Ealing Council Statement of Accounts 2010-2011

EALING COUNCIL

Ealing

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Explanatory Foreword

1. Introduction

This section highlights some of the most important matters reported in the accounts and comments on any issues that have had a major effect on our finances.

During the financial year ended 31st March 2011 the Council's financial standing has been further strengthened. Our tough approach to financial control has meant that:

- The total net expenditure of the Council was contained within budget; the final outturn being an under spend against budget of £70K.
- The general fund balance as at 31st March 2011 stands at £15.3M, slightly over the target figure of £15.2M in the medium term financial strategy.
- The accounts have been prepared in advance of the statutory deadline

The Corporate Board's financial management cycle includes an assessment of all the risks the council faces at the start of the year. The Council began monitoring the delivery of its planned efficiency savings of £22M for 2011/12 before the financial year had even begun.

During the year, the new coalition government cut Ealing's in-year specific grants by £1.8M and due to the strength of the Council's financial management, the Council was able to respond to this effectively and minimise the effect on service delivery.

These accounts show that the Council has again achieved its priority of giving value for money, delivering an overall balanced budget through sound financial management including a tight monthly financial monitoring process.

The process of planning and control to produce these statements has once more worked extremely well. The Closing Board, for the third year, monitored the production of these accounts and involved both the Corporate Centre and Service Finance teams. This built on the continuing improvements in reconciliations and other financial controls across the Council.

I have ensured that the Council has maintained its prudent position in a number of risk areas by maintaining a healthy level of specific reserves. This is particularly important as we continue to operate in a period of economic uncertainty in addition to a fiscal environment where the Council's grant funding is likely to be cut severely over the next four years.

Our continued focus on Council Tax collection in 2010/11 has yielded an in-year collection of 97.1%. This is the highest ever level of collection for Ealing. Cash management will continue to be a key focus in 2011/12 to drive further value for the residents of the borough.

The Council continues to focus its resources to deliver its priorities and this has particularly been the case during 2010/11 with the change of political control at the May 2010 elections.

Looking ahead, the Council must plan to contain expenditure on demand-led services if it is to sustain its strong position. In addition, the Council must develop robust plans for funding its long-term capital investment. The provision of Primary School places continues to be a pressure on the Council and although contained within our Medium Term Financial Strategy will need to be continually monitored.

The Council's Pension Fund net assets increased from £616.1M (the restated value) to £657.5M during the year: an increase of 6.7%. This, combined with a reduction in liabilities, led to a reduction of £90M in the Council element of the pension fund deficit (as calculated on the IAS19 basis). This includes the recognition of a past service gain of £56.6M due to a change in scheme benefits which is shown as an exceptional item in the accounts. The Fund remains cash positive on its revenue account showing an in year excess of income over expenditure of £20.5M.

Looking forward to 2011/12 and beyond, the council's actuary undertook the triennial review as at March 2010 resulting in three noteworthy actions, following from the calculated assets to liabilities ratio of 70%

1. The recovery period was extended from 17 years to 20 years.
2. The employer contribution rates will be held at the previous levels in 2011/12.
3. Employer contributions in their totality are now fixed at a cash level, to give the fund confidence in its revenue stream going forward. This will be monitored annually.

The Housing Revenue Account (HRA) has a surplus of £7.0M at the end of the financial year. The revenue account shows a large deficit due to the revaluation loss on HRA assets of £318.4M being charged which is shown as an exceptional item in the accounts. This loss is primarily due to a change in the social housing factor from 37% of market value to 25% of market value as directed by central government. The fall in value has no impact on the funds available to the HRA as it is reversed in the movement in reserves statement.

In 2010/11 Ealing Homes' accounts were prepared on a breakup basis rather than as a going concern due to a Council decision not to extend the management agreement beyond 31 March 2011. Ealing Homes' auditors have confirmed in their draft report that there was no material difference between the value of assets and liabilities shown on a going concern basis or a breakup basis.

The council's Parking Places Reserve Account, after several difficult years, has turned a corner, posting a £0.8M surplus.

In 2010/11, Ealing's formula grant from the government increased by only the minimum 1.5% to £144M, remaining at the grant floor. The grant settlement for 2011/12 saw a 12.3% reduction in grant. A balanced budget for 2011/12 was set on 1st March 2011 with savings planned of £22M.

These accounts see the further 13% writing down of the Council's £2M investment in the Icelandic Bank Glitnir which was written down by 7% and 72% in 2008/09 and 2009/10 respectively. The Council continues to work with other local authorities to recover 100% of the outstanding sum.

The cost of servicing debt was kept within the prudential limits set by the Council for 2010/11 with the Council's borrowing costs at £41.2M showing a £3.4M under spend, mainly due to capital programme slippage during the year. In accordance with the Council's agreed Treasury Management strategy and in order to take advantage of historically low levels of interest, the Council undertook long-term borrowing of £50M. This will mature over several fixed periods of up to 50 years at fixed and variable rates of interest to assure the funding of vital capital schemes in future years.

In summary these accounts present an authority in sound financial health. However 2012/13 – 2014/15 will require further budget savings to continue this position. The Council still faces a series of significant financial risks particularly from demand-led budgets. The Council's Medium Term Financial Strategy indicates a total savings target of circa £85M for the next four years and this reflects a prudent view of the current economic circumstances and the need for major reductions in public spending overall.

If you have any questions or comments on the Council's accounts or their presentation, please e-mail finalaccounts@ealing.gov.uk or write to the Executive Director of Corporate Resources, Ealing Council, Perceval House, 14-16 Uxbridge Road, Ealing W5 2HL.

2. The Statement of Accounts

The Council's statement of accounts has been produced under the CIPFA/LASAAC Code of

Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS). This represents a major change in accounting policy since 2009/10 when the accounts were produced under the previous version of this, known as the Statement of Recommended Practice which was based on UK GAAP. The major areas affected by the move to IFRS are accounting for grant income, non-current assets, employee benefits, cash equivalents and pension fund strain. Regulations have ensured that these changes to accounting policy do not impact on the funding requirements of the Council with any revenue impact being reversed out in the Movement in Reserves Statement. The detailed impact of each of these changes is laid out in the notes to the accounts.

The statement of accounts is set out on pages 7 to 105 and consists of the following:

2.1. **The Statement of Responsibilities** for the Statement of Accounts.

2.2. **The Comprehensive Income and Expenditure** Statement which shows the net cost for the current year of all the services for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together income and expenditure relating to all of the Council's services. Both income and expenditure are measured using essentially the same accounting conventions (International Financial Reporting Standards) that a large company would use in preparing its audited annual financial statements.

2.3. **The Movement in Reserves Statement** (MiRS) reconciles the outturn on the Comprehensive Income and Expenditure Statement to the balance on the General Fund that is established by complying with the relevant statutory provisions. The MiRS shows the true economic cost of providing Council services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2.4. **Housing Revenue Account (HRA)**, which shows the income and expenditure transactions relating to the Council's housing stock. The account is completely separate, ring fenced, and receives no subsidy nor makes any contribution to any of the Council's other accounts. Therefore this account has no effect upon the level of Council Tax.

2.5. The authority transferred responsibility for the management of its Housing Stock to Ealing Homes Limited, an arms length management company, wholly owned by the authority, from September 2004. In 2010/11 the turnover of Ealing Homes Limited amounted to £17.0M (including internal recharges of £1.4M). The Management Agreement with Ealing Homes Limited ended on 31 March 2011 and the management of Ealing’s housing stock has been undertaken from within the housing department from 1st April 2011.

2.6. The Council retains ownership of the housing stock and has statutory responsibility for the Housing Revenue Account. The accounts of the company are consolidated into the Council’s group accounts.

2.7. **The Balance Sheet**, which shows the Council's assets and liabilities.

2.8. **The Collection Fund Account** which shows the income and expenditure transactions relating to the collection of income from non-domestic rates and Council Tax and the subsequent disbursement of these to the Council's General Fund and various precepting bodies.

2.9. **The Cash Flow Statement** - this consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. The cash flow statement also includes cash equivalents which are defined within the accounting policies.

2.10. **The Group Accounts** shows the accounts for the Council combined with the accounts for Ealing Homes, the only organisation in which the Council has a material interest.

2.11. **The Pension Fund Revenue Account and Net Assets Statement**, which are maintained separately from the Council's other financial transactions by the Council acting as a trustee.

2.12. **An Annual Governance Statement**, which is not part of the Statement of Accounts, but is required to be included alongside it in the same publication. This is an important distinction, as the Statement is not covered directly by the Chief Finance Officer's certification or the audit report (although it will be reviewed by the auditors as 'other information').

2.13. The statement relates to the system of internal control as it applied during the financial year for the accounts that it accompanies. The Council is in a group relationship and the review of the effectiveness of the system of internal control includes the group activities.

3. Comprehensive Income and Expenditure Statement items

3.1. Services Provided

The Council's revenue spending was split over the following main services. This expenditure is as included in the Comprehensive Income and Expenditure Statement and therefore includes items such as depreciation and impairment of assets which are reversed out in the Movement in Reserves Statement so as not to impact on Council Tax levels.

	£M
Housing (including HRA exceptional item)	666.1
Children's and Education	423.3
Adult Social Care	110.3
Corporate Services (including past service gain exceptional item)	14.5
Cultural and Environmental	75.8
Highways, Roads and Transport	51.2
Total	**1341.2**

3.2. 2010/11 Budget and Actual Comparison

The main components of the General Fund budget (excluding the HRA) for 2010/11 and how these compare with the actual income and expenditure for the year are set out below:

	Revised Budget	Outturn	Variance
	£000	£000	£000
Services net expenditure	271,512	271,442	(70)
Income from Government Grant and Local Taxpayers	(271,512)	(271,512)	0
Increase in General Fund Balance for the Year	**0**	**(70)**	**(70)**

4. Housing Revenue Account

The Housing Revenue Account has made a surplus of £50K for 2010/11, which is less than the budget surplus of £89K by £39K. This increases the accumulated balances from £6.9M at 1 April 2010 to £7.0M at 31 March 2011.

5. Capital Expenditure

Capital expenditure for 2010/11 from the capital programme was £142.8M. In addition to this there was £2.9M spent on the capital element of the Council's PFI schemes making £145.8M total capital expenditure. The capital expenditure by service and its financing is shown below:

	£M	%
Housing & Regeneration	81.9	57
Environment & Customer Services	24.2	15
Education	30.9	22
Corporate	5.6	4
Social Services	3.2	2
Total	**145.8**	**100**

Financed by:

	£M	%
Borrowing	47.2	32
Capital & Other Grants	48.1	33
Revenue Contributions	4.9	3
Major Repairs Reserve	20.1	14
Capital Receipts	22.6	16
Private Finance Initiative	2.9	2
Total	**145.8**	**100**

6. Collection Fund

The collection fund made a deficit of £1.4M for the year. This reduced the cumulative surplus to £5.9M at 31 March 2011, of which £1.3M is due to the Greater London Authority.

Statement of Responsibilities

1. The Authority's Responsibilities

The authority is required to:

1.1. 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 I exercise that role as the Executive Director of Corporate Resources.

1.2. manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

1.3. approve the statement of accounts.

2. Housing

In September 2004 the authority transferred responsibility for the management of its housing to Ealing Homes Limited, an arms length management company, wholly owned by London Borough of Ealing. The authority retains ownership of the housing stock and has statutory responsibility for the Housing Revenue Account (HRA). The financial position of the HRA is shown on page 77 to 81. However, the current Management Agreement with Ealing Homes Limited ended on 31 March 2011. A Termination Agreement dated 24th March 2011 sets out the framework for the transfer of the services back to the Council. Ealing Homes Limited prepared its account for the year ended 31 March 2011 on a breakup basis.

3. The responsibilities of the Executive Director of Corporate Resources

As the Executive Director of Corporate Resources I am 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'), are required to give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this statement of accounts I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

4. Certificate of the Executive Director of Corporate Resources

I certify that the accounts set out on pages 2 to 90 give a true and fair view of the financial position of the London Borough of Ealing as at 31 March 2011 and its income and expenditure for the year then ended, and that the accounts set out on pages 91 to 105 give a true and fair view of the net assets of the London Borough of Ealing Pension Fund as at 31 March 2011 and its income and expenditure for the year then ended.

Ian O'Donnell BSc, CPFA
Executive Director of Corporate Resources
Date: 29 September 2011

5. Certificate of the Chairman of the meeting

I confirm that these accounts were approved by the Audit Committee at its meeting held on 20 September 2011.

Councillor Mik Sabiers
Audit Committee Chairman
Date: 20 September 2011

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

Opinion on the Council and Group accounting statements

I have audited the Council and Group accounting statements of London Borough of Ealing for the year ended 31 March 2011 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These 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 London Borough of Ealing in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Corporate Resources and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director of Corporate Resources is responsible for the preparation of the Council and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of London Borough of Ealing's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These 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 London Borough of Ealing in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Corporate Resources and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director of Corporate Resources is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011 other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, London Borough of Ealing put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the Council and Group accounts of London Borough of Ealing in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

29 September 2011

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	General fund balance £000	Earmarked reserves £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total usable reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short Term Accumulating Compensated Absences £000	Pensions reserve £000	Total unusable reserves £000	Total Authority Reserves £000
Balance at 1 April 2009 (as restated)	**15,178**	**97,394**	**3,705**	**2,020**	**8,527**	**31,632**	**158,456**	**49,479**	**647,345**	**2,280**	**4,813**	**(4,484)**	**(4,945)**	**(294,350)**	**400,138**	**558,594**
<u>Movement in reserves during 2009/10</u>																
Surplus or (deficit) on provision of services	(21,818)		16,479				(5,339)								-	(5,339)
Other Comprehensive Income and Expenditure		(976)					(976)	53,687						(85,004)	(31,317)	(32,293)
Total Comprehensive Income and Expenditure	(21,818)	(976)	16,479	-	-	-	(6,315)	53,687	-	-	-	-	-	(85,004)	(31,317)	(37,632)
Adjustments between accounting basis & funding basis under regulations (note 7)	13,069	-	(12,700)	2,917	146	8,316	11,748	(155)	1,551	1,124	811	962	(775)	(15,266)	(11,748)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(8,749)**	**(976)**	**3,779**	**2,917**	**146**	**8,316**	**5,433**	**53,532**	**1,551**	**1,124**	**811**	**962**	**(775)**	**(100,270)**	**(43,065)**	**(37,632)**
Transfers to/from Earmarked Reserves	**8,812**	**(8,264)**	**(548)**				**-**	**(941)**	**941**						-	-
Increase/(Decrease) in Year	**63**	**(9,240)**	**3,231**	**2,917**	**146**	**8,316**	**5,433**	**52,591**	**2,492**	**1,124**	**811**	**962**	**(775)**	**(100,270)**	**(43,065)**	**(37,632)**
Balance at 31 March 2010 carried forward (as restated)	**15,241**	**88,154**	**6,936**	**4,937**	**8,673**	**39,948**	**163,889**	**102,070**	**649,837**	**3,404**	**5,624**	**(3,522)**	**(5,720)**	**(394,620)**	**357,073**	**520,962**
<u>Movement in reserves during 2010/11</u>																
Surplus or (deficit) on provision of services	86,047		(333,592)				(247,545)								-	(247,545)
Other Comprehensive Expenditure and Income							-	18,073						46,529	64,602	64,602
Total Comprehensive Expenditure and Income	86,047	-	(333,592)	-	-	-	(247,545)	18,073	-	-	-	-	-	46,529	64,602	(182,943)
Adjustments between accounting basis & funding basis under regulations (note 7)	(73,536)	-	333,702	1,658	(729)	(8,876)	252,219	-	(303,431)	7,489	(1,090)	853	388	43,572	(252,219)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**12,511**	**-**	**110**	**1,658**	**(729)**	**(8,876)**	**4,674**	**18,073**	**(303,431)**	**7,489**	**(1,090)**	**853**	**388**	**90,101**	**(187,617)**	**(182,943)**
Transfers to/from Earmarked Reserves	**(12,441)**	**12,501**	**(60)**				**-**	**(519)**	**519**						**-**	-
Increase/(Decrease) in Year	**70**	**12,501**	**50**	**1,658**	**(729)**	**(8,876)**	**4,674**	**17,554**	**(302,912)**	**7,489**	**(1,090)**	**853**	**388**	**90,101**	**(187,617)**	**(182,943)**
Balance at 31 March 2011 carried forward	**15,311**	**100,655**	**6,986**	**6,595**	**7,944**	**31,072**	**168,563**	**119,624**	**346,925**	**10,893**	**4,534**	**(2,669)**	**(5,332)**	**(304,519)**	**169,456**	**338,019**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2010/2011 Gross Expenditure £000	2010/2011 Income £000	2010/2011 Net Expenditure £000	2009/2010 Net Expenditure (as restated) £000
Adult Social Care	110,330	(30,494)	79,836	86,661
Central Services to the Public	63,439	(50,959)	12,480	21,333
Children's and Education Services	423,266	(340,635)	82,631	82,365
Cultural, environmental, regulatory and planning services	75,796	(20,392)	55,404	50,447
Highways and transport services	51,262	(25,257)	26,005	18,414
Local authority housing (HRA)	62,061	(66,640)	(4,579)	(29,300)
Exceptional Item - HRA revaluation decrease on property, plant and equipment (note 18.1)	318,415	-	318,415	-
Other housing services	285,577	(263,467)	22,110	10,676
Corporate and Democratic Core	5,636	(535)	5,101	6,074
Non Distributed Costs	2,070	(4,336)	(2,266)	4,697
Exceptional Item - Past Service Gain (note 42.1)	(56,624)	-	(56,624)	-
Cost of Services	1,341,228	(802,715)	538,513	251,367
(Gain) or loss on disposal of non-current assets			(15,002)	(2,887)
Levies (note 14)			11,095	10,199
Contribution (to)/from Housing Act Advances (note 15)			4	14
Contribution of Housing Capital Receipts to Government Pool			27	805
Other Operating Expenditure			(3,876)	8,131
Financing and investment income and expenditure				
Interest and Investment Income			(2,170)	(3,730)
Interest Payable and similar charges			41,160	39,321
Pension interest cost & expected return on pension assets			17,372	22,702
Total financing and investment income and expenditure			56,362	58,293
Taxation and non-specific grant income				
Income from Council Tax			(125,977)	(124,562)
General Government Grants (note 9)			(91,347)	(72,237)
Distribution from non-domestic rate pool			(126,130)	(115,653)
Total Taxation and non-specific grant income			(343,454)	(312,452)
(Surplus)/Deficit on provision of services			**247,545**	**5,339**
Other comprehensive income & expenditure				
(Surplus)/deficit arising on revaluation of non-current assets			(18,073)	(53,687)
Actuarial (gains)/losses on pension assets and liabilities			(46,529)	85,004
Other comprehensive income & expenditure			-	976
Total comprehensive loss for the year			**182,943**	**37,632**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

BALANCE SHEET as at 31 March 2011	**See Note**	**31 March 2011**		**31 March 2010 (as restated)**	**1 April 2009 (as restated)**
		£000	**£000**	**£000**	**£000**
Property, plant and equipment	(18)	1,281,719		1,532,662	1,384,750
Intangible Assets	(19)	855		-	-
Long Term Investments	(45)	600		-	8,415
Long Term Debtors	(25)	10,977		1,098	5,897
Total long term assets			1,294,151	1,533,760	1,399,062
Current assets					
Short Term Investments	(45)	179,367		148,243	163,625
Short term debtors	(27)	47,307		74,894	69,322
Cash and cash equivalents	(26)	37,524		50,614	36,955
			264,198	273,751	269,902
Current Liabilities					
Short term borrowings	(45)	(9,588)		(9,367)	-
Short term creditors	(28)	(115,090)		(146,512)	(158,147)
Provisions	(31)	(3,080)		(5,391)	(6,294)
			(127,758)	(161,270)	(164,441)
Long term liabilities					
Long term borrowings	(45)	(646,412)		(596,206)	(525,342)
Long term creditors	(29)	(114,263)		(112,091)	(108,489)
Capital grants receipts in advance	(30)	(22,662)		(17,576)	(13,439)
Provisions	(31)	(4,716)		(4,786)	(4,309)
Pensions Liability	(42)	(304,519)		(394,620)	(294,350)
			(1,092,572)	(1,125,279)	(945,929)
Net assets			338,019	520,962	558,594
Usable reserves			168,563	163,889	158,456
Unusable reserves			169,456	357,073	400,138
Total Reserves			338,019	520,962	558,594

CASH FLOW STATEMENT

	2010/2011 £000	2010/2011 £000	2009/2010 (as restated) £000
Cash flows from operating activities			
Net surplus or deficit on the provision of services		247,545	5,339
Adjust net surplus or deficit on the provision of services for non cash movements:			
Depreciation	(37,339)		(35,939)
Revaluation gains / (losses) charged to CIES	(332,525)		6,696
Movement in debtors	(17,489)		(11,155)
Movement in creditors	23,054		24,771
Pension liability	43,571		(14,741)
Movement in provisions	2,381		426
Adjustment for impairment losses on investments	(77)		(1,525)
Adjustments for effective interest rate	19		18
Carrying amount of non-current assets sold	(16,763)		(7,383)
Deferred capital receipts	10,000		1,150
		(325,168)	(37,682)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services	47,417		31,048
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21,766		9,120
		69,183	40,168
Net cash flows from operating activities		(8,440)	7,825
Investing activities			
Purchase of property, plant and equipment, investment property and intangible assets	121,114		108,999
Purchase of short-term and long-term investments	1,647,632		10,400,397
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24,277)		(9,146)
Proceeds from shot-term and long-term investments	(1,615,819)		(10,420,497)
Other receipts from investing activities	(52,503)		(35,185)
Net cash flows from investing activities		76,147	44,568
Financing activities			
Cash receipts of short- and long-term borrowing	(50,225)		(85,150)
Council Tax and NNDR adjustments	(7,601)		8,901
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,209		4,197
Repayments of short- and long-term borrowing	-		6,000
Net cash flows from financing activities		(54,617)	(66,052)
(Increase) / decrease in cash and cash equivalents		**13,090**	**(13,659)**
Cash and cash equivalents at the beginning of the financial year		50,614	36,955
Cash and cash equivalents at the end of the financial year		37,524	50,614

Notes to the Core Financial Statements

1. Accounting policies

1) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

a) Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

b) Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

c) Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

d) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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

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

3) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments due to mature within 24 hours and those in Money Market Funds and call accounts that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

5) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

a) depreciation attributable to the assets used by the relevant service

b) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

c) amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7) Employee Benefits

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the short term accumulating compensated absences account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c) Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

i) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

ii) The Local Government Pensions Scheme, administered by Ealing Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Ealing pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of Ealing pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

(1) quoted securities – current bid price

(2) unquoted securities – professional estimate

(3) unitised securities – current bid price

The change in the net pensions liability is analysed into seven components:

i) current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

ii) past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

iii) interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

iv) expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

v) gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

vi) actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

vii) contributions paid to the Ealing pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

d) Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8) Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

b) those that are indicative of conditions that arose after the reporting period – the Statement of

Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9) Financial Instruments

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Financial Assets

Financial assets are classified into two types:

i) loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

ii) available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The authority does not have any assets in this class

i) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10) Government Grants and Contributions

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

a) the Authority will comply with the conditions attached to the payments, and

b) the grants or contributions will be received.

