EALING COUNCIL

STATEMENT OF ACCOUNTS 2009/10

CONTENTS

Explanatory Foreword

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 2010 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 underspend against budget of £63k
- The general fund balance as at 31st March 2010 stands at £15.2m, matching the target figure 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 £10.7M for 2010/11 before the financial year had even begun.

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 second 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 enter a period of continued economic uncertainty and likely retrenchment of government grants.

Our continued focus on Council Tax collection in 2009/10 has yielded an in-year collection of 96.9%. This is the highest ever level of collection for Ealing. Cash management will continue to be a key focus in 2010/11 to drive further value for the residents of the borough.

The Council continues to focus its resources to deliver its priorities and will respond to the changes of priority that are required from the new administration that was elected in May 2010.

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. Additional borrowing will need to be funded from efficiencies in service budgets. This will be addressed in the upcoming budget process for 2011/12 onwards.

The Council's Pension Fund net assets increased by £173m during the year to a value of £610m: an increase of 39%. The net change on the Council's pension fund deficit (as calculated on the FRS17 basis) is an increase of £99.7M.

The Council's actuary carried out a formal actuarial review as at 31st March 2007, which calculated the assets to liabilities ratio at 73%. This was an improvement from a ratio of

68% at the previous actuarial review at 31 March 2004. The 2007 review recommended that the deficit be recovered over 17 years as from 1 April 2008. Like all other authorities Ealing will need to plan for and respond effectively to the upcoming triennial actuarial valuation in the current year where the impact of the economic downturn will be reflected.

The Housing Revenue Account (HRA) has a surplus of £6.9M at the end of the financial year. Following a difficult 2008/09 significant expenditure was undertaken on the Decent Homes programme in 2009/10. In 2009/10 Ealing Homes' accounts were prepared on a break-up 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 break up basis.

The council's Parking Places Reserve Account has continued to prove difficult to contain within planned budgets. Although making a contribution of £5M towards the cost of Concessionary fares, this was £2M less than budget. The significant concerns raised in previous years about the PPRA were borne out and the shortfall has had to be made good by underspends within other areas of the General Fund. Significant challenges remain for this account.

Ealing's formula grant from the government increased by only the minimum 1.75% to £142M remaining at the grant floor. It remains to be seen what will happen to this grant in the upcoming Comprehensive Spending Review.

These accounts see the writing down of 72% of the Council's £2M investment in the Icelandic Bank Glitnir. 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 2009/10 with the Councils borrowing costs at £39.3M showing a £2.4M underspend, 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 £79M. This will mature over several fixed periods of up to 40 years at fixed rates of interest to assure the funding of vital capital schemes in future years.

The Council approved in July 2009 the payment in December 2009 of a £50 value for money premium to each eligible Council tax payer in the borough, at a total cost of £5.5M.

In summary these accounts present an authority in sound financial health. However 2011/12 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 savings target of circa £50m for the next three 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.

Ian O'Donnell
Executive Director of Corporate Resources

1. The Statement of Accounts

1.1 The Council's statement of accounts has been produced under the CIPFA/LASAAC Code of Practice on Local Authority Accounting and complies with UK GAAP. The statement of accounts are set out on pages 2 to 85 and consist of the following:

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

1.3 **The Statement of Accounting Policies**, which explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. This includes changes in policy, the basis of charges to revenue and the calculation of balance sheet items.

1.4 **The Income and Expenditure Account** 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 (UK Generally Accepted Accounting Practice) that a large company would use in preparing its audited annual financial statements.

1.5 **The Statement of Movement on the General Fund Balance (SMGFB)** reconciles the outturn on the Income and Expenditure Account to the balance on the General Fund that is established by complying with the relevant statutory provisions. The SMGFB facilitates a full presentation of the financial performance of the council during the year and the actual spending power carried forward to future years.

1.6 **Statement of Total Recognised Gains and Losses (STRGL)** brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

1.7 **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.

The Authority transferred responsibility for the management of its Housing Stock to Ealing Homes Limited from September 2004, an arms length management company, wholly owned by the Authority. In 2009/10 the turnover of Ealing Homes Limited amounted to £17.7M (including internal recharges of £1.4M).

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.

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

1.9 **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.

1.10 **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.

1.11 **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.

1.12 **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.

1.13 **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').

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.

2.1.1 Revenue Funding

	£M
Rents and Other Income	244
Government Grants	546
Council Tax	125
NNDR (Business Rates)	116
Total	**1,031**

2.1.2 Revenue Expenditure

	£M
Running Expenses	646
Employees	346
Capital Financing Charges	39
Total	**1,031**

2.1.3 Services Provided

The Council's revenue spending was split over the following main services

	£M
Housing	332
Children's and Education	390
Adult Social Care	114
Corporate Services	76
Cultural and Environmental	74
Highways, Roads and Transport	39
VFM Premium	6
Total	**1,031**

2.1.4 2009/10 Budget and Actual Comparison

The main components of the General Fund budget (excluding the HRA) for 2009/10 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	266,099	266,036	(63)
Income from Government Grant and Local Taxpayers	(266,099)	(266,099)	-
Increase in General Fund Balance for the Year	**-**	**(63)**	**(63)**

2.2 Housing Revenue Account

The Housing Revenue Account has made a surplus of £3.2M for 2009/10, which is greater than the budget surplus of £0.2M by £3.0M. This increases the accumulated balances from £3.7M at 1 April 2009 to £6.9M at 31 March 2010.

