

Brent

STATEMENT OF ACCOUNTS
2018/19

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Narrative Statement

Despite the challenging fiscal environment for local government Brent's accounts demonstrate another year of strong financial performance and continuing financial control.

Performance against budgets

As set out in the table below, overall expenditure on services was contained within budget.

Directorate	Full year Budget £m	Expenditure £m	Over / (under) spend £m
(DSG) Children and young people	3.3	3.3	0.0
(GF) Children and young people	41.4	43.1	1.7
(GF) Community wellbeing	127.1	127.3	0.2
Performance policy & partnerships	10.2	10.3	0.1
Regeneration & environment	37.6	33.8	(3.8)
Resources department	38.7	38.5	(0.2)
General fund	258.3	256.3	(2.0)
Housing Revenue Account	2.5	2.3	0.2
Total	260.8	258.6	(2.2)

The overspend in children's services is part of a national pattern. Most councils in England and Wales are reporting similar pressures on demand for care services, and reflect a growing body of evidence that it is unlikely that existing standards can be maintained unless substantial further funding is allocated as part of the Spending Review. Despite the overspend against budget, Brent's actual costs for children's services remain relatively low.

The risk of the overspend in children's services was identified early in the year and compensating underspends delivered elsewhere, principally within the Regeneration and Environment department to ensure that service expenditure was kept within the agreed budget for the year.

HRA

The Housing Revenue Account (HRA) is a ring-fenced account which manages income and expenditure in relation to 7,751 council dwellings. The 2018/19 outturn was a slight underspend of £0.2m. Taking account of planned use of reserves to finance the transition from BHP this resulted in an HRA operating reserve balance as at the end of March 2019 of £1.4m.

Within the overall outturn for the HRA, supervision and management costs were, superficially, almost £1m greater than last year. However, once two non-recurring expenditure lines are

stripped out (the inclusion of £0.4m accrued for HRA funded redundancies and £0.5m in additional transformation costs) then the like-for-like figure is on a par. Budgetary pressures in year have been mitigated by a combination of debt financing being lower than budgeted and repair costs being below budgeted figures. The reduction in debt financing was due to borrowing being lower than anticipated in regards to meeting the Right to Buy (RTB) spend target. The council has successfully started to utilise RTB receipts in the form of grant funding to Registered Providers within the borough to deliver affordable housing. This allows the council to meet its “1 for 1” replacement target without having to directly deliver housing units itself, which would have to be funded by additional borrowing.

The table below sets out the performance against the capital expenditure budget.

Portfolio/Programme	Budget £m	Outturn £m	Variance £m
Corporate Landlord	6.5	5.7	0.8
Regeneration	9.8	8.0	1.8
Housing Care Investment	82.3	85.9	(3.6)
Schools	24.3	22.7	1.6
South Kilburn	18.9	10.2	8.7
Public Realm	21.5	18.5	3.0
Total	163.3	151.0	12.3

The performance of the capital programme was substantially improved, with 93% of the agreed expenditure delivered. Had it not been for delays to the South Kilburn programme as the council revised its approach to comply with new requirements for ballots of residents, the performance would have been close to 100% of the agreed budget. Other variances are due to unused programme contingencies and delays in confirming Section 106 allocations in the public realm portfolio.

With respect of the delay to South Kilburn, the council’s administration strongly supports the ballot principle, but has always maintained that it should not have been extended to programmes like South Kilburn that were already well into delivery, and which were consulted on extensively prior to commencement. In practice, the delays caused by the new requirement have delayed the delivery of 120 new affordable homes already and is expected to impact on about 700 new affordable homes in South Kilburn.