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11) Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

12) Business Improvement Districts

A Business Improvement District (BID) scheme applies in the Ealing Broadway area. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as an agent under the scheme, with the balance of income collected or expenditure incurred on the BID body's behalf showing as a debtor or creditor in the Balance Sheet.

13) Interests in Companies and Other Entities

The Council has a material interest in Ealing Homes Limited that has the nature of a subsidiary and requires it to prepare group accounts.

The Council also has interests in other companies that have the nature of associates. As the Council's interests in these companies are not material to the Council's accounts, these interests are not consolidated into the Council's own accounts.

14) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

The Council currently does not have any Investment Properties.

15) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

a) <u>The Authority as Lessee</u>

i) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

(1) a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

(2) a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

ii) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

b) The Authority as Lessor

i) Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

(1) a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

(2) finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

ii) Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a normal accruals basis.

16) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

a) Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.

b) Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

17) Property, Plant and Equipment

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

a) <u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

b) <u>Measurement</u>

Assets are initially measured at cost, comprising:

i) the purchase price

ii) any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

i) infrastructure, community assets and assets under construction – depreciated historical cost

ii) dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

iii) all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

i) where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

ii) where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

c) Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

i) where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

ii) where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

d) Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

i) dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

ii) vehicles, plant and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer

iii) infrastructure – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and the useful economic life is significantly different than that of the main asset, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

e) Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. To meet the criteria to be an Asset Held for Sale, the asset must be actively marketed and available for sale in its current condition with the sale probable within the next 12 months. The Council does not have any assets meeting these criteria.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

18) Intangible Assets

Intangible assets are non-monetary assets that do not have physical substance but are controlled by the Authority. Expenditure is capitalised when it is expected that future economic benefits or service potentials will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where the Authority can demonstrate that the project is technically feasible and is intended to be completed and the Authority will be able to generate future economic benefit or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during development phase (research expenditure is not capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. No intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of the intangible assets is amortised over their useful lives to the relevant service lines in the Comprehensive Income and Expenditure Statement (CIES). Any gain or loss arising on the disposal or abandonment is posted to the Other Operating Expenditure line in the CIES.

Where the expenditure on an intangible asset qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserve Statement and posted to the Capital Adjustment Account or Capital Receipt Reserve for sales proceeds greater than £10,000.

19) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

a) fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

b) finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

c) contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

d) payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

e) lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement

20) Provisions, Contingent Liabilities and Contingent Assets

a) Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

b) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

c) Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of

Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

22) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

23) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

24) Foundation Schools

Non-Current assets and long term liabilities relating to Foundation Schools created by the School Standards and Framework Act 1998 are not shown on the balance sheet as they remain vested in the relevant Governing Bodies. The liabilities relating to the PFI schemes which include two Foundation Schools remain on balance sheet as the Council is the liable party.

25) Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). The key features of the fund relevant to accounting for council tax in the core financial statements are:

a) In its capacity as a billing authority the council acts as agent; it collects and distributes Council Tax income on behalf of the preceptor (the GLA) and itself.

b) While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority and paid out of the Collection Fund to the GLA as the preceptor.

c) From the year commencing 1 April 2009 the Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund Adjustment Account and then adjusted in the Movement in Reserves Statement.

Since the collection of Council Tax and NNDR Income is in substance an agency arrangement:

a) Cash collected from Council Tax debtors belongs proportionately to Ealing and the GLA as billing authority and preceptor. There will therefore be a debtor/creditor position between Ealing and the GLA to be recognised since the net cash paid to the GLA in the year will not be the same as its true share of the cash collected from Council Taxpayers and

b) Cash collected from NNDR taxpayers by the Council (net of the cost of collection allowance) belongs to the Government, (or the GLA in the case of the Cross-Rail business rates supplement) and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor. Similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

2. First-time adoption of International Financial Reporting Standards (IFRS)

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

The following tables explain the material differences between amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements. In addition to those listed, there have been a number of presentational changes in the format of the accounts and some of the terminology used.

2.1. Government Grants

<u>a) Capital Grants</u>

Under the Code, grants and contribution for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income & Expenditure Statement in the comparative figures.
- Capital Grants Unapplied held as liabilities at 31 March 2009 and 31 March 2010 have been split into those with conditions outstanding, which have been transferred to Capital Grants Receipts in Advance and those where all conditions have been met which have been transferred to the new Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes:

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet:		
Government Grants Deferred Account	(83,264)	83,264
Capital Adjustment Account	(564,006)	(83,264)
Capital Grants Unapplied (liabilities)	(18,790)	18,790
Short term creditors	(163,108)	10,032
Capital Grants Receipts in Advance	-	(13,439)
Long-term liabilities	(101,631)	(6,856)
Capital Grants Unapplied (reserves)	-	(8,527)
31 March 2010 Balance Sheet:		
Government Grants Deferred Account	(95,593)	95,593
Capital Adjustment Account	(522,059)	(95,593)
Capital Grants Unapplied (liabilities)	(17,345)	17,345
Short term creditors	(155,246)	15,411
Capital Grants Receipts in Advance	-	(17,575)
Long-term liabilities	(105,561)	(6,528)
Capital Grants Unapplied (reserves)	-	(8,673)
2009/10 Comprehensive Income and Expenditure Statement		
Adult Social Care	86,652	308
Central Services to the Public	19,291	1,839
Children's and Education Services	71,745	9,222
Cultural, environmental, regulatory and planning services	48,213	2,517
Highways and transport services	17,398	1,172
Local authority housing (HRA)	(688)	3,174
Other housing services	8,813	341
General Government Grants	(41,189)	(31,048)

2. First-time adoption of International Financial Reporting Standards (IFRS) (continued)

b) Revenue Grants

Under the Code, revenue grant income is recognised as income when the grant is receiveable, i.e. all conditions have been met. Previously, grants were drawn down to match expenditure incurred during the financial year with any remaining balances carried forward as creditors. As the income is now recognised in full once conditions have been met any income in excess of the expenditure incurred in year is transferred to an earmarked reserve in order to be used in future years.

This has resulted in the following changes:

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet:		
Short term creditors	(163,108)	3,581
Earmarked Reserves	(101,229)	(3,581)
31 March 2010 Balance Sheet:		
Short term creditors	(155,246)	2,128
Earmarked Reserves	(96,048)	(2,128)
2009/10 Comprehensive Income and Expenditure Statement		
Adult Social Care	86,652	(73)
Children's and Education Services	71,745	17
Cultural, environmental, regulatory and planning services	48,213	(38)
Highways and transport services	17,398	(50)
Other housing services	8,813	1,597

2.2. Non-current Assets

Under the Code, the definition of an investment property is a property held solely to earn rentals or for capital appreciation or both. This is a tighter definition than was used previously and therefore all properties under this category have been reviewed. The Council concluded that none of its properties met the new definition of investment properties and they have therefore been reclassified to Property, Plant and Equipment. This classification means the properties also attract depreciation charges which were not required under the previous categorisation. Additional depreciation charges have also impacted on the revaluation gains and losses recognised in the Comprehensive Income and Expenditure Account and Revaluation Reserve.

This has resulted in the following changes:

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet:		
Property, Plant and Equipment (formerly Tangible Fixed Assets)	1,384,607	143
Revaluation Reserve	(49,409)	(70)
Capital Adjustment Account	(564,006)	(73)
31 March 2010 Balance Sheet:		
Property, Plant and Equipment (formerly Tangible Fixed Assets)	1,532,843	(181)
Revaluation Reserve	(134,436)	438
Capital Adjustment Account	(522,059)	(257)
2009/10 Comprehensive Income and Expenditure Statement		
Adult Social Care	86,652	(157)
Central Services to the Public	19,291	2
Children's and Education Services	71,745	224
Cultural, environmental, regulatory and planning services	48,213	74
Local authority housing (HRA)	(688)	148
Other housing services	8,813	7

2. First-time adoption of International Financial Reporting Standards (IFRS) (continued)

2.3. Short term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the short term accumulating compensated absences account until the benefits are used.

This has resulted in the following changes:

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet:		
Short term creditors	(163,108)	(4,945)
Short term accumulating compensated absences account	-	4,945
31 March 2010 Balance Sheet:		
Short term creditors	(155,246)	(5,719)
Short term accumulating compensated absences account	-	5,719
2009/10 Comprehensive Income and Expenditure Statement		
Adult Social Care	86,652	(69)
Central Services to the Public	19,291	201
Children's and Education Services	71,745	1,157
Cultural, environmental, regulatory and planning services	48,213	(319)
Highways and transport services	17,398	(106)
Local authority housing (HRA)	(688)	(7)
Other housing services	8,813	(82)

2.4 Cash and Cash equivalents

Under the Code, cash equivalents are included with cash balances on the balance sheet. Cash equivalents are amounts that are readily convertible to cash without penalty. These are defined within the Council's accounting policies. Amounts within cash equivalents were previously shown as investments.

This has resulted in the following changes:

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet:		
Cash and Cash equivalents	25,654	11,301
Short term investments	174,926	(11,301)
31 March 2010 Balance Sheet:		
Cash and Cash equivalents	13,901	36,713
Short term investments	184,956	(36,713)

2.5 Pension Strain

Pension strain refers to the contribution made by the Council to the pension fund to cover the additional pension costs incurred as a result of staff taking early retirement. This causes lost contribution income from the staff concerned and creates an interest cost arising from the earlier pension payments. This additional cost is determined by actuarial calculation.

Statutory provisions require that these costs be charged to the General Fund or Housing Revenue account in the year they arise. This is adjusted in the Movement in Reserves Statement so that the above accounts are only charged for the amounts paid to the Pension Fund in that year.

The transactions required are determined by the code and by regulations 41(2) and 42(1)(c) of the Local Government Pension Scheme (Administration) Regulations 2008. Regulation 42(1)(c) allows the fund and the employer to agree to spread payment of such contributions. The Council has agreed that these additional costs will be paid to the pension fund in equal amounts in the year the redundancy occurred and over the following four years.

This has resulted in the following changes:

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet:		
Short term creditors	(163,108)	(3,711)
Pension Fund Liability	(292,200)	(2,150)
Earmarked Reserves	(101,229)	3,711
Pensions Reserve	292,200	2,150
31 March 2010 Balance Sheet:		
Short term creditors	(155,246)	(3,086)
Pension Fund Liability	(391,945)	(2,675)
Earmarked Reserves	(96,048)	3,086
Pensions Reserve	391,945	2,675
2009/10 Comprehensive Income and Expenditure Statement		
Non distributed costs	4,797	(100)

3. Prior Period Adjustments

Prior period adjustments have been made to the 2009/10 Statement of Accounts to reflect the change in accounting policies incurred in adopting the IFRS-based code of practice as outlined in the previous note. A further prior period adjustment has been made in order to correct a material error in the accounting entries relating to revaluation gains and losses on HRA assets.

In the 2009/10 Statement of Accounts, all HRA revaluation gains were shown as being credited to the revaluation reserve. In fact, a proportion of these gains related to the reversal of previous losses that had been charged to the Comprehensive Income and Expenditure Statement (CIES). The relevant gains should therefore have been credited to the CIES to reverse the impact in previous years. This adjustment has no impact on the HRA or General Fund balances that the Council has available to spend as regulations allow the gains to be reversed out of the CIES to the Capital Adjustment Account.

These changes have had the following effect:

	2009/10 Statements £000	Adjustments Made £000
31 March 2010 Balance Sheet:		
Revaluation Reserve	(134,436)	31,927
Capital Adjustment Account	(522,059)	(31,927)
2009/10 Comprehensive Income and Expenditure Statement		
Local authority housing (HRA)	(688)	(31,927)

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

FRS 30 - Heritage Assets

Tangible Heritage Assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The Council holds heritage assets in pursuit of its overall objective in relation to maintenance of heritage and intends to preserve them in trust for future generations because of their cultural, environmental or historic association. The Council will recognise heritage assets for the first time in the 2011/12 financial statements in accordance with FRS 30.

Where there are any heritage assets located with a community asset, the Council will account for the heritage asset separately from the community asset.

Heritage assets (other than operational heritage assets) will be measured at valuation in accordance with FRS 30, where this is not practicable, it will be valued at historical cost (less any accumulated depreciation, amortisation and impairment losses).

The Council will not be reclassifying any assets as heritage assets in the 2011/12 financial year.

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

5.1 - A decision was taken to terminate the contract with Ealing Homes with effect from 1 April 2011. Ealing Homes' accounts have therefore been prepared on a 'break up' basis and have been incorporated into the group accounts in this way. The Council is satisfied that all potential liabilities arising from this decision have been considered and provided where appropriate in preparing the financial statements.

5.2 - There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

5.3 - The Council has £2M invested in the failed Icelandic Bank, Glitnir. The likelihood of recovering this money is dependent on a number of factors, including whether or not local authorities are given preferential creditor status. The Council has taken a prudent approach and impaired the investment on the basis that preferential creditor status is not achieved. Further details of this are contained in the notes to the accounts on financial instruments.

5.4 - The gain arising from the change in local government pension scheme benefits and the revaluation loss on HRA assets have been disclosed as an exceptional items in the Comprehensive Income and Expenditure statement due to the material amounts involved and the one-off nature of the transactions.

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied and these are documented within the disclosure note on retirement benefits	There are a number of assumptions relating to the calculation of the net pensions liability and they interact in complex ways. The Council's actuaries update these assumptions and the calculation of the liability annually based on the latest available data. An actuarial gain of £46,529K has been recognised in 2010/11 after updates to the 2009/10 assumptions.
Arrears	At 31 March 2011, the Council had a balance of sundry debtors of £44,331K. A review of these debtor balances and past experience of debt collection rates across various categories suggested that an allowance for non collection of £17,952K should be recognised. However, in the current economic climate it is not certain that such an allowance will be sufficient. Similar allowances have also been recognised for other categories of debtors.	If collection rates were to deteriorate, each 1% increase in the allowance for doubtful debts would require an additional £443K to be set aside for sundry debtors.

7. Adjustments between accounting basis and funding basis under regulations

2010/11	General fund balance £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short-term Accumulating Compensated Absences Account £000	Pensions reserve £000	Total Unusable reserves £000	Total Authority Reserves £000
Charges for depreciation and impairment of non current assets	24,846				11,210	**36,056**		(36,056)						(36,056)	-
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		1,283				**1,283**		(1,283)						(1,283)	-
Revaluation gains / losses on Property Plant and Equipment	14,110	318,415				**332,525**		(332,525)						(332,525)	-
Capital grants and contributions credited to the CIES and application of grants to capital financing transferred to the Capital Adjustment Account	(44,825)	(2,593)		(729)		**(48,147)**		48,147						48,147	-
Revenue expenditure funded from capital under statute	16,489	10,801				**27,290**		(27,290)						(27,290)	-
Net gain or loss on sale of non-current assets	(21,572)	6,570	24,277			**9,275**		(16,764)	7,489					(9,275)	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(10)	(843)				**(853)**					853			853	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(16,319)	153				**(16,166)**							16,166	16,166	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,323)	(83)				**(27,406)**							27,406	27,406	-
Amount by which council tax income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	1,090					**1,090**				(1,090)				(1,090)	-
Statutory provision for the repayment of debt	(14,771)					**(14,771)**		14,771						14,771	-
Capital expenditure charged against the General Fund and HRA balances	(4,891)				(20,086)	**(24,977)**		24,977						24,977	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	27		(27)			**-**								-	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(387)	(1)				**(388)**						388		388	-
Use of the Capital Receipts Reserve to finance new capital expenditure			(22,592)			**(22,592)**		22,592						22,592	-
Total Adjustments	(73,536)	333,702	1,658	(729)	(8,876)	252,219	-	(303,431)	7,489	(1,090)	853	388	43,572	(252,219)	-
															-

7. Adjustments between accounting basis and funding basis under regulations (continued)

2009/10	General fund balance £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short-term Accumulating Compensated Absences Account £000	Pensions reserve £000	Total Unusable reserves £000	Total Authority Reserves £000
Charges for depreciation and impairment of non current assets	22,219				11,106	**33,325**		(33,325)						**(33,325)**	-
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		2,613				**2,613**		(2,613)						**(2,613)**	
Revaluation losses on Property Plant and Equipment	14,953	(21,649)				**(6,696)**		6,696						**6,696**	-
Capital grants and contributions credited to the CIES and application of grants to capital financing transferred to the Capital Adjustment Account	(27,874)	(3,174)		146		**(30,902)**		30,902						**30,902**	-
Revenue expenditure funded from capital under statute	11,946	7,859				**19,805**		(19,805)						**(19,805)**	-
Net gain or loss on sale of non-current assets	(5,109)	2,222	9,146			**6,259**	(155)	(7,228)	1,124					**(6,259)**	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(10)	(952)				**(962)**					962			**962**	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	36,487	723				**37,210**							(37,210)	**(37,210)**	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,609)	(335)				**(21,944)**							21,944	**21,944**	-
Amount by which council tax income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(811)					**(811)**				811				**811**	-
Statutory provision for the repayment of debt	(15,575)					**(15,575)**		15,575						**15,575**	-
Capital expenditure charged against the General Fund and HRA balances	(3,135)				(2,790)	**(5,925)**		5,925						**5,925**	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	805		(805)			**-**								**-**	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	782	(7)				**775**						(775)		**(775)**	-
Use of the Capital Receipts Reserve to finance new capital expenditure			(5,424)			**(5,424)**		5,424						**5,424**	-
Total Adjustments	13,069	(12,700)	2,917	146	8,316	**11,748**	(155)	1,551	1,124	811	962	(775)	(15,266)	**(11,748)**	-

8. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- charges made in relation to capital expenditure are excluded from management reporting whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement.
- income and expenditure in respect of the Housing Revenue Account and that managed by Schools are not included in the management accounts as these do not impact on Council Tax levels
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to directorates.

	Children & Adults 2010/11 £000	Regeneration & Housing 2010/11 £000	Environment & Customer Services 2010/11 £000	Corporate Resources & Chief Exec 2010/11 £000	Housing Benefit 2010/11 £000	Council Wide 2010/11 £000	Total 2010/11 £000
Fees, charges & other service income	(61,676)	(44,440)	(42,823)	(19,929)			(168,868)
Government grants	(81,706)	(4,174)	(3,630)	(1,061)	(259,541)		(350,112)
Total Income	(143,382)	(48,614)	(46,453)	(20,990)	(259,541)	-	(518,980)
Employee expenses	74,460	23,094	28,688	25,797			152,039
Other operating expenses	188,992	39,723	58,810	28,879	264,593	1,255	582,252
Total operating expenses	263,452	62,817	87,498	54,676	264,593	1,255	734,291
Net Cost of Services	120,070	14,203	41,045	33,686	5,052	1,255	215,311

	Children & Adults 2009/10 £000	Regeneration & Housing 2009/10 £000	Environment & Customer Services 2009/10 £000	Corporate Resources & Chief Exec 2009/10 £000	Housing Benefit 2009/10 £000	Council Wide 2009/10 £000	Total 2009/10 £000
Fees, charges & other service income	(53,540)	(50,069)	(40,769)	(16,115)	-	(18)	(160,511)
Government grants	(79,334)	(2,774)	(3,501)	(1,619)	(237,082)		(324,310)
Total Income	(132,874)	(52,843)	(44,270)	(17,734)	(237,082)	(18)	(484,821)
Employee expenses	75,179	18,529	28,989	26,812	-	138	149,647
Other operating expenses	181,960	46,802	53,821	26,857	240,291	2,914	552,645
Total operating expenses	257,139	65,331	82,810	53,669	240,291	3,052	702,292
Net Cost of Services	124,265	12,488	38,540	35,935	3,209	3,034	217,471

8. **Amounts Reported for Resource Allocation Decisions (Continued)**

Reconciliation to Subjective Analysis

	Service Analysis 2010/11 £000	Not reported to mgmt 2010/11 £000	Not included in I&E 2010/11 £000	Net Cost of Services 2010/11 £000	Corporate Amounts 2010/11 £000	Total 2010/11 £000
Fees, charges & other service income	(168,868)	(63,575)	6,829	(225,614)		(225,614)
Interest and investment income	-			-	(2,170)	(2,170)
Income from council tax	-			-	(125,977)	(125,977)
Government grants and contributions	(350,112)	(255,223)	23,245	(582,090)	(217,477)	(799,567)
Total Income	(518,980)	(318,798)	30,074	(807,704)	(345,624)	(1,153,328)
Employee expenses	152,039	167,726	(27,406)	292,359		292,359
Other service expenses	582,252	124,541	(20,449)	686,344	4	686,348
Depreciation, amortisation and impairment		367,514		367,514		367,514
Interest Payments				-	58,532	58,532
Precepts & Levies				-	11,095	11,095
Payments to Housing Capital Receipts Pool				-	27	27
Gain or Loss on Disposal of Fixed Assets				-	(15,002)	(15,002)
Total operating expenses	734,291	659,781	(47,855)	1,346,217	54,656	1,400,873
(Surplus) or deficit on the provision of services	215,311	340,983	(17,781)	538,513	(290,968)	247,545

Reconciliation to Subjective Analysis	Service Analysis 2009/10 £000	Not reported to mgmt 2009/10 £000	Not included in I&E 2009/10 £000	Net Cost of Services 2009/10 £000	Corporate Amounts 2009/10 £000	Total 2009/10 £000
Fees, charges & other service income	(160,511)	(67,097)	21,795	(205,813)		(205,813)
Interest and investment income	-			-	(3,730)	(3,730)
Income from council tax	-			-	(124,562)	(124,562)
Government grants and contributions	(324,310)	(232,562)	14,061	(542,811)	(187,890)	(730,701)
Total Income	(484,821)	(299,659)	35,856	(748,624)	(316,182)	(1,064,806)
Employee expenses	149,647	206,883	(22,469)	334,061		334,061
Other service expenses	552,645	117,931	(22,782)	647,794	14	647,808
Depreciation, amortisation and impairment		18,136		18,136		18,136
Interest Payments				-	62,023	62,023
Precepts & Levies				-	10,199	10,199
Payments to Housing Capital Receipts Pool				-	805	805
Gain or Loss on Disposal of non-current assets				-	(2,887)	(2,887)
Total operating expenses	702,292	342,950	(45,251)	999,991	70,154	1,070,145
(Surplus) or deficit on the provision of services	217,471	43,291	(9,395)	251,367	(246,028)	5,339

8. Amounts Reported for Resource Allocation Decisions (Continued)

Reconciliation to Net Cost of Services in CIES

	2010/11 £000s	2009/10 £000s
Cost of Services in Service Analysis	215,311	217,471
Add services not included in main analysis	-	-
Add amounts not reported to management	340,983	43,291
Remove amounts reported to mgmt not included in CIES	(14,441)	(9,395)
Net Cost of Services in CIES	541,853	251,367

9. General Government Grants

The grants included in the Comprehensive Income & Expenditure Statement under 'General Government Grants' are as follows:

	2010/11 £000	2009/10 £000
Revenue Support Grant	18,315	26,694
Local Authority Business Growth Incentive Grant	-	434
Capital Grants and contributions	47,418	31,048
LAA Performance Reward Grant	2,369	-
Area Based Grant	23,245	14,061
	91,347	72,237

10. Trading Accounts

10.1 Off Street Car Parking - This is provided in competition with privately run car parks.
10.2 Trade Refuse - The Council collects refuse from trade premises and provides disposal of trade refuse at the Greenford Refuse and Recycling Centre.