2.3 Capital Expenditure

Capital expenditure for 2009/10 from the capital programmes was £139.2M. In addition to this there was £11.5M spent on the capital element of the Council's PFI schemes making £150.7M total capital expenditure. The capital expenditure by service and its financing is shown below:

	£M	%
Housing & Regeneration	72.7	49
Environment & Customer Services	40.8	27
Education	25.9	17
Corporate	4.7	3
Social Services	6.6	4
Total	**150.7**	**100**

Financed by:

	£M	%
Borrowing	96.9	64
Capital & Other Grants	30.9	21
Revenue Contributions	3.2	2
Major Repairs Reserve	2.8	2
Capital Receipts	5.4	3
Private Finance Initiative	11.5	8
Total	**150.7**	**100**

3. Collection Fund

The collection fund made a surplus of £1.05M for the year. This increased the cumulative surplus to £7.3M at 31 March 2010, of which £1.6M is due to the Greater London Authority.

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the council’s transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Revenue Transactions

Revenue Transactions have been recorded on an accruals basis. Therefore, provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2010.

Appropriate provision has been made for possible bad debts where required. The transactions are presented on the basis of the Best Value Accounting Code of Practice requirements with regard to the definition of total cost and service expenditure analysis.

3. Provisions

Provisions are required for any liabilities or losses that are likely or certain to be incurred but the amounts and the timing of these payments is uncertain.

4. Reserves

These are amounts set aside for purposes falling outside the definition of provisions. The revaluation reserve, usable capital receipts, capital adjustment account and financial instruments adjustment account are not available for revenue purposes.

5. Government Grants and Contributions

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to the government grants deferred account. Amounts are released from the government grants deferred account to offset depreciation charged to the Income and Expenditure account in respect of assets to which the grants relate.

6. Retirement Benefits

The Council participates in two pension schemes, which provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers:
This is an unfunded scheme administered by the Department for Children, Schools and Families (DCSF). The pension cost charged to the accounts is the contribution rate set by the DCSF on the basis of a notional fund.

Other employees:
Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Council's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions

paid to retired employees on an unfunded basis. The pension costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government regulations in force during the year.

Further details of the schemes can be found in notes 36 and 37 to the financial statements.

7. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

8. 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 2008. 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:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These items have been consolidated into the Central Services to the Public line on the face of the Income and Expenditure Account.

9. Tangible Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting. The asset values are shown on the following basis:

(i) Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value except for HRA housing which is valued at existing use value, adjusted by a Social Housing Factor

(ii) Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.

(iii) Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

(iv) Plant, equipment and vehicles are included in the balance sheet at historical cost, net of depreciation.

Revaluations of fixed assets take place at five yearly intervals, although material changes to asset valuations including reductions in value due to impairment will be included in the interim period, as they occur.

The Council undertakes a review of fixed assets each year. Where there is reason to believe the value of a particular asset has changed materially the valuation is adjusted accordingly. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where gains arise from the reversal of an impairment loss previously charged to a service revenue account, they will be credited to the Income and Expenditure Account.

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.

Where impairment is identified, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

10. Depreciation

All fixed assets are subject to depreciation charges, other than those specifically exempt, i.e. investment properties, non-depreciable land, non-HRA assets with a useful life of over fifty years and assets with an indeterminable useful life. Depreciation is calculated on the following bases:

Buildings – straight-line allocation over the life of the property as estimated by the valuer
Infrastructure – straight-line allocation over the life of the assets as advised by an appropriate officer
Vehicles, Plant and Equipment – straight-line allocation over the life of the asset as advised by an appropriate officer

Depreciation is initially charged in the year following that in which assets are brought into use and is also charged in the year of disposal. The charge is made based on values as at 1st April each year.

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.

11. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

REFCUS represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. REFCUS incurred during the year has been written off to the relevant service revenue account in the year.

Where the council has determined to meet the cost of REFCUS from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

12. Leases

Operating Leases

CIPFA recommends that SSAP 21 "Accounting for Leases and Hire Purchase Contracts" is not applicable to local authorities where the amount involved is not material. The capital value of material items acquired under operating leases is recorded in the notes to the Balance Sheet.

The amount of lease rentals paid during the year and an estimate of the undischarged leasing obligations is also shown on the note. Lease rentals are charged to the appropriate revenue accounts.

An asset held for use in operating leases when the Council acts as a lessor is recorded as a fixed asset and subject to depreciation if appropriate. Rental income is credited to the Income and Expenditure account under the normal accruals basis and the net book value of assets used in operating leases is disclosed in the notes to the Balance Sheet.

Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and

- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life.

Where the Council acts as a lessor, substantially all the risks and rewards relating to the leased property transfer to the lessee and the asset is not recognised in the Council’s balance sheet.

The amount due from the lessee under a finance lease is recorded in the Balance Sheet as a debtor at the amount of the net investment. The total gross earnings under the lease are allocated to accounting periods to give a constant periodic rate of return. These rental payments are apportioned between the principal receivable, which reduces the net amount owed by the lessee and is accounted for as a Usable Capital Receipt and a finance charge which is credited to the Income and Expenditure Account as the rental becomes payable.

13. Financial Instruments

Amortised Cost
Financial instruments (whether borrowing or investment) are valued on an amortised cost basis using the effective interest rate (EIR) method.

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

This authority has:

1. adopted CIPFA‘s Treasury Management in the Public Services: Code of Practice

2. set treasury management indicators to control key financial instrument risks in accordance with CIPFA’s Prudential Code

14. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase / settlement.

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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years.

The council has a policy of spreading the gain/loss over the term 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 Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

15. Financial Assets

Financial assets are classified into two types:

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

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

16. Interests in Companies and Other Entities

Ealing Homes is the only organisation that meets the criteria for inclusion in the group accounts. Consequently its accounts have been consolidated with those of the London Borough of Ealing in the group accounts that are presented within this document.

