were higher than expected investment returns on the Fund's assets and additional employer contributions paid to reduce the deficit revealed at the 2004 valuation. These had been partially offset by the impact of changes in the actuarial assumptions used, including changes to reflect higher price inflation expectations and longevity improvements.
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<sup>st</sup> April 2008 was as set out below:
  - 14.8% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

#### **Plus**

- 7.7% of pensionable pay 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<sup>st</sup> April 2008.

These figures were based on the Regulations in force, or enacted by Parliament and due to come into force, at the time of signing the valuation report and, in particular, allowed for the following changes to the Fund benefits since the previous valuation:

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.
  - Changes were made consistent with the Finance Act 2004.
  - A new scheme had been put in place which came into effect as at 1<sup>st</sup> April 2008. All existing members transferred to the new scheme as at that date.
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.
  5. The rates of contributions payable by each participating Employer over the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2011 are set out in a certificate dated 27<sup>th</sup> March 2008 which is appended to our report of the same date on the actuarial valuation.

## BRENT PENSION FUND (Continued)

Contribution rates will be reviewed at the next actuarial valuation which is due to be carried out as at 31<sup>st</sup> March 2010.

6. For the majority of employers, the contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.

7. The main actuarial assumptions were as follows:

Discount rate for periods

### Scheduled Bodes

In service Discount rate:	6.45% a year
Left service Discount rate:	6.45% a year

### Admitted Bodes

In service Discount rate:	6.20% a year
Left service Discount rate:	5.20% a year

Rate of general pay increases	4.7% a year
Rate of increases to pensions in payment	3.2% a year
Valuation of assets	market value

8. This statement has been prepared by the Actuary to the Fund, Hewitt Associates Limited (previously Hewitt Bacon & Woodrow Limited), for inclusion in the accounts of the London Borough of Brent. It provides a summary of the results of the actuarial valuation which was carried out as at 31<sup>st</sup> March 2007. 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 valuation report which details fully the context and limitations of the actuarial valuation.

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

**Table C: Employer Contribution Rates**

	2007/08 %	2008/09 %	2009/10 %	2010/11 %
<b>Brent</b>	23.1	22.9	22.9	22.9

## **BRENT PENSION FUND (Continued)**

### **LIST OF SCHEDULED BODIES & ADMITTED BODIES**

#### **SCHEDULED BODIES**

London Borough of Brent  
Alperton Community School  
Ark Academy  
Cardinal Hinsley High School  
Claremont High School  
College of North West London  
Brent Housing Partnership  
Convent of Jesus & Mary RC Language College  
Capital City Academy  
The Copland Community School & Technology Centre  
JFS  
John Kelly Boys Technology College  
John Kelly Girls Technology College  
Kilburn Park School  
Kingsbury High School  
Islamia Primary School  
Malorees Junior School  
North West London Jewish Day School  
Oakington Manor Primary School  
Preston Manor High School  
Queens Park Community School  
St Gregory's RC School  
St Joseph's RC School

#### **ADMITTED BODIES: CONTRIBUTING**

Age Concern  
Brent Association of Disabled People  
Brent Society for Mentally Handicapped Children (Mencap)  
Churchill contracts Ltd (Day centre)  
Goldsborough Homecare and Nursing Services Ltd  
Local Employment Access Project  
National Autistic Society  
Sudbury Neighbourhood Centre  
Jarvis Workspace FM LTD  
Wetton Cleaning Services (North)  
Wetton Cleaning Services (South)

#### **ADMITTED BODIES: NON-CONTRIBUTING**

Brent Asian Professional Association  
Brent Black Mental Health Project  
Brent Community Relations Council  
Brent Community Transport

## **BRENT PENSION FUND (Continued)**

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  
Carequest  
Chalkhill Asian Forum  
Crossroads for Carers  
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 status or date of joining the scheme
- Employers, at varying rates according to their status
- Investment income – dividends or interest
- Capital gains on investments
- Transfer values from other funds.

## **INVESTMENTS**

### **Administration of the Fund**

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

The WM Company 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 Brent fund following an asset liability study.

### **Sales and Purchases**

Sales proceeds totalled £167.7 million (£185.3m 2007/08) and the purchases totalled £162.6 million (£208.0m 2007/08) during 2008/09.