Trading Accounts	Gross Expenditure 2010/11 £000	Income 2010/11 £000	Net Expenditure 2010/11 £000	Net Expenditure 2009/10 £000
Off Street Car Parking	926	1,540	(614)	(1,044)
Trade Refuse	787	1,484	(697)	(678)
	1,713	3,024	(1,311)	(1,722)

11. Pooled fund memorandum account for Ealing Community Equipment Services

Ealing Council and Ealing Primary Care Trust entered into a formal Section 75 pooled budget arrangement for Community Equipment Services with effect from 1 November 2003. Ealing Council is the lead for the arrangement.

	2010/11 Total Costs £000	2009/10 Total Costs £000
Community Equipment	1,750	1,764
Total Cost	1,750	1,764
Funding :		
Ealing Council	924	1,067
Ealing Primary Care Trust	826	697
Total Funding	1,750	1,764

12. Related Party Transactions

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

12.2 Significant transactions with Government Departments, precepting and levying bodies and joint arrangements with other bodies and local authorities and the Council's Pension Fund are shown and declared elsewhere in the financial statements. The Council charged the Pension Fund £697,100 (£689,500 in 2009/10) for expenses incurred in administering the fund. The Council paid the fund £35,200 (£215,900 in 2009/10) interest in respect of cash balances held in the Council's bank account. This balance was £7,319,000 (£4,133,000) at 31 March 2011.

12.3 Declarations are completed by Councillors and relevant officers of the authority and the only significant declarations are:-

i) The Director of Finance (Regeneration & Housing) acted as the Mortlake Crematorium Board's Treasurer for the year to 31 March 2011 and the Board has £1,025,000 (£800,000 at 31 March 2010) invested with the Council.
ii) A number of members and officers have made declarations of their interests in voluntary organisations / charities which receive grants through Council decisions and in positions as school's governors. Records of their interests are shown in publicly available records.
iii) One member is the treasurer of Ealing Race & Equality Council (EREC) and a member of the Ealing Hospital NHS Trust. In 2010/11 the Council paid £66,000 to EREC (£27,000 in 2009/10) and £302,000 to the trust (£197,000 in 2009/10).
iv) One member is a non Executive Director of the West London Mental Health Trust. The Council paid £2.6M to the trust in 2010/11 (£2.7M in 2009/10).
v) One member lets properties to a managing agency company that rents properties to Ealing Council.

12.4 The Council delegated responsibility for the management, (including maintenance and capital investment) of its residential housing stock to Ealing Homes Ltd under the terms of a Management Agreement effective from September 2004. The balance owed to Ealing Homes in respect of these services was £339k (£769k in 2009/10). The Council provides accommodation, I.T., HR and other services to Ealing Homes. The balance owed to the Council in respect of these services was £235,000 at 31/03/11 (£1.5M at 31/03/10). Ealing Homes had £2.1M placed on deposit with Ealing Council at 31/03/11 (£2.7M at 31/03/10).

During 2010/2011 Councillors Grant, Langan, Popham, Reeves, Sabiers and Gallagher were Directors of Ealing Homes Limited. Councillor Gallagher resigned on 27/05/10 and all other Councillors resigned on 31/03/11 as a result of the ending of the management agreement at that date and the transfer of the housing services to the Council.

The Director of Property and Regeneration and the Director of Safer Communities have taken over as Directors of Ealing Homes Limited during the winding up process.

12.5 Ealing has one Section 75 agreement to pool funding relating to the Integrated Community Equipment Service with Ealing PCT. The total funding between the partners is £1.750M (£1.764M in 2009/10).

12.6 All Officers and Councillors submitted their returns.

13. Audit Costs

The Council incurred the following fees relating to external audit and inspection :

	2010/2011 £000	2009/2010 £000
Fees payable to the Audit Commission appointed auditor with regard to external audit services carried out by the appointed auditor	425	387
Fees payable to the Audit Commission in respect of statutory inspection	-	20
Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns	111	153
	536	560

14. Levies

	2010/11 £000	2009/10 £000
London Pension Fund Authority	402	603
Lee Valley Park	402	359
National Rivers Authority	233	234
West Waste Authority	9,827	8,717
Coroners Services	231	286
	11,095	10,199

15. Housing Act Advances Account

This account comprises advances to individuals and Housing Associations for house purchase and improvement but excludes amounts left outstanding on mortgages in respect of the sale of Council dwellings to tenants. The interest on loans was calculated on the loan balances outstanding at 1 April.

	2010/11 £000	2009/10 £000
INCOME		
Interest charged to mortgagors	5	5
Fees and charges	15	20
	20	25
EXPENDITURE		
Interest on loans	5	5
Management expenses	19	34
	24	39
Contribution to / (from) General Fund	(4)	(14)

16. Members Allowances

The total of allowances paid to the members of the Council was £1,008,584 in 2010/11 (£1,039,049 in 2009/10).

17. Employee Remuneration

17.1 Employees earning over £50,000 per year

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band	Number of Employees 2010/2011	Number of Employees 2009/2010
£50,000 - £54,999	194	183
£55,000 - £59,999	126	82
£60,000 - £64,999	60	59
£65,000 - £69,999	49	50
£70,000 - £74,999	44	31
£75,000 - £79,999	18	21
£80,000 - £84,999	19	18
£85,000 - £89,999	7	5
£90,000 - £94,999	5	6
£95,000 - £99,999	6	3
£100,000 - £104,999	1	3
£105,000 - £109,999	5	1
£110,000 - £114,999	3	4
£115,000 - £119,999	1	2
£120,000 - £124,999	1	-
£125,000 - £129,999	-	2
£130,000 - £134,999	-	-
£135,000 - £139,999	1	1
£140,000 - £144,999	1	1
£145,000 - £149,999	1	-
£150,000 - £154,999	-	1
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	-
£170,000 - £174,999	-	-
£175,000 - £179,999	-	-
£180,000 - £184,999	1	-

The figures for 2009/10 have been restated due to a change in the CIPFA guidance to specify that employees at certain types of schools, where the staff are employed by the governing body rather than the Council, should be excluded. These were previously included as best practice as the school's expenditure is included in the Council's accounts.

The table above includes the senior officers whose remuneration is detailed in note 17.2

17.2 Senior Officer Remuneration :-

The following table sets out the remuneration disclosures for Senior Officers and those whose salary is £150,000 or more per year. The meaning of Senior Officers is defined in the Accounts and Audit Regulations 2009 and they are the members of the Corporate Board.

2010/11 Post Holder Information		Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration (Excluding Pension contributions) £	Pension Contributions £	Total Remuneration (Including Pension contributions) £
Martin Smith - Chief Executive		183,854	-		-	-	183,854	-	183,854
Ian O'Donnell - Executive Director for Corporate Resources		133,011	5,543		-	-	138,554	26,070	164,624
Pat Hayes - Executive Director for Regeneration & Housing		133,011	10,641		-	-	143,652	26,070	169,722
Keith Townsend - Executive Director for Environment and Customer Services		133,011	13,302		-	-	146,313	26,070	172,383
David Archibald - Executive Director for Children and Adults	A	See below							
		582,887	29,486	-	-	-	612,373	78,210	690,583

2009/10 Post Holder Information		Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration (Excluding Pension contributions) £	Pension Contributions £	Total Remuneration (Including Pension contributions) £
Martin Smith - Chief Executive	B	58,636	-				58,636	-	58,636
Darra Singh - Chief Executive	C	111,751	29,429				141,180	22,482	163,662
Ian O'Donnell - Executive Director for Corporate Resources	D	111,693					111,693	21,725	133,418
Richard Ennis - Executive Director for Corporate Resources	E	13,230					13,230	2,593	15,823
Pat Hayes - Executive Director for Regeneration & Housing		133,011	19,288				152,299	26,070	178,369
Keith Townsend - Executive Director for Environment and Customer Services		133,011	4,000				137,011	26,854	163,865
David Archibald - Executive Director for Children and Adults	A	See below							-
		561,332	52,717	-	-	-	614,049	99,724	713,773

Notes

A - David Archibald is not a direct employee of the council. If the post had been filled by a council employee during 2010/11 the salary range would have been £120,444 - £133,011 (2009/10 £120,444 - £133,011)
B - Martin Smith commenced employment as Chief Executive on 25th November 2009. The full year equivalent salary for this post would have been £167,532 in 2009/10
C - Darra Singh left the council on 1st November 2009, the full year equivalent salary would have been £178,341
D - Ian O' Donnell commenced employment as Executive Director for Corporate Resources on 1st June 2009, the full year equivalent salary for this post would have been £133,011 in 2009/10
E - Richard Ennis left the council on the 6th May 2009, the full year equivalent salary would have been £133,011

Payments for acting as the Council's Returning Officer for elections are also included in the Salary column of this table.

18. Property, plant and equipment

18.1 The movement during the year was:-

2009/10	Council Dwellings £000	Other Land & Buildings £000	Other Land & Buildings (PFI) £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Infrastructure Assets (PFI) £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PP&E £000
Cost or Valuation										
At 1 April 2009	791,082	364,513	74,513	66,542	115,060	21,950	4,204	9,987	20,636	1,468,487
Additions	53,045	11,834	4,374	4,673	18,677	7,109	276	1,205	29,658	130,851
Revaluation Increases / (decreases) to Revaluation Reserve	35,474	5,430	(189)					302		41,017
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	20,804	(11,810)						(3,390)		5,604
Derecognition-Disposals	(6,068)	(1,111)						(395)		(7,574)
Other Reclassifications		38,904							(38,904)	-
At 31 March 2010	894,337	407,760	78,698	71,215	133,737	29,059	4,480	7,709	11,390	1,638,385
Depreciation and Impairment										
At 1 April 2009	-	(10)	(2,309)	(44,519)	(36,347)	(538)	-	(14)	-	(83,737)
Depreciation Charge	(12,971)	(7,779)	(1,598)	(7,497)	(5,513)	(439)		(141)		(35,938)
Depreciation written out to Revaluation Reserve	12,055	606						10		12,671
Depreciation written out to Surplus / Deficit on Provision of Services	747	312						68		1,127
Impairment losses/reversals to Surplus / Deficit on Provision of Services				(36)						(36)
Derecognition-Disposals	169							21		190
At 31 March 2010	-	(6,871)	(3,907)	(52,052)	(41,860)	(977)	-	(56)	-	(105,723)
Net Book Value										
At 31 March 2010	894,337	400,889	74,791	19,163	91,877	28,082	4,480	7,653	11,390	1,532,662
At 31 March 2009	791,082	364,503	72,204	22,023	78,713	21,412	4,204	9,973	20,636	1,384,750

18. Property, plant and equipment (continued)
18.1 The movement during the year was:-

2010/11	Council Dwellings £000	Other Land & Buildings £000	Other Land & Buildings (PFI) £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Infrastructure Assets (PFI) £000	Community Assets £000	Surplus Assets £000	PP&E Under Construction £000	Total PP&E £000
Cost or Valuation										
At 1 April 2010	894,337	407,760	78,698	71,215	133,737	29,059	4,480	7,709	11,390	1,638,385
Additions	53,910	7,975	-	2,241	14,043	2,918	591	5,727	30,207	117,612
Revaluation Increases / (decreases) to Revaluation Reserve	3,615	12,208	-	-	-	-	-	996	-	16,819
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	(329,613)	(23,395)	-	-	-	-	-	1,466	-	(351,542)
Derecognition-Disposals	(8,177)	(55)	-	-	-	-	-	(8,536)	-	(16,768)
Other Reclassifications	-	11,083	-	789	-	-	-	-	(11,872)	-
At 31 March 2011	614,072	415,576	78,698	74,245	147,780	31,977	5,071	7,362	29,725	1,404,506
Depreciation and Impairment										
At 1 April 2010	-	(6,871)	(3,907)	(52,052)	(41,860)	(977)	-	(56)	-	(105,723)
Depreciation Charge	(11,568)	(8,924)	(1,768)	(7,777)	(6,450)	(581)	-	(270)	-	(37,338)
Depreciation written out to Revaluation Reserve	473	757	-	-	-	-	-	23	-	1,253
Depreciation written out to Surplus / Deficit on Provision of Services	11,092	7,849	-	-	-	-	-	77	-	19,018
Derecognition-Disposals	3	-	-	-	-	-	-	-	-	3
At 31 March 2011	-	(7,189)	(5,675)	(59,829)	(48,310)	(1,558)	-	(226)	-	(122,787)
Net Book Value										
At 31 March 2011	614,072	408,387	73,023	14,416	99,470	30,419	5,071	7,136	29,725	1,281,719
At 31 March 2010	894,337	400,889	74,791	19,163	91,877	28,082	4,480	7,653	11,390	1,532,662

HRA Revaluation Decrease

Council housing is held in the accounts at Economic Use Value - Social Housing (EUV-SH). This involves the market value being discounted to a percentage determined by Central Government. Until 2010/11, the percentage used was 37% of market value, but during the year, this was decreased to 25%. This therefore shows as a revaluation loss in the accounts, with the majority of this loss being charged to the Comprehensive income and expenditure statement (CIES) as there were insufficient gains in the revaluation reserve. Due to the material nature of this amount, this has been shown as an exceptional item in the CIES. Regulations allow this charge to be reversed in the movement in reserves statement, so there is no impact on Council Tax or Housing Rents. The amount charged to the CIES is made up as follows:

	£000
Revaluation decrease on Council Dwellings	(329,613)
Depreciation written out on revaluation of Council Dwellings	11,092
Revaluation gain on HRA other land and buildings	106
Total charged to CIES	(318,415)

18.2 Movements in PFI assets and liabilities

Assets:	Assets at 01/04/2009 £000	Movement In Year £000	Assets at 31/03/2010 £000	Movement In Year £000	Assets at 31/03/2011 £000
Ealing Schools' PFI - Ealing Schools' Partnership Ltd	11,881	(262)	11,619	(262)	11,357
Ealing Schools' PFI - Seafort Ealing Ltd	25,619	(526)	25,093	(526)	24,567
Resource Centre for Older People PFI - Ealing Care Alliance	19,584	3,375	22,959	(981)	21,978
Street Lighting PFI - EDF / Southern Electric	21,412	6,670	28,082	2,337	30,419
Building Schools for the Future - Future Ealing Limited	-	-	-	-	-
	78,496	9,257	87,753	568	88,321

Liabilities:	Liabilities 01/04/2009 £000	Movement In Year £000	Liabilities 31/03/2010 £000	Movement In Year £000	Liabilities 31/03/2011 £000
Ealing Schools' PFI - Ealing Schools' Partnership Ltd	(25,429)	851	(24,578)	940	(23,638)
Ealing Schools' PFI - Seafort Ealing Ltd	(49,331)	1,090	(48,241)	1,165	(47,076)
Resource Centre for Older People PFI - Ealing Care Alliance	(21,583)	(3,881)	(25,464)	403	(25,061)
Street Lighting PFI - EDF / Southern Electric	(13,560)	(5,355)	(18,915)	(1,998)	(20,913)
Building Schools for the Future - Future Ealing Limited	-	-	-	-	-
	(109,903)	(7,295)	(117,198)	510	(116,688)

18.3 The capital expenditure in the year was financed and analysed as follows:-

	2010/2011 £000	2009/2010 £000	2008/2009 £000
Supported Borrowing	44,264	63,208	13,601
Unsupported Borrowing	2,869	33,723	29,998
Revenue Contributions	4,878	3,135	4,758
Capital Receipts	22,595	5,424	3,510
Capital Grants and other	48,146	30,893	26,543
Major repairs reserve	20,086	2,790	6,200
Finance Lease Liability	-	-	45
Private Finance Initiative	2,918	11,483	23,237
	145,756	150,656	107,892

	2010/2011 £000	2009/2010 £000	2008/2009 £000
Fixed Assets purchased	115,549	119,368	74,013
Fixed Assets acquired under finance lease	-	-	48
Assets acquired under PFI	2,918	11,483	23,237
Revenue Expenditure Funded from Capital under Statute :	25,873	18,375	9,894
De-minimus capital expenditure	1,416	1,430	700
	145,756	150,656	107,892

19. Intangible Assets

The Council acquired software licences during 2010/11 that have been classified as intangible assets. These assets have been given finite useful lives of 3-10 years and will be amortised on a straight line basis over that period, starting in the year following acquisition.

19.1 The movement during the year was:-

	Total Intangible Assets £000
Cost or Valuation	
At 1 April 2010	-
Additions	855
At 31 March 2011	855
Amortisation and Impairment	
At 1 April 2010	-
Amortisation Charge	-
At 31 March 2011	-
Net Book Value	
At 31 March 2011	855
At 31 March 2010	-

20. Capital Commitments

The table below represents approved capital expenditure including contracts which have already been entered into. These commitments include:-

i) Schemes which have already commenced and have incurred expenditure to 31 March 2011. This expenditure has been accounted for, but expenditure which will be incurred after this date is included below.

ii) Contracts and commitments which have not incurred expenditure to date and which have not been accounted for.

	2011/2012 £000	2012/2013 £000	2013/2014 £000	Total £000
Schools Services	22,359	13,882	4,617	40,858
Adult Services	1,961			1,961
Children's Services	436	50		486
Environment & Leisure	373	15		388
Housing (HRA)	7,499			7,499
Safer Communities	170			170
Built Environment	1,707			1,707
Total	34,505	13,947	4,617	53,069

21. Private Finance Initiative (PFI)

PFI is a mechanism involving a partnership agreement with an external body in order to generate investment in council services. In return for this investment the Council pays an annual fee.

The Council has entered into a number of PFI commitments as shown below. These schemes all meet the criteria outlined in the accounting policies are the assets and liabilities are therefore on the Council's balance sheet. Details of the assets and liabilities in respect of these schemes can be found in note 18.

21.1 Ealing Schools' PFI

In December 2002 the Council entered into a design, build, finance and operate contract with Ealing Schools' Partnership Ltd for the provision of school buildings and services for Brentside High, Downe Manor Primary, Gifford Primary and Ravenor Primary. The contract is for 27 years. The value of the unitary charge was £4,681k in 2010/11 (£4,619k in 2009/10).

In July 2005 the Council entered into a design, build, finance and operate contract with Seafort Ealing Ltd for the provision of school buildings and services for Featherstone Primary, Acton High and Greenford High. The contract is for 25 years. The value of the unitary charge in 2010/11 was £8,383k (2009/10 £8,413k).

21.2 Building Schools for the Future (BSF) PFI

On 15 December 2010 the Council entered into a BSF PFI contract with Balfour Beatty Education. This contract provides for new building construction of Dormers Wells High School, followed by ongoing facilities management and lifecycle works over 25 years.

The main work is expected to be completed in August 2012 and service availability will begin. There is no unitary charge payment due in 2010/11.

21.3 Resource Centres for Older People : PFI Development

The PFI project is for a total of 31.5 years and involves the building of and development of 4 new resource centres for Older People including residential and nursing care placements to replace 5 in-house homes.
A PFI credit equivalent to £24m at 2001 prices will be paid over 25 years and used to fund the project with Ealing Care Alliance. The building of the homes was fully completed in 2009.

The value of the Unitary charge in 2010/11 was £12,272k (2009/10 £11,274k). Detailed below is an explanation of why this unitary charge has increased between the two years.

Originally there were 172 beds available in the in-house homes but this has increased to 291 now building is complete.On going care cost will be funded through original placement budgets.
The first of the four homes, Elm Lodge, opened on the 8th August 2006 with a capacity of 75 beds. Martin House opened on the 25th February 2008 with a capacity of 77 beds, while Sycamore Lodge opened on the 13th March 2008 with a capacity of 75 beds. The fourth home, Chestnut Lodge, opened on 28th July 2009 with a capacity of 64 beds.

21.4 Street Lighting PFI

The project involves the renewal and upgrading of street lighting across Ealing. Southern Electric Contracting Ltd has taken over the responsibility for the management, design, installation, ongoing repairs and maintenance of the Borough's entire street lighting stock from 1st August 2005.
The 25 year contract includes a major capital investment programme for the replacement and renewal of over 20,000 items of highway electrical equipment, with a capital replacement value in excess of £20M. Ealing Council is funding the PFI project with the help of a £25M government grant.

During the year, 2,142 existing columns were removed and 2,091 columns were installed.

The value of the Unitary charge in 2010/11 was £3,919k (2009/10 £3,163k).