17. Private Finance Initiative (PFI)

PFI agreements typically involve a private sector entity constructing or enhancing property or other fixed assets used in providing a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

With effect from 1 April 2009, local authorities have had to adopt a major change of accounting policy in order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice and the move towards International Financial Reporting Standards. Previously, these fixed assets were not carried on the council's balance sheet and the unitary charge for providing the services was accounted for as it was incurred. Under the new requirements if either of two conditions apply, these assets must be recognised on the balance sheet and amounts payable to the PFI operators each year which were previously accounted for in the unitary revenue charge are further analysed into five elements.
The conditions are:

(a) the local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price.

(b) the local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the property at the end of the term of the arrangement.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as other fixed assets owned by the council.

The five elements the unitary charge is broken down into if the conditions apply are:

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator

- lifecycle replacement costs – written off to the Income and Expenditure Account as incurred

As this is a major change of accounting policy in 2009/10, the prior year comparators shown in this statement of accounts have been restated.

18. Capital Receipts

The disposal of fixed assets creates capital receipts. Under the Local Government Act 2003 the Council must pay 75% of capital receipts from the sale of Council Houses to the Department of Communities and Local Government (DCLG). The remaining amount can be used to finance new capital expenditure and is shown in the usable capital receipts balance. Deferred capital receipts represent sales of Council land and property where amounts are due to the Council in future years.

19. Redemption of Debt

Under legislative requirements the Council must ensure that there is a minimum revenue provision made from the General Fund in respect of non-HRA debt outstanding. For 2009/10 the Council decided to calculate MRP in line with the "asset life method" for new capital schemes financed by unsupported borrowing. This charge applies in the financial year following completion of the scheme. The estimated life of each asset will be assessed each year based on types of capital expenditure being incurred and the MRP calculated on the basis of equal annual instalments over the estimated life. Schemes completed before 1 April 2008 and those completed after this date but funded by supported borrowing continue to have a MRP calculated according to the regulatory method that applies 4% to the amount of outstanding debt for these schemes. The amount necessary to achieve this provision has been made from all Services, excluding the HRA, by a charge to the General Fund.

20. Foundation Schools

During the 1999/2000 financial year, following the enactment of the School Standards and Framework Act 1998, the nine Grant Maintained Schools within the Borough became Foundation Schools as defined under the Act and are now funded by the Council rather than the Department for Children, Schools and Families.

The income and expenditure account only includes the Council's expenditure on the formula allocations to the schools. Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation Schools and therefore values and amounts have not been consolidated in the balance sheet.

21. 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:

1. 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.

2. 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.

3. Up to 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be that which under regulation was required to be transferred from the Collection Fund to the General Fund in Ealing's role as billing authority.

4. From the year commencing 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund Adjustment Account and then included as a reconciling item in the Statement of Movement on the General Fund Balance.

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

- 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
- Cash collected from NNDR taxpayers by the Council (net of the cost of collection allowance) belongs to the Government 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.

The prior year balances have been restated because of this change in accounting policy.

22. Bad Debt Provision

Where the amount of debtors raised by the Council and recorded as income is unlikely to be recovered in full provision for the estimated losses that will be incurred has been included in the accounts.

Significant items have been considered on an individual basis. Other items of a more general nature have been considered based on the type of debt and the length of time it has been outstanding. The amount of each provision is based on previous experience of the recoveries achieved for each type of the associated debt and any current information available.

Statement of Responsibilities

1. The Authority's Responsibilities

The authority is required:

1.1 to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority I exercise that role as the Executive Director of Corporate Resources.

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

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 64 to 68. Ealing Homes Limited prepares and publishes separate accounts in respect of its activities and copies of these accounts are available from that organisation.

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 2010.

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 76 give a true and fair view of the financial position of the London Borough of Ealing as at 31 March 2010 and its income and expenditure for the year then ended, and that the accounts set out on pages 78 to 85 give a true and fair view of the net assets of the London Borough of Ealing Pension Fund as at 31 March 2010 and its income and expenditure for the year then ended.

Ian O'Donnell
Executive Director of Corporate Resources
28 September 2010

5. Certificate of the Chairman of the meeting

I confirm that these accounts were approved by the Audit Committee at its meeting held on 28 September 2010.

Councillor Mik Sabiers
Audit Committee Chairman
28 September 2010

Independent auditor's report to the Members of Ealing Council

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements and related notes of Ealing Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account the Collection Fund and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Ealing Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Executive Director of Corporate Resources and auditor

The Executive Director of Corporate Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

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

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

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and

Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund 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 Ealing Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Executive Director of Corporate Resources and auditor

The Executive Director of Corporate Resources' responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Basis of audit opinion

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

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

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Ealing Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I am required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of Ealing Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2010. As the authority has not yet prepared the Annual Report I have not yet been able to read the other information to be published with those financial statements and I have not issued my report on those financial statements. Until I have done so, I am unable to certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andrea White
District Auditor

Date 30 September 2010

Audit Commission
Millbank Tower
Millbank
London
SW1P 4HQ

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account presents the authority's accounts in line with UK Generally Accepted Accounting Practice. Certain elements of the accounts are, however, governed by statute and these require adjustments to be made in the Statement of Movement on General Fund Balance (SMGFB) so they do not impact on the Council Tax. The true financial position for the authority for 2009/10 is shown on the summary account of the SMGFB.