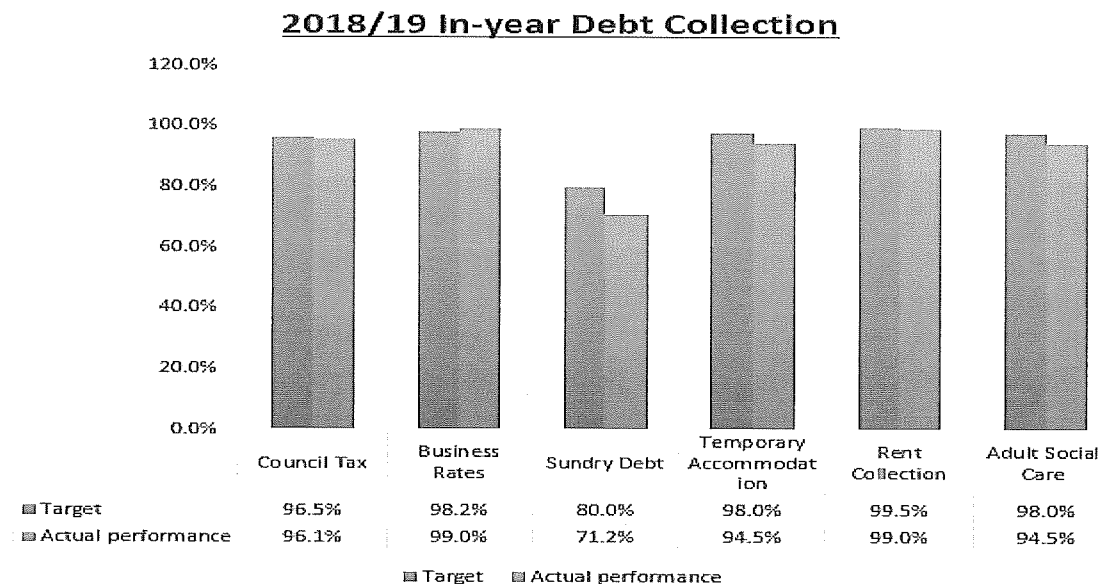
Other significant financial results and information

The council also concluded a major voluntary redundancy and restructuring process in order to generate savings for future years and minimise the need for compulsory redundancies. Exit costs therefore rose from £1.8m to £4.9m, but the average cost remained at £21,000. All such exit packages consisted of contractual entitlements only; no enhancements or other bonuses were paid. The number of employees paid over £50,000, as disclosed in note 32, rose from 181 to 243. However, all of this increase is within the £50,000 to £69,999 range, and is principally caused by

the combination of pay awards taking more middle managers' salaries from just under to just over £50,000 and by more roles at this level being filled with permanent rather than agency staff. The pay multiple between the highest and lowest paid employee remained constant at 11:1.

Similarly in schools the number of staff paid over £50,000 has risen, from 302 to 340, but the number paid over £55,000 has fallen, from 219 to 208. There were 2 school conversions to academy status in 2018/19, with these schools retaining their individual reserve balances, which transferred £0.7m from total maintained school reserves to the new academies. A like for like comparison of maintained school reserves for the whole year shows that they increased by £1.0m to £16.8m, which was due to the planned one off allocation of general Dedicated Schools Grant (DSG) reserves over to schools. This has meant that only one of the 59 maintained schools in Brent finished the year with reserves in deficit, but school budgets remain under considerable pressure from funding not keeping pace with rising costs, and from lower pupil numbers in the primary phase, which has resulted in half of schools reporting an in-year deficit for 2018/19. For the wider expenditure financed through the DSG, including the high-needs block, the council has not yet reached the position of DSG reserves being in deficit that a number of other authorities find themselves in. Nonetheless, unless government starts to provide the significant additional funding for this area that the Local Government Association and others have argued for then the council expects to reach a deficit position within the next year, necessitating difficult decisions about levels of service provision and school funding.

The council collected 96.1% of the 2018/19 council tax due during the year, its best performance since 2016/17 which had an in year collection rate of 95.7%. Business rates and housing rents collection remained strong at 99% and 98.6% respectively. However, performance in the collection of sundry debts, at 71%, was significantly below the target rate of 80%. The table below reflects actual performance against targets set for in year collection.



Housing Benefit Overpayments debt had an in year target to recover £10.8m of debt and recovered £9.6m equating to 90% of the target with the impact of the implementation of Universal Credit assumed to be a contributing factor impacting on recovery performance.

Across various categories of debts, a total of £19m arrears was also collected in year which has enabled the council to review its overall impairment provisions in line with the budget strategy.

Outstanding debts prior to 2018/19			
Debt Categories	Debts as at 31st Mar 2018 £m	Debts as at 31st Mar 2019 £m	Increase/ (Reduction) £m
Council Tax	44	40	(4)
Housing Benefits overpayments	27	22	(5)
Business Rates	8	6	(2)
Sundry Debt	11	3	(8)

External borrowing was reduced by £28m during the year. This comprised the redemption of the council's £10m inverse floating LOBO loan at favourable terms as some banks sought to exit their positions, and was carried out using short-term surplus cash balances to further reduce costs; £7.3m relates to the premium to redeem the inverse floating LOBO and £10.4m movement of principal from long term borrowing to short term borrowing.