22. Private Finance Initiative (PFI) payments due

To write down liability	31-Mar-11 Schools 1 £000	31-Mar-11 Schools 2 £000	31-Mar-11 Street Lighting £000	31-Mar-11 Care Homes £000	31-Mar-11 BSF £000	31-Mar-11 Total £000
within 1 year	740	1,107	669	368	-	2,884
between 2 to 5 years	4,007	5,149	2,768	1,681	(57)	13,548
between 6 to 10 years	4,072	8,016	4,091	3,411	3,468	23,058
between 11 to 15 years	5,390	10,738	6,449	3,467	4,454	30,498
between 16 to 20 years	8,473	16,274	6,936	5,698	6,275	43,656
between 21 to 25 years	956	5,792	-	9,263	8,964	24,975
between 26 to 30 years	-	-	-	1,173	5,182	6,355
Total	23,638	47,076	20,913	25,061	28,286	144,974

Interest charges	31-Mar-11 Schools 1 £000	31-Mar-11 Schools 2 £000	31-Mar-11 Street Lighting £000	31-Mar-11 Care Homes £000	31-Mar-11 BSF £000	31-Mar-11 Total £000
within 1 year	1,386	3,925	1,826	1,900	-	9,037
between 2 to 5 years	5,033	14,727	6,685	7,284	9,448	43,177
between 6 to 10 years	4,956	15,803	6,973	8,235	12,307	48,274
between 11 to 15 years	3,761	11,994	4,809	7,066	10,544	38,174
between 16 to 20 years	1,820	6,732	1,493	5,314	8,216	23,575
between 21 to 25 years	56	617	-	2,731	4,916	8,320
between 26 to 30 years	-	-	-	89	725	814
Total	17,012	53,798	21,786	32,619	46,156	171,371

Service charges & lifecycle costs	31-Mar-11 Schools 1 £000	31-Mar-11 Schools 2 £000	31-Mar-11 Street Lighting £000	31-Mar-11 Care Homes £000	31-Mar-11 BSF £000	31-Mar-11 Total £000
within 1 year	1,158	1,972	1,523	6,843	702	12,198
between 2 to 5 years	4,098	8,140	6,623	27,478	4,536	50,875
between 6 to 10 years	7,393	11,201	9,031	33,908	5,200	66,733
between 11 to 15 years	7,271	12,289	8,837	35,021	5,977	69,395
between 16 to 20 years	6,128	12,015	7,647	34,542	6,483	66,815
between 21 to 25 years	364	2,929	-	33,560	7,095	43,948
between 26 to 30 years	-	-	-	3,293	2,483	5,776
Total	26,412	48,546	33,661	174,645	32,476	315,740

23. Leases

23.1 Operating Leases

The Council uses various assets acquired under operating leases. The rental paid during the year amounted to £1,097k (2009/10 £1,130K). Undischarged obligations under operating leases at 31 March 2011 amounted to £6,444k (2010 £7218K). A breakdown of the commitment in years is shown below.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total 2010/11 £000	Total 2009/10 £000	Total 2008/2009 £000
Commitment to Expire:					
Within 1 year	965	-	965	972	996
Between 2 to 5 years	3,051	189	3,240	3,393	3,822
Over 5 years	2,239	-	2,239	2,853	3,530
Total	6,255	189	6,444	7,218	8,348

The Council also holds various assets for which it acts as the lessor and accounts for the rentals in the Income and Expenditure account as operating leases. For some of these assets the rental charged is only a peppercorn. The total rental received in 2010/11 from these leases was £935K.

The total gross book value of the assets which are used in these operating leases is £24.1M. However, for other land and buildings not all of each asset may necessarily be leased out.

23.2 Finance Leases - Lessee

For details of the Council's activities as a lessor of finance leases, see note 49.

The Council acquired sports equipment under a finance lease during 2008/09. The rentals payable under this arrangement in 2010/11 were £11k charged to the Income and Expenditure Account as £1.5k finance costs (debited to interest payable) and £9.5k relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account in the Movement in Reserves Statement).

The following values of assets are held under finance leases by the authority, accounted for as part of Property, Plant and Equipment:

	Vehicle, Plant & Equipment 2010/11 £000	Vehicle, Plant & Equipment 2009/10 £000	Vehicle, Plant & Equipment 2008/09 £000
Value at 1 April	37	47	-
Additions	-	-	47
Revaluations	-	-	-
Depreciation	(10)	(10)	-
Disposals	-	-	-
Value at 31 March	27	37	47

Outstanding obligations to make payments under these finance leases at 31 March 2011, accounted for as part of long-term liabilities, are as follows:

23.2 Finance Leases (continued)

	Vehicle, Plant & Equipment Lease Payments 2010/11 £000	Vehicle, Plant & Equipment Finance Charges 2010/11 £000	Vehicle, Plant & Equipment Lease Payments 2009/10 £000	Vehicle, Plant & Equipment Finance Charges 2009/10 £000	Vehicle, Plant & Equipment Lease Payments 2008/09 £000	Vehicle, Plant & Equipment Finance Charges 2008/09 £000
Commitment to Expire:						
Within 1 year	10	1	10	1	10	1
Between 2 to 5 years	11	3	20	4	29	5
Over 5 years	-	-	-	-	-	-
	21	4	30	5	39	6

24. Valuation of Property Plant and Equipment

24.1 Total revalued amounts analysed across each of the last preceding years as follows

	Council Dwellings £'000	Other Land and Building £'000	Other Land and Building (PFI) £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000
Carried at historical cost	-	-	-	74,245	-
Valued at fair value as at:					
31 March 2011	614,072	233,041	-	-	10,445
31 March 2010	-	43,388	5,280	-	2,145
31 March 2009	-	144,622	78,152	-	8,257
31 March 2008	-	112	-	-	-
31 March 2007	-	-	-	-	650
Total Cost or Valuation	614,072	421,163	83,432	74,245	21,497

The total values in the table above will differ from the net book values in the accounts due to capital expenditure incurred since earlier valuations took place and the acquisition and disposal of assets.

24.2 The valuer's methods and significant assumptions applied in estimating the items' fair value

The freehold and leasehold properties which comprise the authority's property portfolio are valued on the undermentioned bases in accordance with the Appraisal and Valuation Standards Practice Statements of The Royal Institution of Chartered Surveyors. All valuations are undertaken by or under the supervision of suitably qualified Chartered Surveyors.

Cushman and Wakefield are the external contractors who inspected and revalued the council's property assets for 2010/11. All property assets are revalued as part of a five year rolling programme. Revaluations have taken place in 2010/11 comprising a mixed portfolio of operational and non-operational property.

The assets were revalued as at 31st March 2011.

Assets with a value of less than £10,000 are considered to be below the de-minimus level and are not recorded on the asset register.
Building related plant and machinery are included in the valuation of the operational buildings.

Properties regarded by the authority as operational were valued on the basis of existing use value or, where this could not be assessed because there was not a market for the subject asset, the depreciated replacement cost method.

The Council applies IAS 16 which requires that all properties are subject to depreciation charges except where specifically exempt, i.e. non-depreciable land and assets with a useful life of over 50 years (see also accounting policy 17).

25. Long Term Debtors

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Council House Sales	179	238	320
Housing Associations	41	30	30
Deferred Capital Receipt	10,000	-	2,015
PFI Prepayment	-	-	3,393
Finance Lease Income	616	702	-
Car Loans to Employees	68	80	80
Other	73	48	59
	10,977	1,098	5,897

26. Cash and cash equivalents

Cash and cash equivalents include the following components:

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Cash at bank and in hand	14,524	13,901	25,654
Short term deposits	23,000	36,713	11,301
	37,524	50,614	36,955

27. Short-term Debtors

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Government Departments	6,657	24,622	23,786
Allowance for non-collection	-	-	-
Government Department (net of non-collection)	**6,657**	**24,622**	**23,786**
Other Public Authorities	4,706	14,111	13,168
Allowance for non-collection	-	-	-
Other Public Authorities (net of non-collection)	**4,706**	**14,111**	**13,168**
Payments in Advance	**3,253**	**6,908**	**2,971**
Council Tax	15,128	15,120	15,675
Allowance for non-collection	(12,437)	(12,161)	(11,902)
Council Tax (net of non-collection)	**2,691**	**2,959**	**3,773**
Rent Arrears (including Housing Benefit overpayments)	20,558	19,396	18,567
Allowance for non-collection	(16,962)	(15,670)	(15,099)
Rent Arrears (net of non-collection)	**3,596**	**3,726**	**3,468**
Housing Association Grant Due	**25**	**260**	**1,245**
Sundry Debtors	44,331	38,435	29,170
Allowance for non-collection	(17,952)	(16,127)	(8,259)
Sundry Debtors (net of non-collection)	**26,379**	**22,308**	**20,911**
Total	**47,307**	**74,894**	**69,322**

28. Short-term Creditors

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
HM Revenue & Customs	(5,925)	(5,277)	(5,158)
Other Government Departments	(10,911)	(18,523)	(28,746)
Other Public Authorities	(5,638)	(7,896)	(5,743)
Receipts in Advance	(8,731)	(11,032)	(12,530)
Council Tax Payers	(4,017)	(3,603)	(4,605)
Ealing Pension Fund	(7,319)	(7,544)	(23,025)
Housing:		-	-
Rents	(2,264)	(1,641)	(3,436)
Mortgages	-	-	(939)
Ealing Homes	(2,065)	(2,657)	(3,266)
		-	-
Sundry Creditors	(68,220)	(88,339)	(70,699)
	(115,090)	(146,512)	(158,147)

29. Long Term Creditors

	Balance at 1 April 2009 £000	Receipts in year £000	Payments in year £000	Balance at 31 March 2010 £000	Receipts in year £000	Payments in year £000	Balance at 31 March 2011 £000
Hull-Grundy Bequest Fund	(195)	(1)	5	(191)	(1)	5	(187)
Northala Fields	(208)	(31)	107	(132)	(42)	114	(60)
Deposits	(979)	(4)	562	(421)	(1)	111	(311)
PFI Schemes	(100,206)	(6,187)	1,886	(104,507)	(3,132)	2,111	(105,528)
Education Balances	-	(1,115)	917	(198)	(649)	500	(347)
Section 106 Agreements	(6,856)	(5,430)	5,758	(6,528)	(3,001)	2,334	(7,195)
Microsoft Licences Phase Payments	-			-	(534)		(534)
Other	(45)	(130)	61	(114)	(51)	64	(101)
Total	(108,489)	(12,898)	9,296	(112,091)	(7,411)	5,239	(114,263)

30. Capital Grants Receipts in Advance

Capital Grants Receipts in Advance are amounts received to fund capital expenditure where the conditions of the grant or contribution have not yet been met. These are transferred to the capital grants unapplied account once the conditions are met, or to the capital adjustment account if the conditions being met involved the grant being used to fund capital expenditure. If conditions are not met, the contribution is returned to the grantor.

	2010/11 £000	2009/10 £000
Balance at 1 April	(17,576)	(13,439)
Amounts received	(33,902)	(34,523)
Applied in year	28,816	30,386
Balance at 31 March	(22,662)	(17,576)

31. Provisions

Short-term provisions

	Balance at 1 April 2009 £000	Payments in year £000	Receipts in year	Balance at 31 March 2010 £000	Payments in year £000	Receipts in year £000	Balance at 31 March 2011 £000
Insurance Provision	3,696	(3,107)	3,622	4,211	(3,663)	395	943
Other Provisions	2,598	(2,026)	608	1,180	(1,332)	2,289	2,137
Total Provisions	6,294	(5,133)	4,230	5,391	(4,995)	2,684	3,080

Long-term provisions

	Balance at 1 April 2009 £000	Payments in year £000	Receipts in year	Balance at 31 March 2010 £000	Payments in year £000	Receipts in year £000	Balance at 31 March 2011 £000
Insurance Provision	3,696	-	512	4,208	(175)	250	4,283
Other Provisions	613	(166)	131	578	(278)	133	433
Total Provisions	4,309	(166)	643	4,786	(453)	383	4,716

The value of provisions includes the items mentioned below. The balance also includes amounts related to contractual disputes.
There are provisions for the following :

1. Claims and self insurance provision - this is used to provide funding to cover liability claims, risk management and "all risks" cover for specified equipment in council establishments. On the basis of professional advice from the Council's insurance brokers, officers are of the view that all known insurance risks are provided for.

2. S117 provision - this is to provide for refunds due to clients who were wrongly charged for contributions for their care for S117 aftercare Mental Health services. The Authority ceased charging clients for their contributions in 1999 but refunds are due for periods prior to this. Clients due refunds are also entitled to interest and other sums and this has been included in the provision. A review of the provision required was undertaken in 2009/10 which has resulted in the provision being reduced.

3. The Council bought the leaseholds of certain properties during the 1950s and 1960s as part of slum clearances programme. The leases on these properties are now coming to an end. The long lease property compensation provision has been set up to cover costs to be incurred by the Council in respect of dilapidations to these properties.

4. During 2007/08 the Council received a number of contractual claims from two of its maintenance contractors, who primarily carry out housing responsive repairs work. The Council has reached agreement with both the contractors with the result that the only provision remaining at 31 March 2010 covers settlement costs to be paid in 2010/11.

5. Land charges - provision has been made following the Information Commissioner's decision that some information charged for under the property search legislation introduced in 2008 should have been provided free of charge

6. Redundancy - a provision has been set up to cover the redundancy costs to be incurred in 2011/12, where decisions to restructure services have resulted in notice of redundancy being given prior to 31 March 2011.

32. Revaluation Reserve

	General Fund 2010/11 £000	HRA 2010/11 £000	Total 2010/11 £000	Total 2009/10 as restated £000
Balance at 1 April	47,687	54,383	102,070	49,479
Revaluation Reserve depreciation	(519)	-	(519)	(941)
Revaluation gains / losses	7,046	11,027	18,073	53,687
Disposal of revalued fixed assets	-	-	-	(155)
Balance at 31 March	54,214	65,410	119,624	102,070

33. Capital Adjustment Account

	2010/11 £000	2009/10 as restated £000
Balance at 1 April	649,837	647,345
Revaluation Gains / Losses charged to CIES	(332,525)	6,696
Disposal of Fixed Assets	(16,763)	(7,228)
Minimum revenue provision	14,771	15,575
Depreciation	(26,129)	(24,832)
Capital Grants applied	48,146	30,902
Revaluation Reserve Depreciation	519	941
De-Minimus Capital Expenditure	(1,416)	(1,430)
Applied capital receipts	22,592	5,424
Direct revenue financing	4,891	3,135
Contribution from major repairs reserve	8,876	(8,316)
Revenue Expenditure Funded from Capital under Statute	(25,874)	(18,375)
Balance at 31 March	346,925	649,837

34. Financial Instruments Adjustment Account

	2011 £000	2010 £000	2009 £000
Balance at 1 April	3,522	4,484	5,578
Effective Interest Rate Adjustment	(19)	(18)	70
Amortisation of Loan premium	(834)	(944)	(1,164)
Balance at 31 March	2,669	3,522	4,484

35. Usable Capital Receipts

	2011 £000	2010 £000	2009 £000
Balance at 1 April	4,937	2,020	483
Received in year	24,277	9,146	5,910
HRA receipts paid to the pool	(27)	(805)	(862)
Applied during year	(22,592)	(5,424)	(3,511)
Balance at 31 March	6,595	4,937	2,020

36. Deferred Capital Receipts

	2011 £000	2010 £000	2009 £000
Mortgages	191	238	265
Dicken's Yard	10,000	-	-
Other General Fund	487	2,911	2,015
Other HRA	215	255	-
Balance at 31 March	10,893	3,404	2,280

37. Major Repairs Reserve

	2010/11 £000	2009/10 £000	2008/09 £000
Balance at 1 April	39,948	31,632	27,226
Transfers in	11,210	11,106	10,606
Transfers out	(20,086)	(2,790)	(6,200)
Balance at 31 March	31,072	39,948	31,632

38. General Fund

	2011 £000	2010 £000	2009 £000
Balance at 1 April	15,241	15,178	14,153
(Decrease) / Increase in General Fund Balance for the Year	70	63	1,025
Balance at 31 March	15,311	15,241	15,178

39. Transfers to and from Earmarked Reserves

General Fund:	Balance at 1 April 2009 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2010 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2011 £000
Building Schools for the Future	2,224	7	(1,006)	1,225	4	-	1,229
BSF Transport Infrastructure	-	-	-	-	175	-	175
Business Rates Liability	200	-	(200)	-	-	-	-
Business Risk Reserve	11,100	50	(415)	10,735	925	(1,584)	10,076
By-elections Reserve	100	-	-	100	-	-	100
Capitalisation Reserve	15	-	-	15	-	(15)	-
Capital Expenditure Financing Reserve	-	4,000	-	4,000	3,115	-	7,115
Compensation for loss of office Reserve	4,953	3,131	(2,407)	5,677	2,360	(1,234)	6,803
Children's Services Reserve	-	-	-	-	2,640	-	2,640
Ealing Civic Improvement Fund (ECIF)	6,850	-	(4,031)	2,819	435	(661)	2,593
Economic Incentive Reserve	7,000	-	(5,980)	1,020	-	-	1,020
Elections Reserve	336	238	-	574	195	(354)	415
Greenford Depot Reserve	-	-	-	-	250	-	250
Health & Safety Inspection Reserve	1,139	-	-	1,139	-	(70)	1,069
Housing Benefit Grant Reserve	1,000	-	-	1,000	-	-	1,000
Human Resources Reserve	3,000	-	(33)	2,967	2,282	(4,909)	340
ICT Reserve	150	3,000	(150)	3,000	-	(2,713)	287
Insurance Reserve	-	-	-	-	3,340	-	3,340
Invest to Save Reserve	477	513	(34)	956	250	(194)	1,012
LAA Performance Reward Grant	-	-	-	-	3,384	-	3,384
Line by Line Reserve	1,855	1,507	(1,855)	1,507	1,650	(1,507)	1,650
Local Authority Business Growth Incentive Grant	1,502	434	(1,502)	434	-	(434)	-
New Secondary School - Greenford Glaxo	-	2,601	(130)	2,471	359	-	2,830
Parking Places Reserve Account	-	-	-	-	845	-	845
Property Projects Reserve	3,000	-	-	3,000	-	(787)	2,213
Police Com. Support Officers Reserve	500	-	(500)	-	-	-	-
Property Dilapidation Reserve	907	-	(142)	765	32	(255)	542
Property Maintenance Reserve	97	-	-	97	-	(97)	-
Repairs & Renewals Reserve	1,195	-	(43)	1,152	-	(690)	462
Revenue Grants	3,581	630	(2,083)	2,128	501	(1,601)	1,028
Schools Central Exp. Reserve (DSG)	750	414	(880)	284	1,116	(285)	1,115
School Contributions Reserve	-	-	-	-	450	-	450
School Effectiveness Wind Down Costs	-	-	-	-	1,418	-	1,418
Specific Grant Reduction Reserve	-	-	-	-	1,500	-	1,500
Transport / Legal Reserve	656	-	(522)	134	-	-	134
Treasury Risk Reserve	3,343	-	-	3,343	-	-	3,343
VAT Reserve	-	250	-	250	227	-	477
Ward Forum Reserve	-	123	-	123	111	(123)	111
Sub-total Ear-marked Reserves	55,930	16,898	(21,913)	50,915	27,564	(17,513)	60,966
PFI and Schools Balances:							
Education PFI Reserve	13,009	8,733	(8,265)	13,477	2,385	(8)	15,854
Older Person's PFI Reserve	6,629	1,277	(4,152)	3,754	264	(200)	3,818
Street Lighting PFI Reserve	3,624	2,051	(1,983)	3,692	47	(612)	3,127
Individual Schools Budget Balances	17,226	-	(910)	16,316	758	(184)	16,890
Sub-total Other Reserves	40,488	12,061	(15,310)	37,239	3,454	(1,004)	39,689
Revenue Balances							
Lessees Central Heating Account	25	-	(25)	-			-
Education Balances	604	-	(604)	-			-
Control Accounts	347	-	(347)	-			-
Sub-total Revenue Balances	976	-	(976)	-	-	-	-
Total Reserves & Revenue Balances	**97,394**	**28,959**	**(38,199)**	**88,154**	**31,018**	**(18,517)**	**100,655**

39. Reserves and Other Revenue Balances (continued)

Reserves :

Contributions to revenue reserves have been made for expenditure planned or likely to arise in future accounting periods and where it is considered appropriate to provide some resources in advance.

The Lessees Central Heating Account, Education Balances and Control Accounts shown under Revenue Balances were reviewed during 2009/10 and deemed to actually represent creditor balances. These are therefore now included in the balance sheet within creditors, but opening balances are shown here as prior year figures were not restated.

39.1. Building Schools for the future reserve - to support the BSF programme and the client side Local Education Partnership team.

39.2. BSF Transport Infrastructure - Fund to cover the transport infrastructure costs associated with BSF projects as laid out in the planning conditions for Dormers Wells High School (£125k) and Cardinal Wiseman (£50k).

39.3. Business Risk Reserve - the Council faces a challenging financial climate in the medium term and this reserve has been established to provide a source of financial resources to protect the Council against issues arising from business risks.

39.4. By elections reserve - the reserve has been established to cover the unpredictable cost of Council by-elections, which may happen at any time in the political cycle.

39.5. The Capital Expenditure Financing reserve has been established to fund future capital projects.

39.6. The Compensation for Loss of Office Reserve has been set up to enable the cost of the capital contribution made to the Pension Fund in respect of early retirement and redundancy costs to be spread over five years by repayment from the employing department.

39.7. The Children's Services Reserve has been set up to fund the strategic budget setting process in 2011/12.

39.8. The Ealing Civic Improvement Fund has been set up as a fund primarily for improvements in the borough.

39.9. The Economic Incentive Reserve was set up to provide resources for the Council to respond to the rapidly changing economic conditions.

39.10. Elections reserve - the Council faces the cost of full Council elections every four years. The Elections reserve has been established to spread the cost over the entire period of the Council. Funds are added annually.

39.11. Greenford Depot Reserve has been established to cover building works at Greenford Depot

39.12. The Health and Safety inspection reserve has been set up to fund the Council's Health & Safety developments.

39.13. The Housing Benefit Grant Reserve has been setup to cover a possible reclaim of housing benefit subsidy.

39.14. Human Resources reserve - this has been set up to assist in the management of the Council's obligations towards Human Reources issues

39.15. The ICT Reserve has been set up in order to fund the implementation of the new ICT strategy

39.16. Invest to Save reserve: A reserve established to fund schemes, largely capital, (but not exclusively capital), outside of the usual budget process to drive innovation in service delivery which deliver cash savings. This reserve will be replenished from the cash savings in order to be self sustaining.

39.17. LAA performance reward grant, covering prior years' activity, was received in 2010/11. The reserve created from this will be used to further fund the objectives of the LAA and a proportion of the performance grant will be paid out to lead agencies, although decisions around this will be taken during 2011/12.

39.18. The Line by Line reserve was created in 2008/09 as a result of a line by line review of service budgets which has been used for the 2009/10 budget. A further line by line review of service budgets was carried out in 2009/10 and 2010/11 and used for the 2010/11 and 2011/12 budgets.

39.19. Local Authority Business Growth Incentive - the LABGI scheme has been terminated since 09/10 and the balance on the LABGI fund was transferred to the Ealing Civic Improvement Fund for spend on improvements in the borough.

39.20. New Secondary School - Greenford Glaxo - A reserve has been established to support expansion of secondary school places through a new high school in the north of the Borough.

39.21. Parking Places Reserve Account - The surplus will be reinvested, as per Section 55 of the Road Traffic Regulation Act 1984 (as amended), in improvements in the delivery in on- and off-street parking services.

39.22. The Property Projects Reserve has been created to cover the costs of major capital projects in future years.

39.23. Property dilapidation reserve - this reserve has been established to provide resources for the renovation and renewal of the Council's property portfolio.

39.24. The Repairs and Renewals reserve is funding to meet repairs and replacement costs on the Council's fixed assets.

39. Earmarked Reserves (continued)

39.25. The revenue grants reserve has been set up to hold the balance of revenue grants that can be spent across more than one financial year, but will not have to be repaid. This was introduced following the change to International Financial Reporting Standards as these balances were previously held within the balance sheet as creditors.