	2009/2010 Gross Expenditure £000	2009/2010 Income £000	2009/2010 Net Expenditure £000	2008/2009 Net Expenditure £000
Adult Social Care	113,977	(27,325)	86,652	84,755
Central Services to the Public	81,168	(51,006)	30,162	21,173
Children's and Education Services	390,486	(318,741)	71,745	114,282
Cultural, environmental, regulatory and planning services	74,029	(25,816)	48,213	54,922
Highways and transport services	38,820	(21,422)	17,398	13,444
Local authority housing (HRA)	65,485	(66,173)	(688)	92,131
Other housing services	266,980	(258,167)	8,813	6,545
Net Cost of Services	1,030,945	(768,650)	262,295	387,252
(Gain) or loss on disposal of fixed assets			(2,873)	928
Levies (note 8)			10,199	8,589
Contribution (to)/from Housing Act Advances (note 9)			14	9
Interest and Investment Income			(3,730)	(11,257)
Interest Payable and similar charges			39,321	38,308
Contribution of Housing Capital Receipts to Government Pool			805	862
Pension Interest Cost and expected return on pension assets			22,702	15,131
Net Operating Expenditure			328,733	439,822
Income from Council Tax			(124,562)	(123,819)
General Government Grants (note 4)			(41,189)	(32,020)
Distribution from non-domestic rate pool			(115,653)	(122,890)
Deficit for the year			**47,329**	**161,093**

Two prior period adjustments have been reflected in the comparative figures for 2008/09 due to the change in accounting policies in respect of Private Finance Initiative (PFI) transactions and accounting for income from Council Tax. This has increased the deficit on the Income and Expenditure Account by £2,788k, but does not impact on the General Fund balance as these adjustments are also reflected in the Statement of Movement on General Fund Balance (SMGFB) in line with CIPFA requirements.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The **Statement of Movement on the General Fund Balance** summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

		2009/2010 £000	2008/2009 £000
(Surplus) / Deficit for the year on the Income and Expenditure Account		47,329	161,093
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	**(Note A)**	(47,392)	(162,118)
Increase in General Fund Balance for the Year		**(63)**	**(1,025)**
General Fund Balance brought forward		(15,178)	(14,153)
General Fund Balance carried forward - available for new expenditure		**(15,241)**	**(15,178)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Statement of Total Recognised Gains and Losses (STRGL) brings together all the gains and losses of the council for the year 2009/10 and shows the aggregate increase in its net worth.

	2009/2010 £000	2008/2009 £000
Deficit for the year on the Income and Expenditure Account	47,329	161,093
(Surplus) / deficit arising on revaluation of fixed assets	(85,656)	23,786
Actuarial (gains)/losses on pension fund assets and liabilities.	85,004	(19,937)
Prior year adjustments	-	(3,090)
Reclassification of Revenue Balances	976	-
Other (gains) / losses	-	533
Total recognised (gains) / losses for the year	47,653	162,385

Two prior period adjustments have been reflected in the comparative figures for 2008/09 due to the change in accounting policies in respect of Private Finance Initiative (PFI) transactions and accounting for income from Council Tax. During 2009/10 £976k was reclassified from Revenue Balances to Creditors. As the prior year has not been restated, this shows as a decrease in net worth and is therefore shown as a loss in the STRGL.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Note A

Reconciling Items for the Statement of Movement on the General Fund

	2009/2010 £000	2008/2009 £000
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the movement on the GF balance for the year		
Depreciation and Impairment of fixed assets	(49,765)	(193,918)
Increase in Ealing's share of surplus on Collection Fund	811	1,723
Government Grants Deferred amortisation	18,573	9,211
De-minimus capital expenditure written off to revenue	(1,430)	(700)
Write down of revenue expenditure funded from capital under statute	(18,375)	(9,894)
Net gain / (loss) on sale of fixed assets	2,873	(928)
Net Charges made for retirement benefits in accordance with FRS 17	(37,210)	(34,180)
	(84,523)	(228,686)
Amounts not included in the Income & Expenditure Account but required by statute to be included when determining the movement on the GF balance for the year		
Amortisation of Loan Premium	944	1,166
Financial Instruments Adjustment	18	(70)
Statutory Provision for repayment of debt	15,575	13,835
Capital expenditure charged in-year to the General Fund	3,135	4,758
Transfer from usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(805)	(862)
Employer's Contribution payable to the pension fund	22,469	24,374
	41,336	43,201
Transfers to or from the GF balance that are required to be taken into account when determining the movement on the GF balance for the year		
HRA balance	3,231	2,168
Contribution to / (from) specific reserves	(7,436)	21,199
	(4,205)	23,367
Net amount to be credited to the General Fund balance for the year	**(47,392)**	**(162,118)**

BALANCE SHEET

BALANCE SHEET as at 31 March 2010	See Note	31 March 2010 £000	31 March 2010 £000	31 March 2009 £000
Tangible Fixed Assets - Operational	(11)	1,506,506		1,346,111
Tangible Fixed Assets - Non-Operational	(11)	26,337		38,496
Total Fixed Assets			1,532,843	1,384,607
Long Term Investments	(41)		-	8,415
Mortgagors	(17)		268	350
Other Long Term Debtors	(18)		830	5,547
Total Long Term Assets			1,533,941	1,398,919
Current Assets				
Short Term Investments	(41)	184,956		174,926
Debtors	(19)	74,872		69,322
Cash at Bank and in hand		13,901		25,654
			273,729	269,902
Current Liabilities				
Creditors	(20)	(155,246)		(163,108)
Capital Grants Unapplied	(24)	(17,345)		(18,790)
Short Term Loans	(41)	(9,367)		-
			(181,958)	(181,898)
Total Assets Less Current Liabilities			1,625,712	1,486,923
Long Term Loans	(41)		(596,206)	(525,342)
Long Term Liabilities	(23)		(105,561)	(101,631)
Government Grants-Deferred	(24)		(95,593)	(83,264)
Provisions	(25)		(10,177)	(10,603)
Pension scheme liability	(36)		(391,945)	(292,200)
Total Assets less Liabilities			426,230	473,883
Financing:				
Revaluation Reserve	(26)		134,436	49,409
Capital Adjustment Account	(27)		522,059	564,006
Financial Instruments Adjustment Account	(28)		(3,522)	(4,484)
Usable Capital Receipts	(29)		4,937	2,020
Deferred Capital Receipts	(30)		3,404	2,280
Pensions Reserve	(36)		(391,945)	(292,200)
Collection Fund Adjustment Account			5,624	4,813
Major Repairs Reserve	(31)		39,948	31,632
General Fund	(32)		15,241	15,178
Other Balances and Reserves	(33)		96,048	101,229
Total net worth			426,230	473,883