## BRENT PENSION FUND (Continued)

### London Borough of Brent Pension Fund accounts as at 31st March 2009

	Note	<u>2008/2009</u> £ 000s	<u>2007/2008</u> £ 000s
<b>Contributions and benefits</b>			
Contributions receivable	4	36,629	35,888
Transfer values in	5	1,389	2,964
		<b>38,018</b>	<b>38,852</b>
Benefits payable	6	24,227	22,531
Payments to and on account of leavers	7	3,693	3,129
Administrative expenses	8	1,070	1,051
		<b>28,990</b>	<b>26,711</b>
<b>Net additions (withdrawals) from dealings with members</b>		<b>9,028</b>	<b>12,141</b>
<b>Returns on investment</b>			
Investment income	9	13,434	13,986
Change in market value of investments	10	(153,785)	(51,150)
Investment management expenses	11	(1,143)	(1,438)
<b>Return on investments</b>		<b>(141,494)</b>	<b>(38,602)</b>
<b>Net increase / (decrease) in the funds during the year</b>		<b>(132,466)</b>	<b>(26,461)</b>
<b>Net assets of the scheme</b>			
Opening net assets		<b>472,039</b>	<b>498,500</b>
Closing net assets		<b>339,573</b>	<b>472,039</b>
<b>NET ASSETS STATEMENT 31ST MARCH</b>			
<b>Investments</b>	10	<b>340,202</b>	<b>472,584</b>
<b>Current assets</b>	12	<b>852</b>	<b>602</b>
<b>Current liabilities</b>	13	<b>(1,481)</b>	<b>(1,147)</b>
<b>Net assets of the scheme at 31st March</b>		<b>339,573</b>	<b>472,039</b>

## **BRENT PENSION FUND (Continued)**

### **Accounting policies and notes to the accounts March 2009**

#### **NOTE 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. The actuarial position of the fund, which **does** take account of such liabilities, is dealt with in the statement by the actuary on page 6 of the annual report of the Pension Fund and these financial statements should be read in conjunction with it.

#### **NOTE 2. ACCOUNTING POLICIES**

The consolidated accounts of the Pension Fund for the year to 31<sup>st</sup> March 2009 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 Pension 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 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<sup>st</sup> March or at the date of the last pricing of the security.
- (ii) Overseas quoted securities are valued at bid price on the 31<sup>st</sup> 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.

##### **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 31st 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.

## **NOTE 3. NOTES TO THE ACCOUNTS**

### **A Ex-gratia payments**

No ex-gratia payments were met from the Fund in 2008/2009.

### **B 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. Irrecoverable Overseas Withholding Tax and UK Income Tax have been written off to the Fund account in 2008/2009.

#### **(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.

### **C Employers' contributions**

In 2008/2009 employers' contributions of £28.1 million were paid (2007/08 £28.4 m). The increased contributions will allow elimination of the funding deficit over a 25 year period.

### **D Statement of investment principles**

The Pension Fund Sub-committee agreed a revised Statement of Investment Principle in 2008 and published this both to the employers and on the Finance website. ([www.brent.gov.uk/pensions](http://www.brent.gov.uk/pensions))

### **E 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, pension fund managers and advisor's, and senior officers and their families.

## **BRENT PENSION FUND (Continued)**

### **F 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.

### **G Responsibilities of the Director of Finance and Corporate Resources**

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 2009. 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.

**Duncan McLeod**  
**Director of Finance and Corporate Resources**

## BRENT PENSION FUND (Continued)

### NOTE 4: CONTRIBUTIONS RECEIVABLE

Employees contributed £8.5 million in 2008/2009. The numbers of contributing members increased during the year.