Another existing LOBO loan was converted to an ordinary fixed-rate loan at no cost, reducing the risk of future options being called against the council. The net impact of all these transactions was to reduce the council's weighted average interest rate from 4.86% to 4.78%. On a total borrowing portfolio of £385m this equates to an ongoing annual savings of approximately £0.34m.

Although long-term borrowing was reduced during the year this was opportunistic, taking advantage of market opportunities to make one-off savings and improve the overall borrowing profile. The council continues to plan on the basis that external borrowing will rise significantly over the next few years in order to fund the growing capital programme, and the first tranche of that additional borrowing is likely to be transacted in the first half of 2019/20. The council's financial plans include regular increases to its minimum revenue provision to ensure that this investment remains affordable.

To date the most significant example of the council's approach to borrowing has been the creation of its wholly-owned subsidiary i4B. As at 31 March 2019 the council had in total lent £79m to i4B, enabling it to purchase 214 properties, the majority of which have been in Brent. In doing so, 500 homeless residents have now moved into settled homes, maintaining links with their communities, education and employment. By 2021, the company aims to increase its number of properties to 360. Due to set up costs, including stamp duty on acquisitions, i4B is not intended to make an operating profit in its early years of business, but should break even on a cash basis over 30 years. In 2018/19 the overall loss was £0.1m in the company, including an upward revaluation of the property portfolio of £1.4m, which enabled the council to make savings of around £250,000 on temporary accommodation costs.

The council's other subsidiary company, First Wave Housing (FWH), currently manages a portfolio of 332 properties, on which it returned a surplus of just under £1m in the year. As presently

configured FWH does not undertake development activities, but this may change in the future to take advantage of its status as a registered provider.

Pension Fund

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

During 2018/19, the value of the Pension Fund's investments has increased to £831m (2017/18 £801m). This is due to the strong performance of the equity markets in comparison to the previous year.

Total contributions received from employers and employees were £52m for the year, similar to the previous year.

Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £46m, an increase on the previous year's £39m. As in 2017/18, the Council is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

The Pension Fund's most recent Triennial Valuation was as at 31 March 2016. This was a detailed appraisal that used economic and demographic assumptions in order to estimate future liabilities. It was agreed in this valuation that the employer contribution rates would increase from 33.8% in 2018/19 to 35% in 2019/20. This is consistent with the Fund's deficit recovery plan to clear its deficit within 16 years of the balance sheet date.

The last Triennial Valuation revealed that the Fund's assets, at 31 March 2016, were sufficient to meet 55% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date (56% at the March 2013 valuation). Since then, the investments of the pension fund have generated average returns of 8.5% per annum. Whilst this is broadly in line with the fund benchmark, it is significantly above the returns assumed by the fund actuary as part of the last valuation of 3.8% per annum. This suggests that the deficit recovery plan is on track, subject to the assessment of the change in liabilities which will be evaluated by the fund actuary as part of the upcoming valuation.

Looking forward

The council's budget takes account of the planned increases in capital expenditure over the period 2019/20 to 2021/22. In 2018/19 this translates to a corporate underspend on financing charges, which is placed in reserves to cover those costs in future years. The underspend has also enabled the council to increase its general reserve from £12m to £15m, to align more closely with the averages seen across London. Excluding s106 and CIL receipts, which are set aside to finance future capital expenditure, total usable reserves fell from £293m to £262m, principally reflecting the improved delivery of the current capital programme and hence planned use of previous capital receipts. However, within this total figure schools' balances fell from £24m to £19m, reflecting ongoing pressure in the sector and some service specific reserves, such as for transport and parking services, have been extinguished in line with existing plans.

These reductions in reserves reflect planned and one-off expenditure, and the underlying position remains strong.

Like all local authorities the council faces significant financial challenges, needing to meet rising demand for services, especially acute at present in children's services, and the substantial pressures caused by London's housing shortage. Coupled with these are the risks presented by the Spending and Fair Funding reviews, which the council currently assumes will lead to a 35% reduction in the funding from the main government grant over the next four years. Despite these pressures the council, in February 2019 set reasonable and balanced budgets for the years 2019/20 and 2020/21. Whilst further savings will need to be identified for later years the council's record in responding imaginatively to these challenges, coupled with its history of successfully spending within budget and the strength of the council's balance sheet mean that its position remains financially sustainable.