39.26. Schools Central Expenditure Reserve (DSG) - this is the underspend on DSG funding allocated to the central expenditure element within the schools budget. The underspend must be carried forward to support the Schools Budget in future years.

39.27. School Contributions Reserve - contributions received from schools which are required to support the continuation of certain school schemes in 2011/12.

39.28. School Effectiveness Wind Down Costs - contribution from schools grants to fund the wind down costs of the School Improvement and Schools Partnerships services in 2011/12.

39.29. Specific Grant Reduction Reserve - The Specific Grant Reduction Reserve reserve was created in 2010/11 to help mitigate the funding reduction on specific grants rolled into formula grant and will be used to support the overall funding of the 2011/12 budget.

39.30. Transport/legal reserve - the reserve is established to meet the costs of legal challenges to any transport related projects that the Council undertakes.

39.31. Treasury Risk Reserve has been set up to protect the Council against any adverse variations in interest rate movement.

39.32. The VAT reserve has been set up to protect the Council against possible future VAT charges.

39.33. The Ward Forum reserve has been set up to fund a programme of Ward specific projects which are approved following resident and Counicllor consultation.

39.34. The private finance initiative (PFI) reserves have been set up to meet the difference between government revenue grant and actual costs for PFIs in future years.

39.35. The Individual Schools Budget Reserve has been set up to contain all the schools balances, (see note 41).

39.36 - The insurance reserve has been established as a fund to cover future insurance claims

40. Education Trust Funds

The Council administers nine education trust funds, established in most cases to provide prizes for pupils. The total capital value of the funds is £48,207 (2010: £48,207) with revenue balances of £12,125 (2010: £12,371).

41. Disclosure of Deployment of Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

		2010/11 Central Expenditure £000	2010/11 Individual School Budget £000	2010/11 Total £000	2009/10 Total £000
A	Final DSG for the year			216,936	203,273
B	Brought forward from previous year			284	749
C	Carry forward agreed in advance			(599)	-
D	Agreed budgeted distribution in year	28,479	188,142	216,621	204,022
E	Actual Central Expenditure	(27,963)		(27,963)	(25,191)
F	Actual ISB deployed to schools		(188,142)	(188,142)	(178,547)
G	Local Authority Contribution			-	-
H	**Carry Forward to 2010/11**	**516**	**-**	**516**	**284**

Notes

A DSG figure as issued by Department on 1 July 2010 & increased February 2011
B Figure brought forward from previous year as agreed with DfE
C Amount which the authority decided after consultation with the schools forum to carry forward to 2011/12
D Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum
E Actual amount of central expenditure items in 2010/11
F Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares).
G Contribution from the local authority in 2010/11
H Carry Forward to 2011/12

42. Retirement Benefits

42.1 Transactions relating to retirement benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

	2010/11 £000	2009/10 £000
Comprehensive Income & Expenditure Statement (CIES)		
Net Cost of Services:		
current service cost	23,853	12,320
past service costs:		
gain due to change in scheme benefits	(56,624)	-
costs due to early retirements etc during the period	(825)	39
effect of settlements or curtailments	58	2,149
Net Operating Expenditure:		
interest cost	52,092	48,022
expected return on assets in the scheme	(34,720)	(25,320)
Net Charge to CIES	**(16,166)**	**37,210**
Movement in Reserves Statement		
reversal of net charges made for retirement benefits in accordance with IAS 19	16,166	(37,210)
actuarial gains and losses	46,529	(85,004)
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	27,406	21,944

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Ealing Pension Fund by £56,624k and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund. As this is a material amount and of a one-off nature, this has been disclosed as an exceptional item in the CIES.

42.2 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	£000 2010/2011	£000 2009/2010	£000 2008/2009
1st April	(931,342)	(684,063)	(793,766)
Current service cost	(23,853)	(12,320)	(18,017)
Interest cost	(52,092)	(48,022)	(48,484)
Contributions by scheme participants	(8,666)	(7,602)	(8,672)
Actuarial gains and losses	25,873	(207,634)	163,478
Benefits paid	29,407	31,012	24,580
Curtailments	(58)	(2,149)	(425)
Past service (costs)/gain	57,449	(564)	(2,757)
31st March	(903,282)	(931,342)	(684,063)

Reconciliation of fair value of the scheme assets:

	£000 2010/2011	£000 2009/2010	£000 2008/2009
1st April	536,722	389,713	491,435
Expected rate of return	34,720	25,320	33,353
Actuarial gains and losses	20,656	122,630	(143,541)
Employer contributions	27,406	22,469	24,374
Contributions by scheme participants	8,666	7,602	8,672
Benefits paid	(29,407)	(31,012)	(24,580)
31st March	598,763	536,722	389,713

42. Retirement Benefits (continued)

42.3 Scheme History

	2010/2011 £000	2009/2010 as restated £000	2008/2009 as restated £000	2007/2008 as restated £000	2006/2007 as restated £000
Present Value of Liabilities	(903,282)	(931,342)	(684,063)	(793,766)	(721,058)
Fair Value of Assets	598,763	536,722	389,713	491,435	515,427
Surplus/(deficit) in the scheme:	(304,519)	(394,620)	(294,350)	(302,331)	(205,631)

42.4 Basis for estimating assets and liabilities

The principal assumptions used by the actuary have been:	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Bonds	5.1%	5.2%
Other	0.5%	0.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.5	21.2
- Women	24.2	24.1
Longevity at 65 for future pensioners:		
- Men	22.9	22.2
- Women	25.8	25.0
Rate of RPI inflation	3.4%	3.3%
Rate of CPI inflation	2.9%	2.8%
Rate of increase in salaries	4.65%	5.05%
Rate of increase in pensions	2.9%	3.3%
Rate for discounting scheme liabilities	5.5%	5.6%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011 %	31 March 2010 %
Equity investments	71.0	72.0
Bonds	26.0	27.0
Cash / Liquid Assets	3.0	1.0
	100.0	100.0

42.5 History of experience on gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/2011 %	2009/2010 %	2008/2009 %	2007/2008 %	2006/2007 %
Differences between the expected and actual return on assets	3.4	22.8	(36.8)	(12.5)	(0.3)
Experience gains and losses on liabilities	(2.9)	(22.4)	24.0	(2.2)	-

43.1. Pension Costs - Teachers

Teachers employed by the Council are members of the Teachers Pension Scheme administered by the Teachers Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members pensionable salaries.

In 2010/11 the Council paid £14.0M (2009/10 - £13.2M) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 14.1 % (2009/10 - 14.1%) of teachers pensionable pay for the year. At 31 March 2011 the pension contributions due to the scheme in respect of the March 2011 salaries were £1,250k.

Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employer's contribution rate to be paid by all local education authorities. However it is not possible for the Council to identify a share of the underlying assets and liabilities of the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers scheme.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2010/11 these amounted to £1.47M, (2009/10 - £1.19M) representing 1.48% (2009/10 – 1.26%) of pensionable pay.

44. Investments in associates

44.1. The Council, in partnership with certain other London Boroughs and Housing Associations is operating a joint lettings scheme for housing tenants. A company called Locata (Housing Services) Ltd has been set up for this purpose. The turnover in 2010/11 was £2,307K (£2,863K in 2009/10) and the net assets held were £412k (£437K in 2009/10).

The Council's contribution to Locata Ltd in 2010/11 was £46K (£89K in 2009/10). There were no other transactions or indebtedness between the Company and Council.

The Council is liable to contribute to debts and liabilities of the organisation if it was wound up, to the value of £10. The company's accounts have not been consolidated into the Council's accounts because the sums involved are not material to the Council's Accounts and it has limited influence on the company being one of 6 local authorities and a number of housing associations with voting rights.

A copy of Locata's accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ or on-line at www.companieshouse.gov.uk

44.2. The Council entered into a PFI agreement with Balfour Beatty Education in 2010/11 for the provision of a new school under the Building Schools for the Future (BSF) scheme. The special purpose vehicle (SPV) company set up for this contract, Future Ealing Limited is owned jointly by the Council and Balfour Beatty Education, with the Council having a 20% stake in the company. In addition to this, the Council has invested £600k into Future Ealing's working capital which is shown as a long term investment in these accounts.

As a new company, Future Ealing Limited have not yet produced a full set of accounts and as such there is nothing to consolidate into the Council's accounts at this time. Initial draft financial figures of the company indicate that the sums involved would not be material to the Council's Accounts and they are therefore unlikely to be consolidated into the Council's Group Accounts in the future, though this will be monitored going forward.

The assets and liabilities acquired under the PFI scheme will be recognised in the Council's single entity accounts in line with other PFI schemes and the Counci's accounting policies.

45. Financial Instruments Balances

Types of Financial Instruments

Accounting regulations require the "financial instruments" (the investments, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments" and trade creditors and debtors.

TABLE 1 – FINANCIAL INSTRUMENT BALANCES:

	Long-term			Current		
	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Financial liabilities at amortised cost	646,412	596,206	525,342	9,588	9,367	-
Trade Creditors	8,735	-	-	111,073	142,909	153,542
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Total financial liabilities	655,147	596,206	525,342	120,661	152,276	153,542
Loans and receivables	600	-	8,415	179,367	148,243	163,625
Loans and receivables - shown as cash equivalents	-	-	-	23,000	36,713	11,301
Trade Debtors	10,293	-	-	47,167	73,974	67,553
Available-for-sale financial assets	-	-	-	-	-	-
Fair value through Profit and Loss	-	-	-	-	-	-
Total financial assets	10,893	-	8,415	249,534	258,930	242,479

NOTES

1. Market loans (LOBOs) of £61m have been included in long term borrowing but have a call date in the next 12 months.

The above long term figures are based on the Code 2010 Guidance Notes which states that in undertaking EIR calculations the maturity period for a LOBO should usually be taken as being the contractual period to maturity unless there is a specific identifiable reason to determine otherwise.

46. Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	2010/11 Total £000s	Liabilities measured at amortised cost £000s	Loans and receivables £000s	2009/10 Total £000s
Interest expense	(31,684)		(31,684)	(28,420)	-	(28,420)
Interest payable and similar charges	**(31,684)**		**(31,684)**	(28,420)	-	(28,420)
Interest income		2,225	2,225	-	3,327	3,327
Interest and investment income	**-**	**2,225**	**2,225**	-	3,327	3,327
Amounts recycled to the I&E account after impairment		(77)	(77)		(1,525)	(1,525)
Surplus arising on revaluation of financial assets in other comprehansive Income and Expenditure	**-**	**(77)**	**(77)**	-	(1,525)	(1,525)
Net gain/(loss) for the year	**(31,684)**	**2,148**	**(29,536)**	(28,420)	1,802	(26,618)

The fair values are calculated as follows:

TABLE 3 - FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 2011		31 March 2010		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB - maturity	563,903	546,951	523,726	552,184	443,673	499,673
LOBOs	91,072	98,840	81,047	92,799	81,019	82,432
Other	1,025	1,025	800	800	650	650
Financial Liabilities	656,000	646,816	605,573	645,783	525,342	582,755

Fair value is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 2011		31 March 2010		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	202,967	203,070	184,956	185,002	183,341	184,305
Financial assets	202,967	203,070	184,956	185,002	183,341	184,305

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

47. Nature and extent of risks arising from financial instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Council in the annual treasury management strategy report. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk actively.

1. Credit risk

Credit risk is the possibility that other parties may not pay amounts due to the Council. This risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers.

The Council invests its cash balances on the basis of prudence first and returns second. As part of this prudent approach officers keep a daily watch on the Council's investments, drawing upon the advice of experts in the field. This includes subscribing to Sector Treasury Services's credit rating analysis of financial institutions.

Following the financial crises of 2008/09 treasury officers are still operating a restricted counterparty list (institutions to which the authority can lend) to ensure that any new investment exposure is to local authorities, UK banks rated at least AA- or who have the Bank of England support, or AAA money market funds investing in a more diversified range of financial instruments. Senior managers review the position on a weekly basis and Treasury officers and the Head of Financial Planning & Investments monitor the position daily and report on any market developments. In addition monthly Treasury Information Meetings are held with the Executive Director of Corporate Resources. The portfolio holder for finance is kept informed.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and with the exception of the impaired Icelandic loan, the Council expects full repayment on the due date of deposits placed with its counterparties.

TABLE 5 - CREDIT RISK (A)

	Amounts at 31 March 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated Maximum exposure to default and uncollectability £000	Estimated maximum exposure at 31 March 2011 £000
	A	B	C	(A x C)	
Deposits with banks and other financial institutions excluding impaired Icelandic deposits	89,400	-	-	-	-
Total	**89,400**	**-**	**-**	**-**	**-**

47. Nature and extent of risks arising from financial instruments (continued)

No credit limits were exceeded during the reporting period and the Council currently has one impaired investment with the Icelandic bank Glitnir.

ICELANDIC BANK DEFAULT

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 £2m deposited in one of these institutions, with the following maturity date and interest rate:

	Date invested	Maturity date	Amount invested £'000	Amortised Value £'000	Interest Rate %	Carrying amount £'000	Impairment £'000	Principal Default %
Glitnir	15/01/2008	15/01/2009	2,000	2,250	5.45	497	1,753	75%

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

Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposit, 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.

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 February 2009 and can be viewed on its website. Recovery is subject to the following uncertainties and risks:

· Confirmation that deposits enjoy preferential creditor status which is being tested through the Icelandic courts.

· 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.

In the light of these uncertainties the Council has decided to recognise an impairment based on it recovering the full amount of principal and interest up to 31 March 2011. 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 were estimated at 31% of its liabilities based on information supplied by the Local Government Association and CIPFA in December 2009. The Council has taken a prudent approach and impaired the investment on the basis that if preferential creditor status is not achieved the recoverable amount may be 31p in the £. The latest information based on Glitnir's 2009 accounts and advice from the LGA and CIPFA in May 2011 indicate that the assets of Glitnir may only be sufficient to meet 29% of its liabilities.

47. Nature and extent of risks arising from financial instruments (continued)

ACCOUNTING FOR IMPAIRMENT LOSSES

The total impairment loss (principal plus interest not received) recognised in the Comprehensive Income and Expenditure Statement in 2010/11, £76,703.49 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit 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 carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated, based on the statements made by the administrator, as follows:

Date	Glitnir Bank £
March 2011	
December 2011	147,323
December 2012	139,526
December 2013	115,624

Interest credited to the Comprehensive Income and Expenditure Statement in respect of the investments: is as

Bank	Credited 2007/08 £	Received 2007/08 £	Credited 2008/09 £	Received 2008/09 £	Credited 2009/10 £	Received 2009/10 £	Credited 2010/11 £	Received 2010/11 £
Glitnir Bank	22,995	-	109,000	-	100,740	-	17,614	-

Debtors

The past due amount can be analysed as follows:

TABLE 6 - CREDIT RISK (B)

Sums past due but are impaired

	31-Mar-11 £000 Customers	31-Mar-11 £000 Banks	31-Mar-11 £000 TOTAL	31-Mar-10 £000 Customers	31-Mar-10 £000 Banks	31-Mar-10 £000 TOTAL
Glitnir	-	1,754	1,754	-	1,677	1,677
Total	-	**1,754**	**1,754**	-	1,677	1,677

Collateral held by the Council in respect of the above sums which are past due but impaired

	31-Mar-11 £000 Customers	31-Mar-11 £000 Banks	31-Mar-11 £000 TOTAL	31-Mar-10 £000 Customers	31-Mar-10 £000 Banks	31-Mar-10 £000 TOTAL
Glitnir	-	-	-	-	-	-
Total	-	-	-	-	-	-

47. Nature and extent of risks arising from financial instruments (continued)

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result, there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. £40m of long-term borrowing was taken out in August with the PWLB and £10m of Market Loan to take advantage of low interest rates on offer. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

	31-Mar-11 £000	31-Mar-10 £000	31-Mar-09 £000
Loans Outstanding:			
Public Works Loans Board	555,646	515,646	436,646
Market debt	88,000	78,000	78,000
Temporary borrowing	-	-	-
Other	1,025	800	650
Total	**644,671**	**594,446**	**515,296**
Less than 1 year	-	-	-
Between 1 and 2 years	1,025	800	650
Between 2 and 5 years	44,750	25,750	7,750
More than 5 years	598,896	567,896	506,896
Total	**644,671**	**594,446**	**515,296**

In the more than 5 years category, there are £61m of market loans Lenders Option Borrowers Option (LOBOs) which have a call dates in the next 12 months, i.e. the lender has the option to call the loan.

The Council has a £2m exposure with Glitnir, one of the failed Icelandic banks handed over to the Icelandic Financial Supervisory Authority. The maturity date for this investment was the 15th January 2009 and as expected the funds were not returned. Officers are working closely with the LGA and other authorities in a similar position for speedy settlement. Initially the view was that Local Authorities would be entitled to preferential creditor status, and so a 100% recovery was likely. However, the Glitnir Bank Winding Up Board (WUB) have decided that LA deposits are general unsecured creditors and do not qualify for preferential status. This decision was successfully challenged in the Icelandic courts by the UK local authorities and the courts ruled in their favour. However, this ruling is currently being challenged in the Icelandic Supreme courts by other creditors. In the 2008/09 and 2009/10 financial years in accordance with the CIPFA guidance the Icelandic investment was impaired and £152k and £1,525k respectively were charged to the Comprehensive Income & expenditure statement. This year a further £77k has been charged for impairment based on a worst case scenario using a revised methodology from CIPFA. The Council has healthy cash balances and sufficient cashflow to deal with this matter.

47. Nature and extent of risks arising from financial instruments (continued)

3. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

* Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
* Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
* The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income and Expenditure Statement.

* The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. There is a £10m PWLB variable rate loan, and £61m Market Loans LOBO's with call dates that fall within the financial year 2011/12. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and so provide compensation for a proportion of any higher costs.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

47. Nature and extent of risks arising from financial instruments (continued)

TABLE 8 - INTEREST RATE RISK

	31-Mar-11 £000	31-Mar-10 £000
Increase in interest payable on variable rate borrowings	720	618
Decrease in interest receivable on variable rate investments	(2,403)	(2,843)
Decrease in government grant receivable for financing costs	(54)	(76)
Impact on Comprehensive Income and Expenditure Statement (CIES)	**(1,737)**	**(2,301)**
Share of overall impact debited to HRA	**(149)**	**(736)**
Decrease in fair value of 'available for sale' investment assets	-	-
Impact on Comprehensive Income and Expenditure Statement	**-**	**-**
Decrease in fair value of fixed rate borrowing liabilities (no impact on CIES)	(72,021)	(77,455)
Decrease in fair value of fixed rate investments (no impact on CIES)	-	(467)

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

4. Price Risk

The Council does not invest in equity shares, other than an investment of £39.60 in Future Ealing Limited (see note 44.2), and does not have any available for sale assets and thus has no exposure to price risk.

5. Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

48. Cash flow statement - operating activities (interest)

Operating activities within the cashflow statement include the following cash flows relating to interest:

	2010/11 £000	2009/10 £000
Interest Received	2,182	5,902
Interest Paid	(40,881)	(36,715)

49. Finance Leases - Lessor

The Authority has leased out 14 properties under finance leases with remaining terms of between 1 and 17 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

49. Finance Leases - Lessor (continued)

	31-Mar-11 £000	31-Mar-10 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	45	70
- non-current	657	702
Unearned finance income	298	344
Unguaranteed residual value of property	58	58
Gross investment in the lease	1,058	1,174

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31-Mar-11 £000	31-Mar-10 £000	31-Mar-11 £000	31-Mar-10 £000
Not later than one year	88	116	45	70
Later than one year and not later than five years	332	342	193	190
Later than five years	638	716	464	512
	1,058	1,174	702	772

The Council has not set aside any allowance for uncollectible amounts in respect of these leases as at 31 March 2011.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

50. Post Balance Sheet Events

50.1. Ealing Homes Limited

During 2010/11, the Council's Cabinet took a decision to end the management agreement with Ealing Homes Limited on 31 March 2011 and bring the delivery of housing management back in house. Ealing Homes Limited therefore ceased trading on 1st April 2011 and the Council took on its liabilities. The only significant liability identified is in relation to the pension provision for Ealing Homes' staff. The Ealing Homes accounts show a deficit in respect of pension provision of £17,412K as at 31 March 2011.

50.2. Academy Schools

In June 2010, central government invited schools across the country to become Academies, making them independent from Local Authorities. To date, one of Ealing's schools, Wood End Junior, has become an Academy from 1st May 2011. Drayton Manor High School has also had its application for Academy status approved and this will become effective from 1st August 2011. This will mean all assets and liabilities currently included in the Council's accounts in respect of these schools will be transferred to the Academies in 2011/12. The option is still available for other Ealing schools to apply for Academy status if they choose to do so.

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement records the transactions relating to the provision and maintenance of Council housing. The account has to be self-financing and there is a legal prohibition on subsidy to or from Council Tax.