Two prior period adjustments have been reflected in the comparative figures for 2008/09 due to the change in accounting policies in respect of Private Finance Initiative (PFI) transactions and accounting for income from Council Tax. This has reduced the net worth on the Balance Sheet by £104.3M, but does not impact on the General Fund balance.

CASH FLOW STATEMENT

	2009/2010 £000	2009/2010 £000	2008/2009 £000
Net Cash Inflow from Revenue Activities		(68,384)	(88,139)
Servicing of Finance			
Interest paid	36,327		35,647
Interest element of finance lease rental payments	1		
Interest received	(5,516)	30,812	(10,806)
		(37,572)	(63,298)
Capital Activities			
Cash Outflows			
Purchase of fixed assets	114,295		79,068
Purchase of long term investments	-		3,500
Other Capital Cash payments	19,805		10,595
		134,100	93,163
Cash Inflows			
Sale of fixed assets	(9,146)		(5,799)
Capital grants received	(10,690)		(22,718)
		(19,836)	(28,517)
Net Cash Inflow before Financing		76,692	1,348
Management of Liquid Resources			
Net increase / (decrease) in short term deposits	5,300		(12,532)
NNDR paid to government and not yet collected	9,084		(5,087)
Cash collected on behalf of GLA	(183)		(996)
		14,201	
Financing			
Cash outflows			
Repayments of amounts borrowed	6,000		26,400
Capital element of finance lease rental payments	10		3,275
Cash inflows			
New loans raised	(79,150)		150
New short term loans	(6,000)	(79,140)	(26,400)
(Increase) / decrease in cash		11,753	(13,842)

Two prior period adjustments have been reflected in the comparative figures for 2008/09 due to the change in accounting policies in respect of Private Finance Initiative (PFI) transactions and accounting for income from Council Tax.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. 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 pay 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 11.

1.1 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 £4,619k in 2009/10 (£4,458k in 2008/09).

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 2009/10 was £8,413, (2008/09 £8,022k).

1.2 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 2009/10 was £11,274k (2008/09 £8,263k). 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, ensuring there is sustainable, good quality local care provision for the residents of Ealing. 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, Chesnut Lodge, opened on 28th July 2009 with a capacity of 64 beds.

1.3 Street Lighting PFI

The project involves the renewal and upgrading of street lighting across Ealing. Southern Electric Contracting Ltd have 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, 3,380 existing columns were removed and 3,667 columns were installed.

The value of the Unitary charge in 2009/10 was £3,163k (2008/09 £3,043k).

2. Trading Accounts

2.1 Off Street Car Parking - This is provided in competition with privately run car parks.
2.2 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 2009/10 £000	Income 2009/10 £000	Net Expenditure 2009/10 £000	Net Expenditure 2008/09 £000
Off Street Car Parking	864	1,908	(1,044)	(1,516)
Trade Refuse	693	1,371	(678)	(593)
	1,557	3,279	(1,722)	(2,109)

3. 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.

	2009/2010 Total Costs £000	2008/2009 Total Costs £000
Community Equipment	1,764	1,863
Total Cost	1,764	1,863
Funding :		
Ealing Council	1,067	911
Ealing Primary Care Trust	697	952
Total Funding	1,764	1,863

4. General Government Grants

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

	2009/2010 £000	2008/2009 £000
Revenue Support Grant	26,694	17,107
Local Authority Business Growth Incentive Grant	434	1,501
Area Based Grant	14,061	13,412
	41,189	32,020

These 2009/10 grants are not ringfenced and therefore there are no restrictions on their use by the Council.

5. Related Party Transactions

5.1 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.

5.2 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 £689,500 for expenses incurred in administering the fund. The Council paid the fund £215,878.55 interest in respect of cash balances held in the Council's bank account. This balance was £4,132,740.24 at 31 March 2010.

5.3 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 2010 and the Board has £800,000 (31 March 2009 £650,000) invested with the Council.
ii) A number of members and officers have made declarations of their interests in voluntary organisations 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 officer who left the Council during the year acted for part of that year as a non Executive Director sitting on the board of the Department of Culture, Media and Sport.
iv) One member is the Chairman of the Ealing Hospital NHS Trust. The Council paid £197K to the trust in 2009/10 (£151K in 2008/09).
v) One member is a non Executive Director of the West London Mental Health Trust. The Council paid £2.7M to the trust in 2009/10 (£1.6M in 2008/09).

5.4 The Council has 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 Council provides accomodation, I.T., HR and other services to Ealing Homes. The balance owed to the Council in respect of these services was £1.5M at 31/03/10 (£1.3M at 31/03/09). Ealing Homes had £2.7M placed on deposit with Ealing Council at 31/03/10 (£3.3M at 31/03/09).
During 2009/2010 the following Councillors were Directors of Ealing Homes Limited:

- Councillors Yerolemou, Pagan, Popham, Reeves, and Gallagher until May 2009
- Councillors Larmouth, Pagan, Popham, Reeves, and Gallagher from June 2009

5.5 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 £1.764M in 2009/10. One Ealing Member is also an associate director of Ealing PCT.