Core Statements

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

Balance Sheet

31-Mar 2018 £m		Notes	31-Mar 2019 £m	
1,606.8	Property; Plant & Equipment	1	1,670.1	Non-current Assets
0.5	Heritage Assets		0.5	
1.8	Intangible Assets		3.6	
13.8	Long Term Investments	25	23.4	
96.2	Long Term Debtors	25	115.6	
1,719.1	Long Term Assets		1,813.2	
105.3	Short Term Investments	25	61.0	Current Assets
108.7	Short Term Debtors	2	107.3	
47.0	Cash and Cash Equivalents	3	53.3	
261.0	Current Assets		221.6	
(29.9)	Short Term Borrowing	25	(14.4)	Liabilities
(120.2)	Short Term Creditors	7	(143.9)	
(2.3)	Provisions	9	(2.6)	
(152.4)	Current Liabilities		(160.9)	
(29.1)	Long Term Creditors	25	(33.2)	
(19.9)	Provisions	9	(19.8)	
(413.6)	Long Term Borrowing	25	(385.8)	
(859.9)	Other Long Term Liabilities	8	(941.8)	
(1,322.5)	Long Term Liabilities		(1,380.6)	
505.2	Net Assets		493.3	
	Reserves			Reserves
(365.0)	Usable Reserves		(368.4)	
(140.2)	Unusable Reserves		(124.9)	
(505.2)	Total Reserves		(493.3)	

The Movement in Reserves Statement

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2018	(12.3)	(23.9)	(202.6)	(3.7)	(1.7)	(38.4)	0.0	(82.5)	(365.0)	(140.2)	(505.2)
Movement in reserves during 2018/19											
(Surplus) or deficit on the provision of services	32.4	0.0	0.0	21.9	0.0	0.0	0.0	0.0	54.3	0.0	53.3
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(42.3)	(42.3)
Total comprehensive income & expenditure	32.4	0.0	0.0	21.9	0.0	0.0	0.0	0.0	54.3	(42.3)	12
Adjustments between accounting basis & funding basis under regulations	(61.0)	0.0	0.0	(19.6)	0.0	13.0	0.0	10.1	(57.6)	57.6	0.0
Net (increase)/decrease before transfers to earmarked reserves	(28.7)	0.0	0.0	2.3	0.0	13.0	0.0	10.1	(3.3)	15.3	12
Transfers (to)/from earmarked reserves	25.9	5.3	(31.2)	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	(0.0)
(Increase)/decrease in 2018/19	(2.8)	5.3	(31.2)	2.3	0.0	13.0	0.0	10.1	(3.3)	15.3	11
Balance as at 31 March 2019	(15.1)	(18.6)	(233.8)	(1.4)	(1.7)	(25.4)	0.0	(72.4)	(368.3)	(124.9)	(493.2)

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA Reserves	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2017	(12.3)	(26.2)	(164.9)	(4.8)	(1.7)	(34.5)	0.0	(89.0)	(333.4)	(89.4)	(422.8)
Movement in reserves during 2017/18											
(Surplus) or deficit on the provision of services	(70.4)	0.0	0.0	47.7	0.0	0.0	0.0	0.0	(22.7)	0.0	(22.7)
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(59.7)	(59.7)
Total comprehensive income & expenditure	(70.4)	0.0	0.0	47.7	0.0	0.0	0.0	0.0	(22.7)	(59.7)	(82.4)
Adjustments between accounting basis & funding basis under regulations	35.1	0.0	0.0	(46.6)	0.0	(3.9)	0.0	6.5	(8.9)	8.9	0.0
Net (increase)/decrease before transfers to earmarked reserves	(35.3)	0.0	0.0	1.1	0.0	(3.9)	0.0	6.5	(31.6)	(50.8)	(82.4)
Transfers (to)/from earmarked reserves	35.3	2.3	(37.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase)/decrease in 2017/18	(0.0)	2.3	(37.7)	1.1	0.0	(3.9)	0.0	6.5	(31.6)	(50.8)	(82.4)
Balance as at 31 March 2018	(12.3)	(23.9)	(202.6)	(3.7)	(1.7)	(38.4)	0.0	(82.5)	(365.0)	(140.2)	(505.2)