	Notes	2010/11 £000	2009/10 £000
Expenditure			
Repairs and Maintenance		15,535	14,267
Supervision and management		22,569	22,302
Rent, rates, taxes and other charges		90	88
Depreciation and impairment of non-current assets	7	330,908	(7,930)
Debt Management Costs		31	28
Movement in the allowance for bad debts	3	542	258
Revenue expenditure funded from capital under statute	8	10,801	7,859
Total Expenditure		380,476	36,872
Income			
Dwelling rents		(54,557)	(57,168)
Non-dwelling rents		(996)	(1,169)
Charges for services and facilities		(4,782)	(4,886)
Contributions towards expenditure		(1,376)	(1,892)
Housing Revenue Account subsidy receivable (including MRA)	10	(4,929)	(1,058)
Total Income		(66,640)	(66,173)
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		313,836	(29,301)
HRA services' share of Corporate and Democratic Core		412	412
HRA share of other amounts included in the whole authority Cost of services but not allocated to specific services		89	282
Net Cost of HRA Services		314,337	(28,607)
(Gain)or loss on disposal of HRA fixed assets		6,570	2,222
Interest payable and similar charges		15,648	13,303
Interest and investment income		(434)	(664)
Pension Interest cost and expected return on pension assets		64	441
Capital grants and contributions receivable		(2,593)	(3,174)
(Surplus) or deficit for the year on HRA services		333,592	(16,479)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

Movement on the HRA Statement

	2010/11 £000	2009/10 £000
Balance on the HRA at the end of the previous year	6,936	3,705
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(333,592)	16,479
Adjustments between accounting basis and funding basis under statute	333,702	(12,700)
Net increase or decrease before transfers to or from reserves	110	3,779
Transfers to or from reserves	(60)	(548)
Increase or decrease in year on the HRA	50	3,231
Balance on the HRA at the end of the current year	6,986	6,936

Adjustments between accounting basis and funding basis under statute

	2010/11 £000	2009/10 £000
Charges for depreciation and impairment of non current assets		
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy	1,283	2,613
Revaluation losses on Property Plant and Equipment	318,415	(21,649)
Capital grants and contributions credited to the HRA Income and Expenditure Statement	(2,593)	(3,174)
Application of grants to capital financing transferred to the Capital Adjustment Account		
Revenue expenditure funded from capital under statute	10,801	7,859
Net gain or loss on sale of non-current assets	6,570	2,222
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(843)	(952)
Amount by which pension costs calculated in accordance with the Code are difference from the contributions due under the pension scheme regulations	153	723
Employer's pensions contributions and direct payments to pensioners payable in the year	(83)	(335)
Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	(7)
Total Adjustments	333,702	(12,700)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Stock Analysis

	2010/11	2009/10
Flats	10,047	10,151
Houses	2,862	2,868
Temporary Accomodation	114	169
Shared Ownership	7	7
Long Leases	19	19
	13,049	13,214

2 Stock Valuation at Net Book Value

	31 March 2011 £000	31 March 2010 £000
Operational Assets:		
Dwellings - vacant possession value	2,456,285	2,390,816
Less: reduction to reflect Social Housing use	(1,842,213)	(1,496,480)
Dwellings - equivalent Social Housing value	614,072	894,336
Garages	32,060	25,648
Other Land & Buildings	1,683	1,735
Total	647,815	921,719
Open Housing Management System	437	550
Non Operational Assets:		
Shops	4,765	4,734
Land	394	394
Other Buildings	1,488	1,396
Total	6,647	6,524
Assets Under Construction	6,010	368
TOTAL OPERATIONAL & NON OPERATIONAL	660,909	929,161

The vacant possession value of dwellings within the HRA as 31st March 2011 is £2,456M. The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

3 Rent & Service Charge Arrears and Provision for Bad or Doubtful Debts

a Rent Arrears

	2010/11 £000	2009/10 £000
Tenants:		
Dwellings	3,983	4,311
Temporary Accommodation (net)	676	904
Long Leases (net)	63	375
Total	4,722	5,590
Leaseholders:		
Service Charge - Capital	2,521	3,987
Service Charge - Revenue	209	570
Total	2,730	4,557

3 Rent & Service Charge Arrears and Provision for Bad or Doubtful Debts (continued)

b Provision for Bad or Doubtful Debts

	2010/11 £000	2009/10 £000
Tenants:		
Provision at 1 April	3,809	5,356
Adjustment to opening balances		(1,148)
Write-offs in year	(956)	(657)
Increase in provision	542	258
Provision at 31 March	3,395	3,809
Leaseholders		
Provision at 1 April	345	390
Write-offs in year	-	(45)
Increase in provision - Revenue contribution	-	-
Increase in provision - Capital contribution	-	-
Provision at 31 March	345	345

4. Major Repairs Reserve (MRR)

	2010/11 £000	2009/10 £000
Balance at 1 April	39,948	31,632
Depreciation charges for all dwellings	11,210	11,106
Capital projects funded from the MRR	(20,086)	(2,790)
Balance at 31 March	31,072	39,948

5 Capital expenditure and funding

	2010/11 £000	2009/10 £000
Dwellings	70,166	61,191
Other Properties	240	210
Total	70,406	61,401
<u>Funded by:</u>		
Borrowing	39,891	55,594
Capital Receipts	6	-
Major Repairs Reserve	20,086	2,790
Leaseholder's Income	2,300	2,549
Capital Grants	8,123	468
	70,406	61,401

6 Capital Receipts

	2010/11 £000	2009/10 £000
Land	328	2,417
Council Dwellings	1,273	1,106
Other Receipts	103	234
Total	1,704	3,757

Local authorities are required to contibute to the Housing Capital Receipt Pool a proportion of receipts generated from the disposal of HRA assests. In 2010/11 £27k (£805k in 2009/10) of receipts was paid into the pool.

7 Depreciation and Impairment Charge

	2010/11 £000	2009/10 £000
Depreciation Charges		
Operational Assets:		
Dwellings	11,568	12,971
Other Properties	720	716
Total	12,288	13,687
Non Operational Assets	205	33
TOTAL	12,493	13,720
Impairment Charges / Revaluation Losses		
Dwellings	318,415	10,260

This reflects losses on HRA dwellings arising from an accounting adjustment to the annual value. Further details are given in note 18.1 to the main financial statements.

8 Revenue Expenditure Funded from Capital under Statute

	2010/11 £000	2009/10 £000
Other Properties	10,801	7,859
	10,801	7,859

This represents expenditure that may be capitalised under statutory provisions but does not result in creation of tangible assets. It reflects major external capital works on properties not owned by the council, and grants to assist house purchases in the open market and written out in year.

9 Contribution to the Pensions Reserve

	2010/11 £000	2009/10 £000
Employer's Contribution to the Pension Fund	83	335
	83	335

10 HRA Subsidy

	2010/11 £000	2009/10 £000
Management and Maintenance	28,390	27,798
Charges for capital	19,277	17,035
Other reckonable expenditure	-	95
Adjustments	458	-
Notional Rents	(54,394)	(54,957)
Interest on receipts	(12)	(19)
Housing Element Subsidy	(6,281)	(10,048)
Major Repairs Allowance	11,210	11,106
Defective Housing Grants	-	-
Total HRA subsidy for the year	4,929	1,058

COLLECTION FUND ACCOUNT

These accounts represent the transactions of the Collection Fund which is a statutory fund established for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2011

	2010/11 £000	2009/10 £000
INCOME		
Income from Council Tax Payers (note 1)	132,743	132,939
Council Tax Benefits	31,972	30,189
Income collectable from business ratepayers	108,527	121,028
Income collectable in respect of Business Rate Supplement	4,268	-
Contributions:		
Towards previous years estimated Collection Fund deficit		12
	277,510	284,168
EXPENDITURE		
Precepts and Demands		
- Ealing Council	124,049	123,763
- Greater London Authority	36,260	36,173
Contribution towards previous year's estimated surplus		
- Ealing Council	3,018	
- GLA	882	
Impairment of debts/appeals		
- Write offs	1,559	1,822
- Allowance for impairment	355	334
Business Rates		
Payment to the national pool (note 3)	108,021	120,509
Cost of collection	506	519
Business Rate Supplements		
Payment to levying authority (GLA) (note 4)	4,243	-
Administrative costs	25	-
	278,918	283,120
Fund surplus brought forward	7,267	6,219
Surplus/(Deficit) for year	(1,408)	1,048
Fund surplus at 31 March	5,859	7,267
Analysis of Surplus :		
Ealing Council	4,534	5,624
Greater London Authority	1,325	1,643
	5,859	7,267

NOTES TO THE COLLECTION FUND ACCOUNT

1. Income from Council Tax

	2010/11 £000	2009/10 £000
Council Tax Income:- 120,252*£1,369.75	164,715	163,128
Less Council Tax Benefits	(31,972)	(30,189)
Due from Taxpayers	132,743	132,939

2. Council Tax

The Council Tax is a banded capital value based property tax with a 25% discount for single adult households. For the 2010/2011 estimate, 126,832 domestic properties provided a tax base equivalent to 119,301 band D properties after adjustments for discounts and exemptions.

Band		Estimated No. of properties after discounts & exemptions	Ratio	Equivalent No.of band D properties at 31 March 2011
A		2,404	6/9	1,603
B		10,573	7/9	8,223
C		26,113	8/9	23,212
D		37,691	9/9	37,691
E		19,750	11/9	24,139
F		8,641	13/9	12,481
G		6,175	15/9	10,292
H		830	18/9	1,660
Total		**112,177**		**119,301**
	Adjustment for actual collection rate			951
	Council Tax base for 2010/11			**120,252**

3. Income from NNDR

The Council collects non-domestic rates which are based on local rateable values multiplied by a national rate of 41.4 pence, 40.7 pence for business with a rateable value less than £25,500 (48.5 and 48.1 pence respectively in 2009/2010). The local rateable value at 31 March 2011 was £350M (£297M at 31 March 2010). The multiplier has reduced and the local rateable value has increased following the revaluation of the rating list from 1 April 2010. Nationally the impact is expected to be neutral but this has resulted in a reduction in NNDR income for Ealing Council. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government so there will be no impact on the finances of the Council as a result of this change. The calculation of the amount due to the pool is set out below :-

	2010/11 £000	2009/10 £000
Non-domestic charges raised	130,144	138,891
Add / (deduct) allowances and other adjustments:		
Transitional Relief	(1,505)	480
Empty and Void Relief	(7,893)	(8,398)
Charitable and Other Relief	(7,785)	(6,996)
Provision for uncollectable amounts	(4,152)	(2,292)
Cost of collection and interest	(788)	(846)
Deferred Instalments		(330)
Contribution to NNDR national pool	108,021	120,509

The amount due from Business Ratepayers and hence due to the pool includes £330K that is now payable in 2010/11 and 2011/12. This is due to the granting of a deferral under schedule 1B of the NDR (Collection and Enforcement) (Local Lists) Regulations 1989 as inserted by the Non-Domestic Rating (Deferred Payments) (England) Regulations 2009 (SI 1597).

4. Business Rate Supplements (BRS)

The GLA raised a levy under the Business Rates Supplements Act 2009 for the 2010/11 financial year to finance its contribution to the Crossrail project.

Group Accounts

The Code of Practice on LA accounting 2010 (the Code) requires Ealing Council to produce Group Accounts to include services offered to Council Tax Payers by organisations other than the Council itself but in which the Council has an interest. The Group Accounts for both Ealing Council and the Group comprise the following:

- Reconciliation of Ealing Council's surplus/deficit to the Group surplus/deficit
- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

Many councils now provide services through partner organisations which operate under the control of the authority, in these cases the financial statements of the Council does not fully present the complete picture of its activities and financial position. Group financial statements are therefore required to reflect the extent of services delivered by other legal entities for the Council.

The bodies included within the Group Accounts are Ealing Council and Ealing Homes Ltd, which is a subsidiary in which the Council controls 100% of the voting rights.

The prior year figures in these accounts have been restated due to changes in accounting policy arising from the introduction of the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.

Reconciliation of Ealing Council surplus/deficit for the year to the Group surplus/deficit

	2010/11 £000	2009/10 £000
(Surplus) / deficit as per Ealing Council's CIES for the year	247,545	5,339
Adjustment for transactions with other group entities	(14,143)	(14,812)
	233,402	(9,473)
Add: (surplus) or deficit arising from other entities in the Group Accounts	12,250	14,900
Group Accounts (Surplus) / Deficit for the Year	245,652	5,427

GROUP MOVEMENT IN RESERVES STATEMENT

	General fund balance £000	Earmarked reserves £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total usable reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short Term Accumulating Compensated Absences Account £000	Authority's Share of Reserves of Subsidiaries £000	Reserves of Group Entities £000	Pensions reserve £000	Total unusable reserves £000	Total Authority Reserves £000
Balance at 1 April 2009 (as restated)	**15,178**	**97,394**	**3,705**	**2,020**	**8,527**	**31,632**	**158,456**	**49,479**	**647,345**	**2,280**	**4,813**	**(4,484)**	**(4,945)**	**2,191**	**(17,183)**	**(294,350)**	**385,146**	**543,602**
Movement in reserves during 2009/10																		
Surplus or (deficit) on provision of services	(21,818)		1,579				(20,239)							14,900	(88)		14,812	(5,427)
Other Comprehensive Income and Expenditure		(976)					(976)	53,687							(7,481)	(85,004)	(38,798)	(39,774)
Total Comprehensive Income and Expenditure	(21,818)	(976)	1,579	-	-	-	(21,215)	53,687	-	-	-	-	-	14,900	(7,569)	(85,004)	(23,986)	(45,201)
Adjustments between Group Accounts and authority accounts			14,900				14,900							(15,124)	224		(14,900)	-
Adjustments between accounting basis & funding basis under regulations	13,069	-	(12,700)	2,917	146	8,316	11,748	(155)	1,551	1,124	811	962	(775)			(15,266)	(11,748)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(8,749)**	**(976)**	**3,779**	**2,917**	**146**	**8,316**	**5,433**	**53,532**	**1,551**	**1,124**	**811**	**962**	**(775)**	**(224)**	**(7,345)**	**(100,270)**	**(50,634)**	**(45,201)**
Transfers to/from Earmarked Reserves	**8,812**	**(8,264)**	**(548)**				**-**	**(941)**	**941**								-	-
Increase/(Decrease) in Year	**63**	**(9,240)**	**3,231**	**2,917**	**146**	**8,316**	**5,433**	**52,591**	**2,492**	**1,124**	**811**	**962**	**(775)**	**(224)**	**(7,345)**	**(100,270)**	**(50,634)**	**(45,201)**
Balance at 31 March 2010 carried forward (as restated)	**15,241**	**88,154**	**6,936**	**4,937**	**8,673**	**39,948**	**163,889**	**102,070**	**649,837**	**3,404**	**5,624**	**(3,522)**	**(5,720)**	**1,967**	**(24,528)**	**(394,620)**	**334,512**	**498,401**
Movement in reserves during 2010/11																		
Surplus or (deficit) on provision of services	86,047		(345,842)				(259,795)							12,250	1,892		14,142	(245,653)
Other Comprehensive Expenditure and Income							-	18,073							3,921	46,529	68,523	68,523
Total Comprehensive Expenditure and Income	86,047	-	(345,842)	-	-	-	(259,795)	18,073	-	-	-	-	-	12,250	5,813	46,529	82,665	(177,130)
Adjustments between Group Accounts and authority accounts			12,250				12,250							(12,047)	(203)		(12,250)	-
Adjustments between accounting basis & funding basis under regulations	(73,536)	-	333,702	1,658	(729)	(8,876)	252,219	-	(303,431)	7,489	(1,090)	853	388			43,572	(252,219)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**12,511**	**-**	**110**	**1,658**	**(729)**	**(8,876)**	**4,674**	**18,073**	**(303,431)**	**7,489**	**(1,090)**	**853**	**388**	**203**	**5,610**	**90,101**	**(181,804)**	**(177,130)**
Transfers to/from Earmarked Reserves	**(12,441)**	**12,501**	**(60)**				**-**	**(519)**	**519**								-	-
Increase/(Decrease) in Year	**70**	**12,501**	**50**	**1,658**	**(729)**	**(8,876)**	**4,674**	**17,554**	**(302,912)**	**7,489**	**(1,090)**	**853**	**388**	**203**	**5,610**	**90,101**	**(181,804)**	**(177,130)**
Balance at 31 March 2011 carried forward	**15,311**	**100,655**	**6,986**	**6,595**	**7,944**	**31,072**	**168,563**	**119,624**	**346,925**	**10,893**	**4,534**	**(2,669)**	**(5,332)**	**2,170**	**(18,918)**	**(304,519)**	**152,708**	**321,271**

Group Comprehensive Income and Expenditure Statement

	Gross Expenditure 2010/11 £000	Gross Income 2010/11 £000	Group Net 2010/11 £000	Group Net 20009/10 (as restated) £000
Adult Social Care	110,330	(30,494)	79,836	86,661
Central Services to the Public	63,439	(50,959)	12,480	21,333
Children's & Education Services	423,266	(340,635)	82,631	82,365
Cultural, environmental and planning services	75,796	(20,392)	55,404	50,447
Highways and transport services	51,262	(25,257)	26,005	18,414
Local authority housing (HRA)	59,387	(64,957)	(5,570)	(30,502)
Exceptional item - HRA revaluation loss	318,415	-	318,415	-
Other housing services	285,577	(263,467)	22,110	10,676
Corporate and Democratic Core	5,636	(535)	5,101	6,074
Non distributed Costs	2,070	(4,336)	(2,266)	4,697
Exceptional item - past service gain	(58,624)	-	(58,624)	-
Cost of Services	1,336,554	(801,032)	535,522	250,165
Levies			11,095	10,199
(Gain) or loss on disposal of non-current assets			(15,002)	(2,887)
Contribution (to)/ from Housing Act Advances Account			4	14
Contribution of Housing Capital Receipts to Government Pool			27	805
Other Operating Expenditure			(3,876)	8,131
Financing and investment income and expenditure				
Interest payable and similar charges			41,141	40,403
Interest and Investment Income			(2,170)	(3,730)
Pension interest costs & expected return on pension assets			18,554	22,702
Total financing and investment income and expenditure			57,525	59,375
Taxation and non-specific grant income				
Income from Collection Fund			(125,977)	(124,562)
General Government Grants			(91,347)	(72,237)
Distribution from non-domestic rate pool			(126,130)	(115,653)
Total Taxation and non-specific grant income			(343,454)	(312,452)
Taxation of Group Entities			(65)	208
Group (surplus)/deficit on provision of services			245,652	5,427
Other comprehensive income and expenditure				
(Surplus)/deficit arising on revaluation of non-current assets			(18,073)	(53,687)
Actuarial (gains)/losses on pension assets and liabilities			(50,450)	92,485
Other			-	976
Other comprehensive income and expenditure			(68,523)	39,774
Total comprehensive loss for the year			177,129	45,201

Group Balance Sheet as at 31 March 2011

	Ealing Council 2011 £000	Ealing Homes 2011 £000	Group 2011 £000	Group 2010 (as restated) £000	Group 2009 (as restated) £000
Property Plant and Equipment	1,281,719		1,281,719	1,532,662	1,384,843
Intangible Assets	855		855	-	-
Long term investments	600		600	-	8,415
Long term debtors	10,977		10,977	1,098	5,897
Long term assets	1,294,151	-	1,294,151	1,533,760	1,399,155
Long term assets					
Current assets					
Short term investments	179,367	-	179,367	145,586	163,625
Short term debtors	47,072	32	47,104	76,132	67,801
Cash and cash equivalents	37,524	20	37,544	50,774	37,352
	263,963	52	264,015	272,492	268,778
Current Liabilities					
Short term borrowing	(9,588)		(9,588)	(9,367)	-
Short term creditors	(112,685)	(1,558)	(114,243)	(145,236)	(157,298)
Short term provisions	(3,080)		(3,080)	(5,391)	(6,294)
	(125,353)	(1,558)	(126,911)	(159,994)	(163,592)
Long Term Liabilities					
Long term creditors	(114,263)		(114,263)	(112,089)	(108,487)
Long term provisions	(4,716)		(4,716)	(4,786)	(4,309)
Long term borrowing	(646,412)		(646,412)	(596,206)	(525,342)
Other long term liabilities	(304,519)	(17,412)	(321,931)	(417,200)	(309,162)
Capital grant receipt in advance	(22,662)		(22,662)	(17,576)	(13,439)
Total Long Term Liabilities	(1,092,572)	(17,412)	(1,109,984)	(1,147,857)	(960,739)
Net Assets	**340,189**	**(18,918)**	**321,271**	**498,401**	**543,602**
Usable Reserves	168,563		168,563	163,889	158,456
Unusable Reserves	171,626	(18,918)	152,708	334,512	385,146
Total Reserves	**340,189**	**(18,918)**	**321,271**	**498,401**	**543,602**

Group Cash Flow Statement

	Group 2010/11 £000	Group 2010/11 £000	Group 2009/10 (as restated) £000
Net surplus or deficit on provision of services		245,652	5,427
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation	(37,339)		(36,032)
Revaluation gains / (losses) charged to CIES	(332,525)		6,696
Movement in debtors	(18,875)		(12,143)
Movement in creditors	24,636		25,823
Pension liability	46,000		(13,954)
Movement in provisions	2,381		426
Adjustment for impairment losses on investments	(77)		(1,525)
Adjustments for effective interest rate	19		18
Carrying amount of non-current assets sold	(16,763)		(7,383)
Deferred capital receipts	10,000		1,150
		(322,543)	(36,924)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services	47,417		31,048
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21,766		9,120
		69,183	40,168
Net cash flows from operating activities		(7,708)	8,671
Investing activities:			
Purchase of property, plant and equipment, investment property and intangible assets	121,114		108,999
Purchase of short-term and long-term investments	1,647,632		10,400,397
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24,277)		(9,146)
Proceeds from short-term and long-term investments	(1,615,819)		(10,420,497)
Other receipts from investing activities	(52,503)		(35,185)
Net cash flow from investing activities		76,147	44,568
Financing activities:			
Cash receipts of short- and long-term borrowing	(50,817)		(85,759)
Council Tax and NNDR Adjustments	(7,601)		8,901
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,209		4,197
Repayments of short- and long-term borrowing	-		6,000
Net cash flow from financing activities		(55,209)	(66,661)
Net (increase)/decrease in cash and cash equivalent		13,230	(13,422)
Cash and cash equivalent at the beginning of the financial year		50,774	37,352
Cash and cash equivalent at the end of the financial year		37,544	50,774

Group Accounts Notes

1. Notes and Disclosures

The Group Accounts for Ealing Council include the interest in Ealing Homes Ltd., a company in which the Council controls 100% of the voting rights. Separate notes for the group accounts have only been presented where there are significant differences from the notes presented with the single entity statements.

2. Ealing Homes Ltd.

In September 2004 Ealing Homes Ltd. took over the management of the Council’s Housing Stock. In 2010/11 the turnover of Ealing Homes was £17.1M and net liabilities were valued at £16.6M including pension liabilities. The Council is liable to contribute to the debts of Ealing Homes if it was wound up to the value of £1. The principal role of Ealing Homes is the management of the Council’s housing stock including -

- The provision of housing management services including such functions as caretaking.
- The management of the tenants rent accounts
- The management of the housing repairs service.
- Management of the investment in renewal of the housing stock.
- The administration of Council House sales and leaseholder functions.

Ealing Council does not control the day to day management of Ealing Homes as it only has a minority of directors, and the principal of an Arms Length Management Organisation (ALMO) is that no one group has a majority, Ealing Homes directors being -

- 5 Council nominees
- 5 independents,
- 5 tenants, and
- 2 leaseholders.

However, Ealing Council is the only guarantor (shareholder) and therefore controls those matters such as approval of the accounts and appointment of auditors which require the agreement of the AGM.

The current Management Agreement with Ealing Council ended on 31 March 2011 and the management of the Council's houses was transferred back to the Council's direct control on 1 April 2011.

In light of this decsion, Ealing Homes' accounts were prepared on a breakup basis rather than as a going concern with the carrying value of assets recognised at their realisable value. The exception to this is fixed assets where the realisable value has been disclosed in their accounts as £51K. Ealing Homes' auditors have confirmed in their report that there was no material difference between the value of assets and liabilities shown on a going concern basis or on a breakup basis.

3. Debtors and Creditors

The intra-group transactions have been removed from sundry debtors and creditors in both the Council and Ealing Homes reports. All debtors and creditors were classed as sundry. The outstanding sundry debtors and creditors at 31st March for the Group were:

	Council 2010/11 £000	EH 2010/11 £000	Total 2010/11 £000	Total 2009/10 £000
Sundry Debtors	47,072	32	47,104	76,132
Sundry Creditors	(112,685)	(1,558)	(114,243)	(145,236)

4. Pension Fund Liabilities

The employees of Ealing Council and Ealing Homes are all eligible to join the local government pension scheme. Ealing Homes is a scheduled body within the pension fund administered by Ealing Council.