5.6 All Officers and Councillors submitted their returns.

6. Value for Money Premium

During 2009/10 the Council gave £50 cashback to each eligible household within the Borough. This is shown within Central Services to the Public in the Income and Expenditure Account. These payments were funded from Reserves with the transfer from the Economic Incentive Reserve being included in the Statement of Movement on the General Fund Balance.

7. Audit Costs

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

	2009/2010 £000	2008/2009 £000
Fees payable to the Audit Commission appointed auditor with regard to external audit services carried out by the appointed auditor	387	376
Fees payable to the Audit Commission in respect of statutory inspection	20	27
Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns	153	130
	560	533

8. Levies

	2009/2010 £000	2008/2009 £000
London Pension Fund Authority	603	486
Lee Valley Park	359	352
National Rivers Authority	234	233
West Waste Authority	8,717	7,313
Coroners Services	286	205
	10,199	8,589

9. 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.

	2009/2010 £000	2008/2009 £000
INCOME		
Interest charged to mortgagors	5	9
Fees and charges	20	16
	25	25
EXPENDITURE		
Interest on loans	5	7
Management expenses	34	27
	39	34
Contribution to / (from) General Fund	(14)	(9)

10. Employee Remuneration

10.1 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 2009/2010	Number of Employees 2008/2009
£50,000 - £54,999	250	201
£55,000 - £59,999	112	87
£60,000 - £64,999	73	62
£65,000 - £69,999	63	46
£70,000 - £74,999	42	36
£75,000 - £79,999	24	9
£80,000 - £84,999	20	17
£85,000 - £89,999	5	6
£90,000 - £94,999	8	6
£95,000 - £99,999	6	11
£100,000 - £104,999	4	4
£105,000 - £109,999	1	3
£110,000 - £114,999	4	3
£115,000 - £119,999	3	-
£120,000 - £124,999	-	1
£125,000 - £129,999	2	1
£130,000 - £134,999	1	2
£135,000 - £139,999	1	-
£140,000 - £144,999	1	-
£145,000 - £149,999	-	-
£150,000 - £154,999	1	-
£155,000 - £159,999	-	1
£160,000 - £164,999	-	1
£165,000 - £169,999	-	-
£170,000 - £174,999	-	-
£175,000 - £179,999	-	-
£180,000 - £184,999	-	-
£185,000 - £189,999	-	-
£190,000 - £194,999	-	-
£195,000 - £199,999	-	-
£200,000 - £204,999	-	-
£205,000 - £209,999	-	-
£210,000 - £214,999	-	-
£215,000 - £219,999	-	-
£220,000 - £224,999	-	1

The 2008/09 figures have been restated as per the changes in the Accounts and Audit Regulations 2009 to show the number of employees whose remuneration is above £50,000 in bands of £5,000 instead of £10,000 and to include staff at schools who use an external payroll provider rather than the Council's payroll service.

A return for the 2008/09 financial year was not received from Cardinal Wiseman School's payroll provider, so their figures are excluded from the above table for that year.

10.2 Senior Employee 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 are the members of the Corporate Board. The below table shows the figures for 2009/10

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	A	58,636	-				58,636	-	58,636
Darra Singh - Chief Executive	B	111,751	29,429				141,180	22,482	163,662
Ian O'Donnell - Executive Director For Corporate Resources	C	111,693					111,693	21,725	133,418
Richard Ennis - Executive Director For Corporate Resources	D	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	E	See below							
		561,331	52,717	-	-	-	614,048	99,724	713,772

Notes

A - Martin Smith commenced employment as Chief Executive on 25th November 2009. The full year equivalent salary for this post is £167,532

B - Darra Singh left the council on 1st November 2009, the full year equivalent salary would have been £178,341

C - Ian O' Donnell commenced employment as Executive Director for Corporate Resources on 1st June 2009, the full year equivalent salary for this post is £133,011

D - Richard Ennis left the council on the 6th May 2009, the full year equivalent salary would have been £133,011

E - David Archibald is not a direct employee of the council. If the post had been filled by a council employee during 2009-10 the salary range would be £120,444-£133,011

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

10.2 Senior Employee Remuneration (cont) :-

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 are the members of the Corporate Board. The below table shows the comparative figures for 2008/09

2008/2009 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)
		£	£	£	£	£	£	£	£
Darra Singh - Chief Executive		189,331	34,816				224,147	37,109	261,256
Richard Ennis - Executive Director For Corporate Resources		135,571	25,967				161,538	26,070	187,608
Pat Hayes - Executive Director - Regeneration & Housing		133,011	23,371				156,382	26,070	182,452
Keith Townsend - Executive Director For Environment and Customer Services		133,011					133,011	26,070	159,081
David Archibald - Executive Director For Children and Adults	A	See below							-
		590,924	84,154	-	-	-	675,078	115,319	790,397

<u>Notes</u>

<u>A</u>- David Archibald is not a direct employee of the council. If the post had been filled by a council employee during 2008-09 the salary range would be £120,444 - £133,011