	<u>2007/2008</u> <u>£000s</u>	<u>2007/2008</u> <u>£000s</u>	<u>2008/2009</u> <u>£000s</u>	<u>2008/2009</u> <u>£000s</u>	<u>2007/2008</u> <u>£000s</u>	<u>2008/2009</u> <u>£000s</u>
	ongoing	deficit	ongoing	deficit		
<b>Employer</b>						
Brent	14,313	10,735	16,129	8,828	25,047	24,957
Scheduled	1,546	750	1,763	322	2,297	2,085
Admitted	814	285	730	330	1,103	1,061
<b>Members</b>						
Brent					6,246	7,178
Scheduled					705	810
Admitted					294	313
Additional voluntary contributions					196	225
					<b>35,888</b>	<b>36,629</b>

	<u>2008/09</u> <u>£000s</u>	<u>2007/08</u> <u>£000s</u>
<b>NOTE 5: TRANSFERS IN</b>		
Individual Transfers in from other schemes	<b>1,389</b>	<b>2,964</b>

### NOTE 6: BENEFITS PAYABLE ON RETIREMENT OR DEATH

<b>Pensions</b>		
Brent	19,129	17,981
Scheduled	645	569
Admitted	690	586
<b>Lump sum retirement benefits</b>		
Brent	2,812	2,473
Scheduled	222	501
Admitted	306	179
<b>Lump sum death benefits</b>		
Brent	423	199
Scheduled	0	43
Admitted	0	0
	<b>24,227</b>	<b>22,531</b>

### NOTE 7: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

Refund to members leaving service	16	19
Individual transfers to other schemes	3,677	3,110
	<b>3,693</b>	<b>3,129</b>

## BRENT PENSION FUND (Continued)

	2008/09 £000s	2007/08 £000s
<b>NOTE 8: ADMINISTRATION EXPENSES</b>		
Administration and processing	982	951
Actuarial fees	45	58
Audit fees	43	42
	<b>1,070</b>	<b>1,051</b>

## NOTE 9: INVESTMENT INCOME

Dividend income equities	7,640	8,874
Income from fixed interest securities	4,011	3,354
Income from property unit trusts securities	1,345	1,535
Income from private equity	287	506
Interest on cash deposits	795	439
Commission recapture	42	0
Class action	31	0
	<b>14,151</b>	<b>14,708</b>
<b>Irrecoverable tax</b>	<b>(717)</b>	<b>(722)</b>
<b>Total investment income</b>	<b>13,434</b>	<b>13,986</b>

## NOTE10: INVESTMENTS

	Value at 31.03.08 £000s	Purchases At Cost £000s	Sales Proceeds £000s	Change in Market Value £000s	Value at 31.03.09 £000s
UK equities-quoted	106,744	5,882	4,489	(34,829)	73,308
Global equities-qttd UK ALBERN	10,453	6,995	5,404	(4,864)	7,180
Global equities-quoted ALBERN	112,523	69,363	86,289	(36,132)	59,465
Fixed interest securities	86,459	37,662	36,895	(11,741)	75,485
Property UK FOF Unit Ts	28,437	0	0	(9,439)	18,998
Property European FOF Unit Ts	9,343	0	0	790	10,133
UK equities small companies	15,910	73	0	(6,506)	9,477
Private equity-YFM/CapDyn*	18,570	8,934	0	(1,584)	25,920
Hedge fund	29,056	11,000	0	(3,178)	36,878
Currency fund	32,226	22,700	34,714	(20,212)	0
Global tactical asset allocation	15,807	0	0	(9,856)	5,951
	<b>465,528</b>	<b>162,609</b>	<b>167,791</b>	<b>(137,551)</b>	<b>322,795</b>
Cash deposits	4,906	11,613	0	201	16,720
Henderson Bond Future	0	52	335	283	0
Henderson FX	(1)	3,377	3,376	(34)	(34)
AllianceBernstein FX	300	644,858	628,969	(16,309)	(120)
AllianceBernstein Futures	7	411	38	(375)	5
	<b>470,740</b>	<b>822,920</b>	<b>800,509</b>	<b>(153,785)</b>	<b>339,366</b>
Investment income due	1,844				836
	<b>472,584</b>				<b>340,202</b>

## BRENT PENSION FUND (Continued)

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 Capital Dynamics

The 2007/08 accounts used the September 2007 valuations for private equity assets held in funds managed by Capital Dynamics. However, the sharp falls in public equity prices during the year has required the 2008/09 accounts to be finalised on the basis of December 2008 valuations. It should be noted that public equity market have fallen further during the period to 31<sup>st</sup> March 2009, so that private equity valuations will reduce further.