The cost of the pension benefits earned during the year are set out below :

	Council 2010/11 £000	EH 2010/11 £000	Total 2010/11 £000	Total 2009/10 £000
Pension Costs				
Current Service Cost	(23,853)	(1,260)	(25,113)	(13,069)
Past Service Gain / Cost	57,449	2,000	59,449	(39)
Settlements/Curtailments	(58)	-	(58)	(2,149)
Total Operating Gain/(Loss)	33,538	740	34,278	(15,257)
Pension Liability				
Fair Value of Assets	598,763	12,945	611,708	548,830
Present Value of Liabilities	(903,282)	(30,357)	(933,639)	(966,030)
Total Net Pension Liability	(304,519)	(17,412)	(321,931)	(417,200)

PENSION FUND

PENSION FUND ACCOUNTS

INTRODUCTION TO THE FUND, ACCOUNTING POLICIES AND PRINCIPLES

Introduction

1. The London Borough of Ealing Pension fund is part of the Local Government Pension Scheme (LGPS), which is a statutory, funded pension scheme. The LGPS benefits are defined and set out in law. There have been no significant changes to the LGPS scheme in the year 2010/11. However from 30 September 2010 to 2 October 2011 the rules on transferring previous LGPS rights have been relaxed to allow previous LGPS pension rights an employee currently held as a deferred benefit to be transferred and merged with their active benefits. This could lead to a substantial increase in transfers in/out within the financial the year 2011/12.

2. The objective of the London Borough of Ealing Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the Fund, as well as to show the results of the stewardship of management.

3. The Fund is operated under regulations made by the Department of Communities and Local Government under Section 7 of the Superannuation Act 1972.

4. Membership of the fund consists of contributing members, deferred members, pensioners, widows and dependants.

	31 March 2011	31 March 2010
Contributing members	6,379	6,691
Deferred members	6,248	5,959
Pensioners, widows and dependants	6,237	6,123

5. The Council is the administering authority of the scheme and has the major share of contributors and pensioners. There are now 17 contributing scheduled bodies and 7 admitted bodies. All of the bodies shown below contribute to the Fund.

Employers contributing to the Fund as at 31st March 2011 are:

Scheduled Bodies
Brentside High
Dormers Wells Infant
Dormers Wells Junior
Dormers Wells High
Dormers Wells Trust
Drayton Manor High
Ellen Wilkinson School for Girls
Ealing Homes (Until 31st March 2011)
Featherstone High
Greenford High
Northolt High
St Ann's
St Saviours
Thames Valley University (newly named University of West London)
West London Academy
Woodend Infant
Woodend Junior

Admitted Bodies
May Gurney
Viridian Housing (Formerly Servite)
MITIE PFI
Greenwich Leisure
Compass Group
NSL Parking (joined April 2010)
EC Harris (joined July 2010)

6. All investments are managed by external fund managers, Lazard Asset Management Ltd for UK Equities, RCM (UK) Ltd for Global Equities and Royal London Asset Management Ltd for Corporate Bonds.

Accounting Policies

7. The pension fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2010/11 issued by CIPFA (Chartered Institute of Public Finance and Accountancy). The accounting policies contained in the Code apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS19 Employee Benefits and IAS26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these statements. Where IAS26 is less detailed in its reporting requirements and this leads to lack of clarity then due to the hierarchy of standards recourse is to UK GAAP and thus the Pension SoRP (Statement of Recommended Practice). The fund accounts are not consolidated with the accounts of the authority.

8. Contributions from employees and employers, and other committed benefits and expenses are accounted for on an accruals basis.

9. Investment income is accounted for on an accruals basis for all securities.

10. Transfers to and from the fund are accounted for on a cash basis, in accordance with CIPFA's Code of Practice.

11. There has been a change in accounting policy in relation to income for early retirements where there is augmentation. In accordance with IAS26 all expected income is accounted for in the year it arises. Up until 2009/10 the collected costs accrued were accounted for on the receipt of income to the pension fund at the end of a 5 year collection period. The accounts have been restated for 2009/10 to account for the change in accounting policy due to the new standards i.e. to account for income in the year it occurs. The restatement amounted to an increase in the Funds Net Asset value for 2009/10 by £5,762k (£5,861k for 2008/09) shown in the Net asset statement under Other Debtors and Long Term Debtors. The revenue impact of the restatement revised the Other income in 2009/10 by -£99k.

12. Both the costs of the investment management arrangements and pension fund administration expenses are charged to the Fund.

Actuarial Valuation

13. The Fund is valued by an independent actuary every 3 years. An independent valuation was carried out by Mercer Limited as at 31 March 2007 to determine the contribution rate from 1 April 2008 to 31 March 2011. It showed an excess of liabilities over assets of £205M, representing a funding level of 73%.

14. Contributions to the Scheme by employers are set at rates determined by the Scheme's Actuary and approved by the London Borough of Ealing Pension Fund Panel. The contribution required from the Council and ex grant maintained schools was 19.6% of pensionable salary during 2010/11 (19.6% in 2009/10). Other Admitted and Scheduled bodies rates differed, reflecting different profiles of liabilities. The Council is meeting the fund's liabilities by a recovery plan that has been certified by the Actuary for the next three years.

15. The contribution rates were calculated using the projected unit actuarial method from the 2007 Actuarial Valuation and the main assumptions were as follows:

	For Past Service Liabilities	For Future Liabilities
Investment Return	6.40%	6.50%
Earnings Growth	4.85%	4.50%

Price Inflation	2.75%	2.75%

16. The most recent actuarial valuation was carried out as at 31 March 2010 to determine the contribution rates for the next three years. It showed an excess of liabilities over assets of £258M. This excess will be addressed by increases in employer's contributions as necessary over a 20-year recovery period. The Actuary used a "market value" basis for the valuation of the Fund at 31 March 2010. Assets amounted to £610M representing 70% of the Fund's accrued liabilities of £868M.

17. In accordance with IAS 26 the actuarial present value of promised retirement benefits are shown in the attached report by the Actuary in the Appendix.

Basis for Valuation

18. Investments are shown in the accounts at market value, which is determined as follows:

    18.1. All valuations for investments at 31 March 2011 and transactions during 2010/11 financial year are obtained from the accounting records of the Custodian Bank of New York Mellon (BNYM). This is the same principle as applied in the 2009/10 accounts.

    18.2. All UK investments are valued using an official vendor feed, usually International Data Corporation (IDC), but data from other vendors is used as appropriate in line with the Custodian BNYM Global Pricing Guidelines.

    18.3. Actively traded investments are valued on the basis of bid market prices where available or at fair value where these prices are not available.

    18.4. Unit trust and In-house funds are stated at the bid point of the latest prices quoted by their respective managers.

    18.5. Overseas investments are valued using official vendor feeds in accordance with BNYM's Global Pricing Guidelines and translated into sterling at the rate prevailing on 31st March 2011. IDC is usually used for foreign equities except US equities that are typically priced using Interactive Data Pricing and Reference Data Inc (IDSI).

    18.6. Dividends received from foreign investments during the year are accounted for in sterling at the foreign exchange rate prevailing on the day of receipt.

19. The Custodian BNYM completes a monthly reconciliation of its portfolio valuation to external fund manager at a line-by-line security level. The custodian works to the following tolerances

Nominal Value:	Zero tolerance
Market Value:	200 basis points at an individual line level
	20 basis points at a portfolio level
Accruals:	1,000 currency units per line

Statement of Investment Principles (SIP)

20. The Statement of Investment Principles for Ealing Pension Fund was reviewed as part of the annual report covering the 2009/10 Annual Accounts and approved by the Pension Fund Panel as Trustees of the Fund on 9 December 2010. The SIP is published on Ealing's web site and is available to any interested party.

PENSION FUND REVENUE ACCOUNT

Dealings with members, employers and others directly involved in the scheme	2010/11 £000	2009/10 as restated £000
INCOME		
Contributions: (note 11)		
From employers		
-normal	27,191	26,335
From members		
-normal	9,777	9,550
Transfers In:		
-individual transfers in from other schemes	5,089	6,552
Other Income (note 9)		
-other	309	2,250
	42,366	44,687
EXPENDITURE		
Benefits: (note 12 & 13)		
-pensions	25,562	24,747
-commutation of pensions & lump sum retirement benefits	4,203	7,237
-lump sum death benefits	759	544
Payment to and on account of leavers:		
-refunds of contributions	22	73
-individual transfers out to other schemes	9,253	4,878
Other Payments:		
Administrative expenses (note 8)	1,149	1,145
	40,948	38,624
Sub-total: Net additions from dealings with members	1,418	6,063
RETURNS ON INVESTMENTS		
Investment Income		
-income from fixed interest securities	10,088	9,341
-dividends from equities	11,075	11,070
-pooled funds (note 10)	227	-
-interest on cash deposits	32	17
Profit and losses on disposal of investments and changes in value of investments	20,844	148,259
Investment management expenses	(2,324)	(2,048)
Sub-total: Net returns on investments	39,942	166,639
Surplus / (Deficit) on the fund for the year	41,360	172,702
Net assets of the scheme at 1 April	616,147	443,445
Net assets of the scheme at 31 March	657,507	616,147

PENSION FUND NET ASSETS STATEMENT

	2011 £000	2010 (as restated) £000	2009 (as restated) £'000
INVESTMENT ASSETS			
Fixed Interest Securities			
UK Corporate Bonds	162,821	148,574	109,961
UK Government	964	1,025	
Other UK	10,748	11,816	130
Equities			
UK	228,127	215,130	166,565
North America	59,295	62,507	47,791
Europe	107,497	98,525	40,481
Japan	22,061	21,508	14,613
Pacific	18,166	14,134	7,813
Emerging Markets	17,492	18,445	19,618
Other	5,728	1,077	
Pooled Investment Vehicles			
Other managed funds	3,931	3,430	-
Cash			
Cash held by custodian (note 6)	992	1,044	10,268
Money market instrument (note 6)	6,131	3,963	
Other Short Term Investment Balances			
Debtors			
Interest due	3,794	3,588	
Dividends due	1,428	1,287	1,341
Recoverable tax on dividends	498	328	
Unsettled sales	-	1,280	921
Other Income receivable	5	-	
Total Investment Assets	649,678	607,661	419,502
INVESTMENT LIABILITIES			
Other Investment Balances			
Creditors			
Unsettled purchases	(1,175)	(1,422)	(954)
NET INVESTMENTS (Under External Management)	648,503	606,239	418,548
LONG-TERM FINANCIAL ASSETS			
Long Term Debtors (note 7)	938	1,690	1,340
Total Long-term Financial assets	938	1,690	1,340
CURRENT ASSETS			
Contributions due from employers	525	392	387
Payments in advance	1	1	1
Cash balances not forming part of investment assets	7,318	4,458	19,314
Other Debtors	862	4,072	4,521
Total Current Assets	8,706	8,923	24,223
CURRENT LIABILITIES			
Unpaid benefits	(18)	(72)	0
Accrued expenses	(622)	(633)	(666)
Total Current Liabilities	(640)	(705)	(666)
TOTAL NET ASSETS	657,507	616,147	443,445

RECONCILIATION OF OPENING NET ASSETS TO CLOSING NET ASSETS

	Net Assets of Scheme 31/03/2010 £000	Purchases of Investments £000	Sales of Investments £000	Increase in fund during year £000	Cash Applied to Investment during year £000	Net Assets of Scheme 31/03/2011 £000
Lazard	224,237	128,222	(122,033)	14,048		244,474
RCM	206,940	57,090	(53,776)	3,638		213,892
RLAM	164,995	56,905	(46,625)	3,189		178,464
Cash held by Custodian	1,044			(40)	(12)	992
Money Market Instruments	3,962	116,660	(114,491)			6,131
Investment Income Due	5,203			21,429	(20,912)	5,720
Unsettled Sales	1,280				(1,280)	-
Other Investment Debtors	-				5	5
Unsettled Purchases	(1,422)				247	(1,175)
Net External Investments	**606,239**	**358,877**	**(336,925)**	**42,264**	**(21,952)**	**648,503**
Net Current Assets with LBE	9,908			(904)		9,004
Net Assets	**616,147**	**358,877**	**(336,925)**	**41,360**	**(21,952)**	**657,507**
				Note (i)	Note(ii)	

Increase in Fund during Year	**2010/11 £000**	**2009/10 £000**	
Change in Market Value of Investments	20,844	148,259	
Net Additions from dealings with Members	1,418	6,162	
Investment Management Expenses	(2,324)	(2,048)	
Investment Income	21,422	20,428	
Fund Manager Commission in Investment Management expenses		(4)	
Net Increase in Fund during the year	**41,360**	**172,797**	Note (i)

Change in Investments during 2010/2011	**2010/11 £000**	**2009/10 £000**	
Purchases for the Year	358,877	434,504	
Less Sales for the Year	(336,925)	(386,953)	
Net increase in Investments at book cost	**21,952**	**47,551**	
Funded By:			
Distribution of Cash Fund managers		19,000	
Investment Income received for re-investment during year	20,912	19,507	
Cash receipts applied to investment during year	1,040	9,040	
Fund Manager Commission in Investment Management expenses		4	
Net Investment in Fund	**21,952**	**47,551**	Note(ii)

NOTES TO THE ACCOUNTS

1. The Fund investment management arrangements were last reviewed in 2006/07. The Pension Fund Panel appointed RCM for Global Equities, Lazards for UK Equities and Royal London Asset Management (RLAM) for UK Corporate Bonds and the transition to the new arrangements was completed in April 2007. The three specialised managers have also been set out-performance targets of 2.0% pa for Lazard and RCM and 1.0% pa for RLAM against their selected benchmarks.

2. The Fund's investments as at 31st March 2011 continued to be managed by Lazard, RCM and RLAM, acting under the direction of the Pension Fund Panel. The Market Value of the investments managed by each fund manager at 31st March 2011 was £248M, £218M and £182M respectively based on the Custodian BNYM valuation. The asset classification by sector shown in the accounts for 2010/11 is provided by the Custodian, this is consistent with the figures in 2009/10.

3. The proportion of the externally managed assets held by the fund managers as at 31st March 2011 compared to the target allocation are:

	Proportion held	Target allocation
LAZARD	38%	42%
RCM	34%	33%
RLAM	28%	25%

4. Investment transactions for the Fund, excluding cash instruments, amounted to: sales £222M (2009/10 £272M) and purchases £242M (2009/10 £316M). Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs charged directly to the scheme include fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £961k (2009/10 £766k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

5. Securities which exceed 5% of an asset class or type of security are shown below. There are no securities which exceed 5% of net assets.

Rio Tinto Ordinary Shares	6.3% of UK Equities
BP Plc Ordinary Shares	6.3% of UK Equities
Vodafone Group Ordinary Shares	6.1% of UK Equities
HSBC Holdings Ordinary Shares	5.6% of UK Equities
Royal Dutch Shell 'B' Shares	6.4% of Global Equities
Royal London AM Bond Funds PLC Sterling Extra Yield	100% of Pooled Funds
RBS Global Treasury GBP FUND RBS VAR RT	100% of Cash Instruments

6. In addition to the sales and purchases of investments there was a further £6M (2009/10 £4M) net investment during the year in an overnight money market fund. The Custodian also held a further £1M (2009/10 £1M) in currency accounts at 31 March 2011.

7. Long term debtors relate to money due to be paid to the Pension fund, payable within 1 and 5 years in relation to Augmentation strain costs from Early retirements.

8. The audit cost for 2010/11 of £35,004 (2009/10 £38,500) has been included in the administration expenses.

9. Other income earned by the pension fund includes the costs from early retirements, class action claims, tax refunds and internal interest on cash balances held by the Council. There was no class action income earned in 2009/10. During 2010/11 there were 5 early retirements accounted for (50 in 2009/10).

	2010/2011	2009/2010
	£000	£000
Income in relation to Early retirement costs	228	1,875
Internal Interest	35	375
Income received on Class Actions	6	0
Tax refunds	40	0
Total Other Income	**309**	**2,250**

10. Prior to 2010/11 the Pension Fund combined investment income on Pooled investment vehicles with the Dividends from Equities. In accordance with the Code the council has separated these items in 2010/11 to ensure authorities disclose comparable information. The respective figure for Income on Pooled investment vehicles in 2009/10 was £353k (£227k 2010/11 as shown in the accounts)

11. The total contributions (employers and employees) from the administering authority and the admitted and scheduled bodies were £37M (2009/10 - £35.9M); of this, £7.3M (2009/10 - £7.4M) was from the admitted and scheduled bodies. This included £2.1M (2009/10 £2M) in contributions for the scheduled body Ealing Homes and a further £5.2M (2009/10 £5.4M) from other bodies.

12. London Borough of Ealing administered all benefits payable. The total value of pension benefits paid in 2010/11 was £25.6M (2009/10 £24.7M) of which £1.9M (2009/10 £1.8M) related to former employees of admitted and scheduled bodies.

13. Pension overpayment refunds on death for the year 2010/11 have been accounted for in Pension Benefits however this was not included in the comparable figure in 2009/10, where it was included in lump sum death benefits. This amounted to £6.6k in 2010/11 (£6k in 2009/10).

Additional Voluntary Contributions

14. The Fund provides an Additional Voluntary Contribution (AVC) scheme for its contributors, the assets of which are invested separately from the Fund, in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The scheme providers are Scottish Widows and Equitable Life, where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions. Funds are invested across a range of Funds. Payroll contributions received into the AVC facility during 2010/11 amounted to £71,962.19 (£48,378.10 in 2009/10 LBE employees only).

The latest available fund valuations are as follows:

	£000	£000
	2010	**2009**
Scottish Widows with Profits Fund (31 March 2011)	478	426
Equitable Life with Profits Fund	240	240
Equitable Life Unit Linked Fund	187	165
Equitable Deposit Account Fund	96	93
Total Value of Equitable Life Funds (28 October 2010)	523	498

IFRS 7 Nature and extent of risks arising from Financial Instruments

15. The Pension Fund activities expose it to a variety of financial risks:

Credit risk - the possibility that other parties might fail to pay amounts due to the Fund

Liquidity risk - the possibility that the Fund might not have funds available to meet its commitments to make payments, in particular pension benefits

Market risk - the possibility that financial loss might arise for the Fund as a result of changes in such measures as interest rates and stock market movements

16. **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Funds customers.

This risk is minimised through the Statement of Investment Principles and the Funding Strategy Statement.

The Funds maximum exposure to credit risk in relation to its investments in banks or money market institutions (£7M cash held) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

For the financial year 2010/11 the Pension Fund cash balances held by the Council, were pooled with the councils cash and invested to a restricted interim counterparty list (institutions to which the authority can lend) to ensure that any new investment exposure is to Local Authorities, UK banks rated at least AA- or who have the Bank of England support, or AAA Money Market Funds investing in a more diversified range of financial instruments.

From 1 April 2011, the Pension fund cash will be managed separately from the council's in a separate bank account. Under the current strategy, the Pension fund will only invest in AAA Money Market Funds investing in a more diversified range of financial instruments.

Payments are received from admitted and scheduled bodies in regard the contributions of their members of the scheme. Based on experience of default and uncollectability over the last five financial years, the risk of default in the future is considered very low. Bond Agreements are in place for Admitted Bodies to ensure liabilities would be met in the event a contractor were to be dissolved, wound-up, liquidated or ceased to exist.

The Bond portfolio is managed closely with reference to credit ratings and duration management. The managers are only allowed to invest in investment grade bonds. The Council's Bond manager also invests in unrated bonds on which they carry out their own due diligence and award proprietary ratings to. The bond manager, has a comprehensive set of risk controls against which all portfolios are measured and monitored. Portfolio risk is evaluated using UBS Delta allowing them to Value At Risk (VAR). Portfolios are monitored on a live basis on a fund management system, 'ThinkFolio', where applicable mandate guidelines are built in.

17. **Liquidity Risk**

The Pension fund transactions are actioned through the Administering Authority Bank Account. The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Pension fund transaction will continue to be transacted through the Administering Authority Bank Account and the relevant balance will be transferred between the authority and the fund intermittently. The pension fund maintains cash balances in AAA Money Market Funds, which enables instant access to cash to meet expenditure liabilities as they fall due. The pension Fund is cash positive so there is a very low risk that the pension fund cash would be fully depleted. The Pension fund could draw money down from the Fund managers’ investment portfolios if expenditure exceeded income.

The scheme is mainly invested in highly marketable securities.

18. **Market Risk**

18.1. Actuarial Risk

The funding of defined benefits is by its nature uncertain. Funding of the LBEPF is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the LBEPF’s funding is the investment risk inherent in the predominantly equity-based strategy, so that actual asset out-performance of gilts between successive valuations could diverge significantly from the overall 1.4% per annum currently required on the basis of the 2010 valuation assumptions.

18.2. Price Risk

The Fund invests in equity shares; consequently it is exposed to losses arising from movements in the prices of shares. The Council is responsible for the investment return achieved on the Fund’s assets. The investment objective is to maximise investment returns over the long term within specified risk tolerances. Investment returns are defined as the overall rates of return (capital growth and income). The Pension Fund Panel has decided that, given the financial circumstances of the Fund, it can afford to take on some risk in the pursuit of incremental return particularly given the strong liquidity status of the fund i.e. being cash flow positive.

The Council seeks to diversify risk through having more than one investment management firm with different strategies and investment philosophies to manage the assets of the Fund. Currently, there are three investment managers, with an additional investment manager to be appointed in 2011 to manage a commercial property mandate. The investment policy is to appoint expert investment managers with clear performance benchmarks and to place maximum accountability for out performance against those benchmarks on the investment manager. Ealing has adopted an active specialist approach to investment management.

The individual managers' current activity and transactions are reported quarterly to the Pension Fund Panel who question and seek explanations from the investment consultant and investment managers (when asked to attend Panel meetings) on their activities and performance. The investment performance of the managers is calculated independently by the WM Company. Performance is monitored against the benchmark and a peer group universe of other local authorities.

The £458.3M shares are all classified as 'available for sale', meaning that all movements in price will impact on realised and unrealised gains and losses in market value of investments in the Fund Account as well as impacting on investment income. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £23M gain or loss being recognised in the Fund Account in 2010/11.

The Fund invests in UK Fixed Interest Corporate Bonds, which also exposes the Fund to losses arising from price movements and downgrading of bonds. Bonds in general are considered less risky than stocks, because Bonds carry the promise of their issuer to return the face value of the security to the holder at maturity. Most bonds also pay investors a fixed rate of interest income that is also backed by a promise from the issuer. Historically the bond market has been less vulnerable to price swings or volatility than the stock market, however the average returns from bond investments have also been historically lower, if more stable, than average stock market returns.