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

Comprehensive Income and Expenditure Statement

2017/18			2018/19			Notes
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£m	£m	£m	£m	£m	£m	
217.6	(75.3)	142.3	221.8	(90.1)	131.7	
9.9	(1.0)	8.9	15.7	(1.3)	14.4	
76.7	(40.1)	36.6	83.4	(42.8)	40.6	
64.9	(19.6)	45.3	63.0	(25.0)	38.0	
67.9	(24.1)	43.8	70.5	(23.1)	47.5	
223.4	(221.6)	1.8	235.2	(214.5)	20.7	
90.4	(56.1)	34.3	72.2	(55.1)	17.0	
357	(410.7)	(53.7)	346.2	(371.9)	(25.7)	
1107.8	(848.5)	259.3	1,108.0	(823.8)	284.2	
		(3.6)			63.2	11
		43.6			36.0	12
		(322.0)			(328.7)	13
		(22.7)			54.7	
		(42.2)			(98.9)	
		(17.5)			56.6	32
		(59.7)			(42.3)	
		(82.4)			12.4	

Cash Flow Statement

2017/18 £m		Notes	2018/19 £m
(22.7)	Net surplus or (deficit) on the provision of services		(54.7)
51.0	Adjustment to surplus or deficit on the provision of services for noncash movements	4	122.1
96.1	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4	71.9
124.4	Net cash inflows/(outflows) from Operating Activities		139.3
(118.8)	Net cash inflows/(outflow) from Investing activities	5	(97.3)
22.4	Net cash inflows/(outflow) from Financing activities	6	(35.7)
28.0	Net increase/(decrease) in cash and cash equivalents		6.3
19.0	Cash and cash equivalents at the beginning of the reporting period		47.0
47.0	Cash and cash equivalents at the end of the reporting period	3	53.3

Notes and Disclosures to the Core Statements

Physical and Intangible Assets

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

Movements in 2018/19	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus Assets	Asset under Construction	Total	*PFI Assets
	£m	£m	£m	£m	£m	£m	£m	£m

Cost or Valuation

At 1 April 2018	664.3	722.2	41.3	258.2	3.9	63.7	1,753.6	112.4
Additions	26.2	25.4	15.3	15.2	0.7	30.6	113.4	3.0
Depreciation written out	-25.4	-7.1	0.0	0.0	0.0	0.0	-32.5	0.3
Revaluation increases (decreases) in the Revaluation Reserve	5.9	93.1	0.0	0.0	-0.1	0.0	98.9	13.4
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	-32.3	-14.5	0.0	0.0	0.0	0.0	-46.8	0.0
Derecognition - Disposals	-1.5	-61.7	-2.5	0.0	0.0	-7.4	-73.1	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in Cost or Valuations	-27.9	67.0	0.0	0.0	3.7	-42.8	0.0	0.0
At 31 March 2019	609.3	824.4	54.1	273.4	8.2	44.1	1,813.5	128.5

Depreciation and Impairments

At 1 April 2018	-26.5	-20.0	-29.2	-71.1	0.0	0.0	-146.8	-11.9
Charge for 2018/19	-7.1	-12.8	-4.5	-6.8	0.0	0.0	-31.2	2.5
Depreciation written out	25.4	7.1	0.0	0.0	0.0	0.0	32.5	0.3
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Derecognition - Disposals	0.1	1.0	1.1	0.0	0.0	0.0	2.2	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	1.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
At 31 March 2019	-7.1	-25.8	-32.6	-77.9	0.0	0.0	-143.4	-14.1

Balance Sheet Net Book Values (NBV)

Balance Sheet NBV at 31 March 2019	602.2	798.6	21.5	195.5	8.2	44.1	1,670.1	114.4
Balance Sheet NBV at 1 April 2018	637.8	702.2	12.1	187.1	3.9	63.7	1606.8	100.5

Movements in 2017/18	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus Assets	Asset under construction	Total	*PFI Assets
	£m	£m	£m	£m	£m	£m	£m	£m

Cost or Valuation

At 1 April 2017	670.4	673.6	34.7	246.3	5	23.2	1,653.20	112.1
Additions	45.7	16.5	6.6	10.1	-	48.5	127.4	-
Depreciation written out	-	-30.6	-	-	-	-	-30.6	-
Revaluation increases (decreases) in the Revaluation Reserve	-	43.6	-	-	-	-	43.6	0.3
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	-34.3	11.5	-	-	-	-	-22.8	-
Derecognition - Disposals	-17.5	-	-	-	-1.1	-	-18.6	-
Reclassifications (to/from Investment Property)	-	1.5	-	-	-	-	1.5	-
Other movements in Cost or Valuations	-	6.1	-	1.8	-	-8	-0.1	-
At 31 March 2018	664.3	722.2	41.3	258.2	3.9	63.7	1,753.60	112.4