The Brent pension fund has made commitments as a limited partner to eight funds managed by Capital Dynamics. As at 31<sup>st</sup> March 2009, outstanding commitments totalled £52.2m. However, previous experience indicated that funds only call around 60% of commitments, so that actual payments are likely to be much less than outstanding commitments.

<b>Fixed interest securities</b>	<b>2008/09 £000s</b>	<b>2007/08 £000s</b>
UK public sector	15,831	31,314
UK corporate – quoted	23,591	10,551
Overseas government quoted	3,928	4,105
Secured loans	15,558	24,957
Absolute return fund	14,659	12,859
Infrastructure	1,370	2,232
Money market fund	548	447
	<b>75,485</b>	<b>86,465</b>

The following are pooled investment vehicles (excluding fixed interest).

Property – UK fund of funds unit trust	18,998	28,437
Property – European fund of funds unit trust	10,133	9,343
UK Equities – small companies	9,477	15,910
Private equity	25,920	18,570
Hedge fund	36,878	29,056
Currency fund	0	32,226
Global Tactical asset allocation	6,000	15,807
	<b>107,406</b>	<b>149,349</b>

### Derivative Contracts

Currency – Henderson	(34)	(1)
Futures – bonds	-	-
Futures – equities	5	7
Currency – AllianceBernstein	(120)	300

## BRENT PENSION FUND (Continued)

Type of derivative	Expiration	Economic exposure Value £000s	Market Value £000
<b>Henderson</b>			
UK Sterling	16 <sup>th</sup> June 09	(840)	(840)
US Dollars	16 <sup>th</sup> June 09	806	806
Futures UK LIFFE Long Gilt	26 <sup>th</sup> June 09	3,327	3,327
Futures USA CBT 10 year	19 <sup>th</sup> June 09	(1,298)	(1,298)
Futures USA Long Bond	19 <sup>th</sup> June 09	724	724
<b>AllianceBernstein</b>			
Futures German DJ EURO STOXX 50	19 <sup>th</sup> June 09	166	166
Forward Currency	Expiration	Economic exposure Value £000s	Market Value £000s
Sterling	15 <sup>th</sup> June 09	36,543	36,543
Canada	15 <sup>th</sup> June 09	(962)	(962)
USA	15 <sup>th</sup> June 09	(23,555)	(23,555)
Switzerland	15 <sup>th</sup> June 09	(1,431)	(1,431)
Euros	15 <sup>th</sup> June 09	(8,609)	(8,609)
Japan	15 <sup>th</sup> June 09	(1,432)	(1,432)
Sweden	15 <sup>th</sup> June 09	(674)	(674)

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

- a) Gilt futures. The manager purchases exposure to the value of gilts at a future date, paying a margin that increases / reduces as the value of the future varies. Futures are used because the market is liquid and costs are lower.
- b) Equity futures. The manager can purchase exposure to an equity market index that rises / falls in line with market movements. Again, futures are used because they are cheap, liquid, and give additional exposure.
- c) Currency exposure is obtained through futures, and has two main purposes. First, the pooled currency fund managed by Mellon 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.
- d) 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

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 31<sup>st</sup> March confirming the value of their account and the movements in the year. The aggregate value of the AVC investments are as follows:-

	2008/09 £000s	2007/08 £000s
Clerical Medical	127	123
Equitable Life	1,018	1,125
	<b>1,145</b>	<b>1,248</b>

### NOTE 11: INVESTMENT MANAGEMENT EXPENSES

Administration, management and custody fees	1,111	1,399
Performance measurement fees	18	18
Other advisory fees	14	21
	<b>1,143</b>	<b>1,438</b>

### NOTE12: CURRENT ASSETS

Contributions due		
Employers	381	316
Employees	110	82
Additional voluntary contributions	3	3
Other miscellaneous debtors	358	201
	<b>852</b>	<b>602</b>

### NOTE13: CURRENT LIABILITIES

Management/advisor's fees	(176)	(214)
Lump sums not paid	0	0
Accrued expenses	(1,305)	(933)
	<b>(1,481)</b>	<b>(1,147)</b>

## **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 31<sup>st</sup> March for goods received or services rendered but not yet paid for.

### **DEBTORS**

Amounts owed to the Council which are collectable or outstanding at 31<sup>st</sup> 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
I&E Account	Income and Expenditure Account
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