Where the bond manager is holding bonds that have been downgraded, and this bond is retained in the portfolio, the Investment manager must explain to the Pension Fund Panel the reasons for retention and update regularly. With downgraded bonds there is the risk that their value will sustain further significant falls, however the Investment manager may predict the reason for downgrade to be temporary based on their expert knowledge of the market.

18.3. Inflation Risk

The Fund is invested in a broad range of assets, which have a stake in the real economy and will generally be expected to perform relatively well in an inflationary environment. The decision to diversify into property will provide an additional inflation hedge for the fund as lease agreements tend to stipulate long term inflationary linked cash flows from rental income.

18.4. Foreign Exchange risk

Investments in non-sterling securities are subject to extra risk in the form of exchange rate risk. The Fund does not hedge against currency risk as the foreign exchange rates can lead to gains as well as loses. The fund diversifies its risk with foreign exchange by investing in securities in multiple currencies.

Within the Global equities mandate the manager has been set a target allocation Mandate for each asset class, which the manager is assessed against in the performance figures. The mandate reduces the risk of the global manager investing in assets of one currency.

The allocations in the mandate are -

UK Equities	9.1%
Europe ex UK Equities	31.8%
North American Equities	31.8%
Japanese Equities	10.9%
Asia Pacific ex Japan Equities	9.1%
Emerging Markets Equities	7.3%

IAS 24 Related Party Transactions

19. The London Borough of Ealing is the administrator of the London Borough of Ealing Pension Fund. The Council charged the Pension Fund £687k for expenses incurred in administering the fund in 2010/11. The Council paid the Pension Fund £35k interest in respect of 2010/11 cash balances held in the Council's bank account. The total cash balances held by the Council at 31 March 2011 on behalf of the Pension Fund were £7.3M (£4.5M at 31 March 2010).

Members of the Pension Fund panel are required by law to declare certain interests when they become a Councillor and a full register is kept by the Head of Democratic Services and published on the Council's website. Councillor Langan was a member of the board of Ealing Homes during 2010/11, which is a scheduled body of the Pension Fund.

Councillor Potts, Councillor Young and Councillor Manro are all members of the Pension Fund. There were no other relevant declarations of interest by members of the Pension Fund panel.

All Council employees acting as officers of the Pension Fund were members of the Pension Fund during 2010/11.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

£477k was due in contributions from employers of admitted and scheduled bodies contributing to the fund at 31 March 2011

There are no known material transactions with related parties that are not already disclosed.

PENSION FUND APPENDIX – ACTUARIAL REPORT

LONDON BOROUGH OF EALING PENSION FUND

Accounts for the year ended 31 March 2011

Statement by Consulting Actuary

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the London Borough of Ealing Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 31 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £610 million represented 70% of the Funding Target of £868 million at the valuation date. The valuation also showed that a common rate of contribution of 12.1% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 9.6% of pensionable pay for 20 years. This would imply an average employer contribution rate of 21.7% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2011. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities	For future service liabilities
Rate of return on investments:		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases:	4.75% per annum	4.75% per annum

	For past service liabilities	For future service liabilities
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 is £916 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £822 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2011

APPENDIX 1: ANNUAL GOVERNANCE STATEMENT

Appendix 1

Annual Governance Statement 2010/11

1. Scope of responsibility

Ealing 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.

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.

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 can be obtained from the Council's Monitoring Officer.

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 No. 2) (England) Regulations 2009 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, culture and values for the direction and control of the authority 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 not fully achieving policies, aims and objectives and therefore provides a reasonable rather than 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 Ealing Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. The governance framework

Identifying and communicating the Councils vision and intended outcomes for citizens

3.1 Ealing Council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The new administration has announced its five priorities, which will form the basis of the Corporate Plan and Business Plans and provide focus for improvement:

- making the borough safer
- improving public services
- securing jobs and homes
- making the borough cleaner
- delivering value for money

Measuring service quality and ensuring best use of resources

3.2 The Policy and Performance Directorate drives delivery of the Corporate Plan, working closely with Directorates to spread best practice, track performance and strengthen performance of national and local targets. The Directorate also ensures that performance statements and other published information are accurate and reliable.

3.3 There is a respected active scrutiny function managed by the Overview and Scrutiny Committee (OSC).

3.4 The Improvement and Efficiency Team works with all directorates and other specialist areas such as Strategic Procurement and Finance to ensure the economical, effective and efficient use of resources. The Improvement and Efficiency Team reviews value for money and endeavors to secure continuous improvement in the way in which functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness. In recent years this has involved supporting delivery of the Value for Money program (reported to VFM Board and Corporate Board for action) and delivering targeted service improvement support (e.g. Parking Services).

3.5 Council projects are run in line with a project control framework that defines the mandated control processes needed. Within this framework, individual departments develop their own detailed processes that reflect their different needs, risk profile and working practices. The key governance control is that each project in the Council reports into a project board. Large projects have their own project board, but most large initiatives usually report to departmental level boards at Executive Director level. Smaller projects, report to Project Boards chaired in line with delegated authority levels.

3.6 The Council continues to implement an extensive efficiency/value for money programme to improve services and identify significant on-going savings in both the current and future years. This is achieved through financial management and budget proposal scrutiny, including on-going line-by-line analysis of individual budgets.

3.7 The Performance Monitor reviewed monthly at Corporate Board monitors performance, a copy is also distributed to Cabinet Members. Directorate, Divisional and Service unit business plans contain a variety of performance indicators and targets. A regular review is also done to ensure that systems, processes and controls are in place to ensure the efficient and effective delivery of high-quality services and to ensure that performance information is accurate and reliable.

3.8 Members play a regular role in performance management, providing challenge to officers. Portfolio holders have weekly meetings with Executive Directors and review finance and performance indicators each month. Scrutiny monitors performance through the regular review of performance information and make recommendations for the improvement of services.

Defining roles and responsibilities

3.9 The Constitution sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. The Constitution comprises eight parts which set out the basic rules governing the Council's business, as well as detailed procedures and codes of practice.

3.10 The Council's Constitution, which is regularly reviewed by the Monitoring Officer in consultation with the Constitutional Review Group, sets out the responsibilities of both members and officers. In particular the Council has identified the following five statutory posts:

- Head of Paid Service - Chief Executive
- Chief Financial (Section 151) Officer – Executive Director, Corporate Resources
- Monitoring Officer – Director of Legal and Democratic Services
- Director of Children's Services – Executive Director, Children and Adults
- Director of Adult Social Services – Executive Director, Children and Adults

3.11 The Council operates a Leader and Cabinet model of Local Government. Up to September 2008 there were seven area committees. In September 2008 the area committees were replaced by neighbourhood forums. These forums have informed governance arrangements designed to maximize public participation. Under the new arrangements, elected members lead 23 ward forums across the borough – each supported by an annual budget for local improvements. Each ward forum makes recommendations to Cabinet on how their "budget" should be spent. The final decision on spending choices is made by Cabinet.

Standards of behaviour and decision making

3.12 A Scheme of Delegation which sets out the powers delegated to officers, the Financial Regulations and Contract Procedure Rules form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are explained in reports for approval by full Council. The Constitution is supported by operational procedures manuals containing information on financial and business procedures and processes to be followed in all areas of the Council.

3.13 A Forward Plan is publicly available detailing all key decisions proposed to be made within the Authority. Cabinet and Committee reports that fail to address key areas within the Decision Making Toolkit are either amended or rejected and removed from the agenda as part of the approval process; this would include the failure to conduct full and proper consultation or benchmark services in terms of cost and quality (value for money). Minutes of all decisions taken are published on the internet, including the reason for the decision. Finance and Legal services officers, and the responsible service director, must approve all reports, which have significant financial or legal implications, before they are admitted to agendas. This rule is rigidly enforced.

3.14 The Council has a Regulatory Committee that oversees the regulatory functions of the Council such as those concerning elections and planning. In some cases, like planning and licensing, specific committees have been appointed to consider these matters in more detail.

Whistleblowing and complaints

3.15 The Standards Committee has nine members, four of whom are independent of the Council including the chair, in line with best practice and legislative requirements. The Committee reviews and oversees member development and the Council's Whistle Blowing Policy. The Committee also deals with matters of member conduct, including complaints. The committee submits an annual report on its work to full Council. The Council's standards arrangements will be reviewed, following the changes anticipated within the localism bill.

Training and Development

3.16 A full Member training and development programme is in place and there is a comprehensive induction programme for all councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory and all Councillors have now completed the training. The Council has adopted specific Codes of Conduct for councillors involved in planning or licensing decision-making and these councillors receive additional training in these areas as a precondition of their participation.

Communication and Consultation

3.17 Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service. A residents' survey is undertaken biannually. The last survey was undertaken in September 2010.

3.18 There is a corporate induction programme in place for staff and one for new managers, supplemented by various internal training courses, with information regarding current policies and procedures held on the intranet.

Partnerships

3.19 The Council contributes to the delivery of the Local Strategic Partnership's Community Strategy that sets out a vision for the borough of Ealing over the next 10 years. The Council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership's (LSP) Community Strategy. The Council is therefore better able to relate its own performance to the outcomes it seeks for the borough. This also facilitates greater alignment of priorities between the Council and other key partners and service delivery agencies, such as NHS Ealing and the Police.

3.20 The Council, with its partners in the LSP entered into a Local Area Agreement (LAA) with Central Government in April 2007. This LAA was updated annually. Until recently, these LAA indicators were intended to reflect LSP priorities, but were in the main determined by Central Government. To ensure the successful delivery of the LAA, quarterly monitoring reports were provided to the Partnership Board detailing LAA performance. The LAA was recently abolished by the coalition Government.

3.21 The Council clarified its definition of partnership as set out in its Constitution to ensure alignment to the Audit Commission's definition and to recognise operational realities. Work has been undertaken to identify and assess key partners and ensure that robust protocols are in place for partnership working. In conjunction with performance, legal and procurement a list of significant partners has been agreed. This list was reviewed and agreed by the Audit Commission. Evidence has been gathered to support good governance arrangements for these significant contractors. Assurance is gained through the Contracts Review Board and internal audit reviews.

Ensuring compliance with established policies, procedures, laws and regulations.

3.22 Equality and diversity is a key element of the Corporate Plan. The Council's Single Equality Scheme and action plan, which sets out how the Council will meet statutory obligations under a range of equality legislation was published in 2009. The Scheme is currently under review, following changes in central government policy and reporting requirements. The template for Business Plans (now aligned with the Councils budget setting process) was amended to incorporate an initial EIA screening for all planned activities; this has formed the basis of an "EIA forward plan" which Policy and Performance monitor over the course of the year. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management. The Corporate Board take quarterly updates on Equalities, to ensure delivery of the Scheme, and the Cabinet report process and proforma have been amended to ensure that Service Directors sign off on service-related EIAs before Cabinet pre-agenda, and that salient points from EIAs carried out on Cabinet reports are included in the body of the Cabinet reports. Proposals that impact on staffing/workforce are still signed off by an HR Equality specialist before submission to cabinet or action.

3.23 Until recently, the Comprehensive Area Assessment (CAA) aimed to provide an overall assessment of the Council, based on assessments of performance and use of resources. This has recently been abolished by the coalition Government. News of any replacement framework is awaited.

3.24 The Carbon Reduction Commitment (CRC) scheme was initially devised as a carbon dioxide emissions allowance purchase and trading scheme to compel organisations to reduce their carbon footprint and help meet UK targets of reducing greenhouse gas emissions by 2050 by at least 80% compared to the1990 baseline. As a consequence of the Spending Review, Government changed the scheme and now requires a payment for all carbon dioxide emissions from all stationary sources, including schools. No payments will be recycled back to organisations, and the money will now support public finances. On account of this change, from April 2012 the council's annual exposure is estimated to exceed £400,000 (at £12/tonne CO_2). This unit cost is likely to increase with time, with forecasts of £18/tonne CO_2 by 2016. Inaction will increase the annual exposure, which could rise to £600K or more. This cost combined with the increasing cost of energy illuminate the urgency for the council to reduce its energy consumption. In order to deal with actions specific to energy consumption and supply, the Sustainability Board created the Carbon Management subgroup. This group has been charged with navigating compliance with the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme (CRC) and developing projects that will reduce the council's exposure to the costs of the scheme.

3.25 All critical services have business continuity plans, all non critical services are being reviewed. A live Business Continuity exercise will be undertaken during Q2 2011 to test BC plans. A London wide emergency planning and Business Continuity exercise will be undertaken in March (Exercise Watermark). A flooding and emergency evacuation exercise with Local Authority, PCT, Acute Trusts, London Fire and other emergency partners was also undertaken. A process is in place to ensure that significant contractors and partners' business continuity plans are in place.

3.26 There is a quarterly review of the Council's emergency arrangements using the Audit Commission's Self Assessment Toolkit, in addition, after each emergency incident, the Council chairs a multi agency debrief to identify what worked well and what can be improved. The Minimum Standards for London Tranche 2 have also been adopted and implemented and been accessed via peer review. A borough wide risk assessment has been undertaken and there is a Community Risk Register that identifies the key risks for West London.

3.27 The Council has a Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. The financial management framework includes regular budget monitoring reports to Financial Strategy Group, Departmental Management Teams, Corporate Board and Cabinet.

3.28 The budgeting process requires departments to submit budgets that are aligned to the Council's objectives, and which are based on a required savings target. Through the year Cabinet Members receive a monthly Finance Monitor; this shows the position for each department and what is being done to address potential overspends. In addition a quarterly finance and budget update report is produced for Cabinet.

3.29 The Council's governor support service provides training, membership advice and guidance on key issues affecting schools and governors. All schools have the option to buy into the bursarial service.

3.30 Due to the devolved nature of schools finances there is close liaison between the Education Department and Internal Audit. The Financial Management System in Schools inspection regime has been abolished and the Council is now placing greater emphasis on risk based probity audits. The current cyclical approach to schools audits ensures each school is audited at least once every three years.

3.31 The Chief Financial Officer provides annual assurance that the systems and processes in schools are robust and that expenditure is appropriate.

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.

4.2 The Council's review of the effectiveness of its system of internal control is informed by:

- The review of Internal Audit by External Audit on the extent to which they place reliance on key financial systems work done by Internal Audit;
- A review of the effectiveness of its system of internal audit;
- Performance against targets;
- Letters of representation;
- Customer quality assurance questionnaires; and
- A review of the previous year's AGS.

4.3 The review of the effectiveness of the Council's governance framework is informed by the work of the Executive Directors who have responsibility for the development and maintenance of the governance framework, the Head of Audit and Investigation's annual report, comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Working Group (AGSWG) consider these sources of information and formulate the Annual Governance Statement.

4.4 The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the Annual Governance Statement and relevant supporting evidence. The AGSWG meets on a regular basis during the year to ensure compliance with the corporate timetable. The draft Annual Governance Statement is reviewed by the AGSWG to ensure early robust challenge. The AGSWG also undertook a review of the 2009/10 AGS, in particular the disposition of the significant governance issues identified.

4.5 The remit of the Audit Committee is to:

- provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and
- oversee the financial reporting process.

4.6 This remit was extended in April 2009 to include governance. In October 2009 in response to the new CIPFA statutory backed Treasury Management Code of practice the Audit Committee was assigned specific responsibility for scrutiny of the Council's treasury management function. The Audit Committee also reviews Internal Audit performance against targets and quality assurance results. Since its inauguration, the Committee has worked in tandem with the Ealing Council Audit Board ("the Audit Board"). The results are reported formally to the

Committee's meeting and to Council. The Committee is actively recruiting an independent member in line with best practice.

4.7 The Audit Board was established in 2005 and comprises of senior officers. The Audit Board meets throughout the year and seeks to strengthen the assurance framework of the Council. Internal Audit and Investigation provides progress reports on internal control and counter fraud to the Audit Board. Officers are also held to account by the Audit Board through the use of challenge sessions to focus on any areas of weakness or non-compliance. Following amendment of the ToRs for the Corporate Risk Management Forum, the TORs for the Audit Board were amended to include review of the effectiveness of the risk management framework and the profile of the Council's strategic risks.

4.8 All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. The Monitoring Officer and the Legal Services Team monitor compliance with, and awareness of, key laws and regulations. Executive Directors, Directors and Service Heads are responsible for monitoring implementation of the Council's policies.

4.9 One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of annual letters of representation by senior officers. LoR were sent to 20 senior officers.

- Executive Directors were asked to compile their letter after reviewing the letters of representation from their directors.
- Directors were asked to compile their letter after taking assurance from their direct reports.

4.10 The response rate was 100% and out of the dataset of 30 questions none of the questions received a failure rate of more than 10%.

4.11 Letters of Representation from Executive Directors and Directors, including the Monitoring Officer for the year ended 31 March 2011 stated that they are aware of their responsibilities and had complied with the Council's policies and procedures. In particular they stated that the internal controls for the area under their responsibility were sufficient to provide reasonable assurance of effective financial and operational control. They also stated that their review of the operation of the system of internal control confirmed that it had been working effectively and had been complied with in all material respects. The letter of representation process in no way absolved officers of their responsibility to continue addressing issues noted.

5. Significant governance issues

The governance issues set out below have been deemed significant enough to warrant inclusion in this Statement:

Issue	Actions	Officer Responsible	Timescale
1. Data Protection Breach The Information Commissioner's Office (ICO) served the Council with monetary penalties of £80k for serious breaches of the Data Protection Act after the loss of two unencrypted laptops containing sensitive personal information.	The Council contacted affected individuals and put in place significantly improved policies for information security. The Council also agreed to consider an audit by the ICO.	Director of Business Services Group	In place
2. Housing Management Plans which would have seen the management of the Council's houses put out to tender as three separate contracts, were aborted in May 2010. The Council's agreement with Ealing Homes ended in March 2011 and the management of the Council's houses was brought back under the Council's direct control.	An audit of the Council's project management methodology for the transition and implementation arrangements for Housing Management was undertaken. Recommendations were made to address the identified weaknesses. Audit Board and Audit Committee will keep the implementation status of recommendations under special review along with senior managers in the area. Officers will be called in to Audit Board and Audit Committee to provide explanations where implementation is not carried out within the agreed timescale.	Director of Housing	September 2011

Issue	Actions	Officer Responsible	Timescale
3. Local Land Charges During the Land Charges audit control processes were found to be generally weak. Non-compliance with basic control processes leaves the system open to error.	Recommendations were made to address the identified weaknesses. The implementation status of audit recommendations will be kept under special review by the Audit Board and Audit Committee along with senior managers in the area. Officers will be called in to Audit Board and Audit Committee to provide explanations where implementation is not carried out within the agreed timescale.	Director of Built Environment	September 2011
4. Insurance Services (Ealing Homes) Within Insurance Services provided to Ealing Homes weaknesses and non compliance were found in the system of internal controls which put the Council's objectives at risk.	Recommendations were made to address the weaknesses identified with the former Ealing Homes services and these were agreed with officers in the affected areas. The implementation status of all audit recommendations and in particular these recommendations will be monitored by the Audit Board and Audit Committee along with senior managers in the area. Officers will be called in to Audit Board and Audit Committee to provide explanations where implementation is not carried out within the agreed timescale.	Director of Finance (Regeneration & Housing)	September 2011

Issue	Actions	Officer Responsible	Timescale
5. Equality Impact Assessment (EIA) Development and Sign Off Weaknesses in the system of internal controls over publication, compliance monitoring and reporting of EIAs were identified which put the Council's objectives at risk.	Recommendations were made to address identified weaknesses and agreed with officers in the affected areas. The implementation status of all audit recommendations and in particular these recommendations will be monitored by the Audit Board and Audit Committee along with senior managers in the area. Officers will be called in to Audit Board and Audit Committee to provide explanations where implementation is not carried out within the agreed timescale.	Acting Director of Policy and Performance	September 2011
6. Pupil Places The Council has a statutory duty to secure sufficient school places. Projections for pupil places indicate that Ealing is facing a shortfall of between 34 and 40 forms of entry for primary pupil places by 2014 and 11 additional forms of entry in respect of high school places by 2015. Projections are that there will also be a shortfall of 4 extra classes in respect of special pupil places. This issue is also highlighted on the Councils Strategic Risk Register.	Regular ongoing monitoring and reporting is being undertaken by members, senior manager and directors on a fortnightly and monthly basis. The Council is investing £122m in developing new primary school places and is currently undertaking feasibility studies to assess the level of funding required to develop the required high school places further to the cancellation of the Building Schools for the Future programme.	Assistant Director: Schools Planning & RD	Ongoing to 2015

Issue	Actions	Officer Responsible	Timescale
7. Grants to voluntary organisations - funding cut A combination of national and local factors has significantly impacted the Council's ability to provide grant funding to the voluntary sector. There has been a significant reduction in the health and social care grant budget and the community grant budget.	The Council has focused on the following factors or principles: • Aiming, within budget constraints, to be proportional regarding the proposed level of savings from grant budgets compared with the level of savings proposed from Council services; • Developing, with regard to the public body equality duties, funding priorities and grants criteria that reflect the priority needs of the users of VCS services; • Preserving as much of VCS infrastructure as possible; • Mitigating impact and developing transitional arrangements.	Director of Property and Regeneration	In place
8. School Governance During 2010/11 the governance arrangements for a few schools was the subject of concern. Audits and investigations have been carried out at these schools specifically focused on the areas of concerns identified.	In order to help address these and also other emerging issues, officers provided updates to school governors via the Directors Report and attended the Schools Consultative Group. Officers also delivered presentations at the Administrators Forum and provide advice on: • Bank reconciliations • Migration to BACS/Bankline • Procurement – Conflicts of Interest, Leases etc. • Counter Fraud awareness	Assistant Director, Schools Service	In Place

Issue	Actions	Officer Responsible	Timescale
9. Budget Savings As part of the budget process leading up to Council tax setting in March 2011 savings of £55m over three years were identified. This equates to a 25% reduction in expenditure for all service departments. These savings will be monitored closely over the next three years to ensure delivery by the service departments.	Savings tracker monitored monthly at FSG. Quarterly budget monitoring reports for Cabinet. Review annually at the Star Chamber. Detailed implications of all savings proposals are investigated and considered at an early stage in the decision making process.	All EDG for Service delivery Monitoring reports and process DCF&A	Throughout next 3 years
10. Computer Server Failure In June 2010 a computer server failed causing significant business disruption. The failure was compounded by backups being unavailable. The records for the data and period in question were recovered.	An incident report was produced with relevant conclusions and recommendations. An audit of data back up arrangements was completed. An audit of server room management and maintenance was completed. The recommendations made will be followed up as part of agreed audit protocols.	Enterprise Architect. Head of systems improvement and development. Business partner	September 2011

Signed …………………..

Chief Executive – Ealing Council
Martin Smith

Date

Signed …………………………..

Leader of the Council
Julian Bell

Date