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

11. Fixed Assets

11.1 The movement in fixed assets during the year were:-

	Balance at 1 April 2009 £000	Additions £000	Disposals £000	Revaluation £000	Impairment £000	Re-classification £000	Depreciation £000	Balance at 31 March 2010 £000
Operational assets								
- Council dwellings	791,082	53,045	(5,899)	79,340	(10,260)		(12,971)	894,337
- Other land & buildings	356,473	11,834	(329)	6,578	(12,403)	38,904	(7,281)	393,776
- Other land & buildings (PFI)	72,204	4,374			(189)		(1,598)	74,791
- Vehicles, plant & Equipment	22,023	4,673			(36)		(7,497)	19,163
- Infrastructure assets	78,713	18,677					(5,513)	91,877
- Infrastructure Assets (PFI)	21,412	7,109					(439)	28,082
- Community assets	4,204	276						4,480
Non-operational assets								
- Surplus Assets	10,038	1,205	(388)	335	(3,390)	(90)	(83)	7,627
- Investment Assets	7,822	-	(782)	210	(20)	90		7,320
- Asset Under Construction	20,636	29,658				(38,904)		11,390
	1,384,607	130,851	(7,398)	86,463	(26,298)	-	(35,382)	1,532,843

Prior year adjustments have been made to the opening balances of fixed assets to reflect the change in accounting policy in respect of the assets acquired under PFI schemes.

11.2 Movements in PFI assets and liabilities

Assets:	Assets at 1st April 2009 £000	Movement In Year £000	Assets at 31st March 2010 £000
Ealing Schools' PFI - Ealing Schools' Partnership Ltd	11,881	(262)	11,619
Ealing Schools' PFI - Seafort Ealing Ltd	25,619	(526)	25,093
Resource Centre for Older People PFI - Ealing Care Alliance	19,584	3,375	22,959
Street Lighting PFI - EDF / Southern Electric	21,412	6,670	28,082
	78,496	9,257	87,753

Liabilities:	Liabilities 1st April 2009 £000	Movement In Year £000	Liabilities 31st March 2010 £000
Ealing Schools' PFI - Ealing Schools' Partnership Ltd	(25,429)	851	(24,578)
Ealing Schools' PFI - Seafort Ealing Ltd	(49,331)	1,090	(48,241)
Resource Centre for Older People PFI - Ealing Care Alliance	(21,583)	(3,881)	(25,464)
Street Lighting PFI - EDF / Southern Electric	(13,560)	(5,355)	(18,915)
	(109,903)	(7,295)	(117,198)

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

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

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

12. 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 2010. 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.

	2010/2011 £000	2011/2012 £000	2012/2013 £000	Total £000
Schools Services	10,479	938	-	11,417
Adult Services	1,400	-	-	1,400
Children's Services	365	-	-	365
Environment & Leisure	905	-	-	905
Customer Services	91	-	-	91
E&CS Executive Directorate	116	-	-	116
Corporate Resources	86	-	-	86
Housing (HRA)	17,778	-	-	17,778
Property & Regeneration	6,464	-	-	6,464
Built Environment	1,574	-	-	1,574
Total	39,258	938	-	40,196

13. The numbers of major fixed assets are:-

		2010	2009
Council Dwellings		13,214	13,303
HRA Garages		3,206	3,206
HRA Shops		76	84
HRA Offices		6	7
HRA Depots and Workshops		1	1
HRA Car Parks		1	1
Town Halls and Offices		5	5
Depots and Workshops		3	3
Off-Street Car Parks		18	18
Public Conveniences		13	13
Swimming Baths (including School Baths)		5	5
Sports Centres		1	-
Schools		64	64
Schools - Voluntary Aided		14	13
Libraries		12	12
Museums		1	1
Parks and Recreation Grounds		837ha	837ha
Cemeteries		5	5
Adult Social Care	- Residential Homes/Hostels	12	12
	- Day Centres	9	9
Childrens & Families	- Residential Homes/Hostels	2	2
	- Day Centres	2	2
	- Play Centres	4	4
Children's Centres		3	3
Youth Centres		4	5

14. Foundation Schools

Fixed 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.

15. Leases

An exercise was undertaken in 2009/10 to review leases across the council to ensure that they are fully captured and reflected in the accounts. This has meant some reclassification of the figures during the year and the restatement of the 2008/09 figures to reflect the correct accounting treatment.

15.1 Operating Leases

The Council uses various assets acquired under operating leases. The rental paid during the year amounted to £1,130K (2008/09 £1,164K). Undischarged obligations under operating leases at 31 March 2010 amounted to £7,218k (2009 £8,347K), a breakdown of the commitment in years is shown below.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total 2009/10 £000	Total 2008/2009 £000
Commitment to Expire:				
Within 1 year	965	7	972	996
Within 2 to 5 years	3,079	314	3,393	3,822
Over 5 years	2,853	-	2,853	3,530
Total	6,897	321	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 2009/10 from these leases was £172,000

The total gross book value of the assets which are used in these operating leases is £32.2M. However, for other land and buildings not all of each asset may necessarily be leased out.

15.2 Finance Leases

The Council acquired sports equipment under a finance lease during 2008/09. The rentals payable under this arrangement in 2009/10 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 Statement of Movement on the General Fund Balance).

The following values of assets are held under finance leases by the authority, accounted for as part of Tangible Fixed Assets:

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

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010, accounted for as part of long-term liabilities, are as follows:

	Vehicle, Plant and Equipment 2009-10 £000	Vehicle, Plant and Equipment 2008-09 £000
Commitment to Expire:		
Within 1 year	10	10
Within 2 to 5 years	25	34
Over 5 years	-	-
	35	44

Under the review of leases during 2009/10 14 lease arrangements were identified as finance leases where the Council is the lessor. The 2009/10 accounts reflects this treatment including the cumulative effect of the change in treatment dated back to the inception of each lease.

The aggregate rentals receivable from these leases in 2009/10 was £116k. The element of these rentals attributable to finance costs (£49K) has been credited to the income and expenditure account. The balance of the payment is accounted for as a usable capital receipt.