Depreciation and Impairments

At 1 April 2017	-19.4	-35	-24.7	-64.7	-	-	-143.8	-9.9
Charge for 2017/18	-7.6	-15.6	-4.5	-6.4	-	-	-34.1	-2
Depreciation written out	-	30	-	-	-	-	30	-
Impairment written out	-	0.6	-	-	-	-	0.6	-
Derecognition - Disposals	0.5	-	-	-	-	-	0.5	-
At 31 March 2018	-26.5	-20	-29.2	-71.1	-	-	-146.8	-11.9

Balance Sheet Net Book Values (NBV)

Balance Sheet NBV at 31 March 2018	637.8	702.2	12.1	187.1	3.9	63.7	1,606.80	100.5
Balance Sheet NBV at 1 April 2017	651	638.6	10	181.5	5	23.2	1,509.30	102.2

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

Intangible assets are shown in a separate asset classification within the Council's Balance Sheet

Capital Commitment

At 31 March 2019, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment. The major commitments are:

- Knowles House - £28.5m
- Olympic Way - £13.2m

Current Assets

Note 2 – Debtors

31-Mar-18		31-Mar-19	
£m		£m	
50.9	Trade receivables Outstanding	55.8	
(14.6)	Less impairments	(15.0)	
36.3	Net Trade receivables	40.8	
1.9	Prepayments	2.8	
47.3	Local Taxation receivables Outstanding	51.0	
(26.4)	Less impairments	(25.0)	
20.9	Net Local Taxation receivables	26.0	
71.8	Other receivables amounts Outstanding	62.4	
(22.2)	Less impairments	(24.7)	
49.6	Net Other receivable amounts	37.7	
108.7	Total	107.3	

Breakdown of non-impaired Local Taxation Debtors

31-Mar-18		31-Mar-19	
£m		£m	
	Local Taxation receivable amounts Outstanding		
1.1	Due in less than three months	1.0	
1.4	Three to six months	1.2	
3.1	Six months to one year	2.7	
15.3	More than one year	21.2	
20.9		26.0	

Note 3 – Cash and Cash Equivalents

31-Mar-18		31-Mar-19	
£m		£m	
(9.8)	Bank current accounts	(9.0)	
21.6	School bank accounts	20.2	
35.2	Short-term deposits	42.0	
47.0	Total	53.2	

Cash Flow Notes

Note 4 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19	
£m		£m	
9.1	Interest received-cash inflow	4.3	
(31.9)	Interest paid-cash (outflow)	(43.2)	

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

2017/18		2018/19	
£m		£m	
61.2	Depreciation	31.0	
(9.5)	Impairment and downward valuations	46.8	
1.8	Amortisation	0.9	
46.5	Increase/(decrease) in creditors	(50.3)	
(18.6)	(Increase)/decrease in debtors	1.2	
40.7	Movement in pension liability	27.8	
21.8	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	73.0	
(8.9)	Other non-cash items charged to the net surplus or deficit on the provision of services	(7.7)	
135.0		122.7	

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

2017/18 £m		2018/19 £m
46.3	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	105.3
(31.4)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12.0)
0.0	Any other items for which the cash effects are investing or financing cash flows	(21.5)
14.9		71.9

Note 5 – Cash Flow Statement - Investing Activities

2017/18 £m		2018/19 £m
(168.6)	Purchase of property, plant and equipment, investment property and intangible assets	(101.6)
(46.3)	Purchase of short-term and long-term investments	(0)
	Other payments for investing activities	(32.7)
31.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12.0
64.7	Other receipts from investing activities	25.0
(118.8)	Net cash flows from investing activities	(97.3)

Note 6 – Cash Flow Statement - Financing Activities

2017/18 £m		2018/19 £m
24.3	Cash receipts of short and long term borrowing	(0.0)
(1.9)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(4.2)
0.0	Repayments of short and long term borrowing	(35.3)
0.0	Other payments for financing activities	4.0
22.4	Total	(35.5)

Liabilities

Note 7 – Short Term Creditors

31-Mar-18		31-Mar-19	
£m		£m	
(26.0)	Trade payables	(19.3)	
(94.1)	Other payables	(124.5)	
(120.2)	Total	(143.8)	

Note 8 – Long-Term Liabilities

31-Mar-18		31-Mar-19	
£m		£m	
(841.8)	Pension Fund Liability	(925.7)	
(18.1)	Deferred Income	(16.1)	
(859.9)	Total	(941.8)	

Note 9 – Provisions

	Outstanding Legal Cases	Compensation Claims	Other Provisions	Total
	£m	£m	£m	£m
Short Term Provisions				
Balance at 1 April 2018	0.0	(2.3)	0.0	(2.3)
Net (additions) reductions to provisions made in 2018/19	0.0	0.1	(0.4)	(0.3)
Balance at 31 March 2019	0.0	(2.2)	(0.4)	(2.6)
Long Term Provisions				
Balance at 1 April 2018	(4.8)	(3.7)	(11.4)	(19.9)
Net (additions) reductions to provisions made in 2018/19	2.4	0.0	(2.3)	0.0
Balance at 31 March 2019	(2.4)	(3.7)	(13.7)	(19.8)

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

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

Earmarked Reserves

Note 10 – Transfers to/from Earmarked Reserves

		Balance at 31-03-2018 £m	Transfer to/from reserves	Balance at 31-03-2019 £m
Capital and other statutorily ring-fenced reserves				
S106/CIL		(72.5)	(33.6)	(106.0)
Ring-fenced	HMO Licensing	(0.3)	(1.4)	(1.7)
	HRA	(1.7)	0.0	(1.7)
	Public Health	(2.5)	0.0	(2.5)
	Schools and other DSG	(23.9)	5.3	(18.6)
	CWB	(0.8)	(0.4)	(1.3)
	Joint NHS	(0.4)	0.4	0.0
	Migration related	(0.1)	(0.4)	(0.5)
	Edward Harvist Trust	0.0	(0.1)	(0.1)
Total		(29.7)	3.4	(26.4)
Capital Finance Related	South Kilburn	(3.9)	(0.7)	(4.6)
	Library at Willesden Green	(0.1)	0.0	(0.1)
	PPP	0.0	0.0	0.0
	General Fund Capital funding	(42.2)	10.8	(31.4)
Total		(46.2)	10.1	(36.1)
Total		(148.4)	(20.1)	(168.5)

General and other smoothing reserves

Investment reserve		(11.5)	0.1	(11.4)
Sinking fund and other smoothing reserves	PFI	(5.3)	(0.1)	(5.4)
	UC staffing	(3.5)	0.7	(2.8)
	Parking	(1.7)	1.7	0.0
	Redundancy	(3.7)	0.5	(3.2)
	Insurance	(3.9)	(1.0)	(4.9)
	Welfare reform	(3.5)	0.0	(3.5)
	Pensions	(5.8)	(0.7)	(6.5)
	CYP	0.0	0.0	0.0
	Brent Transport Services	(2.0)	2.0	0.0
	Corporate Debt savings	(4.0)	3.5	(0.5)
	Other Central	(5.2)	(10.5)	(15.7)
	Temporary Accommodation HB	(6.0)	(1.4)	(7.4)
Total		(44.6)	(5.3)	(49.9)
Total		(56.1)	(5.2)	(61.3)

Other earmarked reserves

Service reserves	CYP	(6.1)	3.4	(2.7)
	CWB	(0.9)	(3.5)	(4.4)
	R&E	(4.2)	(1.7)	(5.9)
	RES	(0.8)	(0.3)	(1.1)
	PPP	(2.1)	0.2	(1.8)
Total		(14.1)	(1.9)	(15.9)
Transformation/service pressures reserves	Service pressures	(2.0)	0.0	(2.0)
	Future funding risks	(5.1)	0.0	(5.1)
	Transformation	(2.2)	1.1	(1.1)
Total		(9.3)	1.1	(8.2)
Total		(23.4)	(0.8)	(24.2)
Grand Total		(227.9)	(26.1)	(254.0)*

*This is the total of the Balance as at 31st March 2019 for School Balances, Earmarked General Fund Reserves and Earmarked HRA Reserves on The Movement in Reserves Statement.

Descriptions of Earmarked Reserves

- **Capital and other statutory ring-fenced reserves** - These are monies received under specific powers, such as Section 106 of the Town and Country Planning Act 1990, for ring-fenced activities, such as Dedicated Schools Grant (DSG), or funds identified to smooth the impact of capital financing costs and represents revenue contributions set aside to meet commitments included in the Capital Programme.
- **General and other smoothing reserves** - These reserves are to provide funds to contain possible future price variations of investments activities included within the Capital Programme and contributions made to contain future impact of revenue activities such as the cost of Welfare Reform or the unrecoverable Housing benefit increases.
- **Other Earmarked Reserves** - Include centrally held funds created to meet potential service pressures and to contain the cost of transformational projects that the authority will carry out to modernise the delivery of its services as well as spend-to-save initiatives.

Movement in the unusable reserves are detailed in the Additional Reconciliation section on pages 95-98.

Comprehensive Income and Expenditure Notes

Note 11 – Other Operating Expenditure

2017/18 £m		2018/19 £m
2.7	Levies	2.8
1.4	Payments to the Government Housing Capital Receipts Pool	1.4
(7.7)	(Gains)/losses on the disposal of non-current assets	66.7
0	Capital receipts relating to prior years	(7.7)
(3.6)	Total	63.2

Note 12 – Financing and Investment Income and Expenditure

2017/18 £m		2018/19 £m
28.5	Interest payable and similar charges	20.7
20.6	Pensions interest cost and expected return on pensions assets	21.9
(5.5)	Interest receivable and similar income	(6.6)
43.6	Total	36.0

Note 13 – Taxation and non-Specific Grant Incomes

2017/18 £m		2018/19 £m
(102.2)	Council tax income	(115.5)
(49.5)	NNDR Top Up	0
(38.1)	Business Rates	(130.2)
(42.7)	Revenue Support Grant	0
(25.0)	Other government grants & taxation	(16.4)
(64.5)	Capital grants and contributions	(66.6)
(322.0)	Total	(328.7)

Expenditure and Funding Analysis continued

Housing Revenue Account and General Fund split:

		2017/18		2018/19	
Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
Note to MIRS					
£m	£m	£m	£m	£m	£m
47.7	(46.6)	1.1	21.9	(19.6)	2.3
(70.4)	70.4	0.0	32.8	(35.6)	(2.8)
(22.7)	23.8	1.1	54.7	(55.2)	(0.5)
		Housing Revenue Account			
		General Fund			
		(Surplus) or Deficit			

Expenditure and Funding Analysis - Adjustments between Funding and Accounting Basis

2018/19

	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non- Statutory Adjustments)	Total Adjustments
	£m	£m	£m	£m	£m	£m
Community Wellbeing (GF)	(12.3)	0.3	0.0	(12.0)	2.7	(9.3)
Performance Policy & Partnerships	(4.4)	0.1	0.0	(4.3)	0.1	(4.2)
Regeneration & Environment	(9.8)	0.2	0.0	(9.6)	0.4	(9.2)
Resources Department	(1.2)	0.3	0.0	(0.9)	1.5	0.6
Children & Young People (GF)	(2.8)	0.3	0.0	(2.5)	(1.7)	(4.2)
Children & Young People (DSG)	(16.2)	0.5	(0.3)	(16.0)	(2.2)	(18.2)
Community Wellbeing (HRA)	(22.2)	0.1	0.0	(22.1)	0.0	(22.1)
Central Items	0.0	(15.3)	(1.7)	(17.0)	25.1	8.1
Net Cost of Services	(68.9)	(13.5)	(2.0)	(84.4)	25.9	(58.5)
Other Income and Expenditure	20.0	0	(2.7)	17.3	0	17.3
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(48.9)	(13.5)	(4.7)	(67.1)	25.9	(42.6)

2017/18

	Adjustments for Capital Purposes £m	Net Change for Pensions Adjustments £m	Other Statutory Adjustments £m	Total Statutory Adjustments £m	Other (Non- Statutory Adjustments) £m	Total Adjustments £m
Community Wellbeing (GF)	(9.5)	(0.5)	0.4	(9.6)	2.2	(7.4)
Performance Policy & Partnerships	0.9	(0.1)	0.1	0.9	0.2	1.1
Regeneration & Environment	(7.1)	(0.4)	0.2	(7.3)	1.5	(5.8)
Resources Department	(8.0)	(0.5)	(0.3)	(8.2)	0.5	(7.7)
Children & Young People (GF)	(2.9)	(0.4)	0.2	(3.1)	0.5	(2.6)
Children & Young People (DSG)	0.0	(1.1)	0.9	(0.2)	(2.3)	(2.5)
Community Wellbeing (HRA)	(23.3)	(19.6)	(0.1)	(43.0)	0.0	(43.0)
Central Items	0.0	(18.2)	(7.0)	(25.2)	32.8	7.6
Net Cost of Services	(49.9)	(40.8)	(5.0)	(95.7)	35.4	(60.3)
Other Income and Expenditure	83.0	0	1.3	84.3	0	84.3
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	33.1	(40.8)	(3.7)	(11.4)	35.4	24.0