The net investment in finance leases where the Council is a lessor is £772K.

16. Fixed Asset Valuation

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.

Lambert Smith Hampton are the external contractors who inspected and revalued the council's property assets for 2009/10. All property assets are revalued as part of a five year rolling programme. Revaluations have taken place in 2009/10 comprising a mixed portfolio of operational and non-operational property including:
- schools
- leisure properties
- libraries
- other miscellaneous assets

The assets were revalued as at 31st March 2010.

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 FRS15 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 10).

17. Long Term Debtors: Mortgagors

These are debts secured by mortgage and due after one year

	31 March 2010 £000	31 March 2009 £000
Council House Sales	238	320
Housing Associations	30	30
	268	350

18. Long Term Debtors: Other

These are debtors which fall due after one year.

	31 March 2010 £000	31 March 2009 £000
Deferred Capital Receipt	-	2,015
PFI Prepayment	-	3,393
Finance Lease Income	702	-
Car Loans to Employees	80	80
Other	48	59
	830	5,547

19. Debtors

	31 March 2010 £000	31 March 2010 £000	31 March 2009 £000	31 March 2009 £000
Government Departments	24,622		23,786	
Other Public Authorities	14,111		13,168	
Payments in Advance	6,908		2,971	
Council Tax	15,120		15,675	
Rent Arrears (including Housing Benefit overpayments)	19,396		18,567	
Housing Association Grant Due	260		1,245	
Sundry Debtors	38,413		29,170	
		118,830		104,582
Less provision for bad and doubtful debts		(43,958)		(35,260)
		74,872		69,322

The debtors figures for 08/09 have been restated to take account of the new accounting requirements for PFI and the Collection Fund (Business Rates and Council Tax)

20. Creditors

	31 March 2010 £000	31 March 2009 £000
HM Revenue & Customs	5,277	5,158
Other Government Departments	19,195	29,239
Other Public Authorities	7,896	5,743
Receipts in Advance	27,731	25,491
Council Tax Payers	3,603	4,605
Ealing Pension Fund	4,458	19,314
Housing:		
Rents	1,641	3,436
Mortgages	-	939
Ealing Homes	2,657	3,266
Sundry Creditors	82,788	65,917
	155,246	163,108

The creditors figures for 08/09 have also been restated to take account of the new accounting requirements for PFI and the Collection Fund (Business Rates and Council Tax)

21. Analysis of Net Assets Employed

The table below details the funds and reserves (both revenue and capital) employed by the Council at 31st March

	2010 £000	2009 £000
General Fund	(226,248)	(113,946)
Housing Revenue Account	652,478	587,829
Balance at 31 March	426,230	473,883

22. Associated Companies

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 2009/10 was £2,863K (£1,010K in 2008/09) and the net assets held were £437k (£246K in 2008/09).

The Council's contribution to Locata Ltd in 2009/10 was £89K (£96K in 2008/09). 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

23. Long Term Liabilities

	Balance at 1 April 2009 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2010 £000
Hull-Grundy Bequest Fund	195	1	5	191
Northala Fields	208	31	107	132
Deposits	979	4	562	421
PFI Schemes	100,206	6,187	1,886	104,507
Education Balances	-	1,115	917	198
Other	43	130	61	112
Total	101,631	7,468	3,538	105,561

With effect from 1 April 2009, the major changes to the accounting requirements for PFI schemes mean that the fixed assets used are now recognised as assets in the balance sheet. There is a corresponding recognition of the amounts due to the scheme operators in future years as liabilities. The balances at 1 April 2009 in the above note have been restated to show this. There were also some reclassifications in year of existing liabilities.

24. Government Grants Deferred and Capital Grants Unapplied

Grants and contributions are received from a variety of sources to finance capital expenditure. These are initially credited to Capital Grants Unapplied and then once used, they are transferred to Government Grants Deferred. They are then amortised to the Income and Expenditure account over the life of the fixed assets that they have been used to finance.

	Balance at 1 April 2009 £000	Receipts In Year £000	Amortisation / Applied in year £000	Balance at 31 March 2010 £000
Capital Grants Applied	83,264	30,902	18,573	95,593
Capital Grants Unapplied	18,790	29,457	30,902	17,345

25. Provisions

	Balance at 1 April 2009 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2010 £000
Insurance Provision	7,393	4,134	3,107	8,420
Other Provisions	3,210	739	2,192	1,757
Total Provisions	10,603	4,873	5,299	10,177

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. A provision has been set up to meet the dilapidation costs at the Car Pound as required under the terms of the lease. With the new Parking Contractor having their own car storage facilities, the Car Pound is no longer required and will be vacated on 30 June 2010.

26. Revaluation Reserve

The Revaluation Reserve was created on 1 April 2007 with a zero opening balance. The closing position on the Reserve at 31 March 2010 therefore, only shows revaluation gains accumulated since 1 April 2007, with previous gains being incorporated into the Capital Adjustment Account.

	General Fund 2009/10 £000	HRA 2009/10 £000	Total 2009/10 £000	Total 2008/09 £000
Balance at 1 April	46,412	2,997	49,409	70,026
Revaluation Reserve depreciation	(475)	-	(475)	(215)
Revaluation gains	2,391	83,265	85,656	22,532
Impairments charged to Revaluation Reserve	-		-	(42,348)
Addition of previously unrecognised assets	-		-	325
Disposal of revalued fixed assets	(55)	(99)	(154)	(911)
Balance at 31 March	48,273	86,163	134,436	49,409

27. Capital Adjustment Account

The Capital Adjustment Account was established on 31 March 2007 from the amalgamation of the Fixed Asset Restatement Account and the Capital Financing Account. It includes revaluation gains up to 31 March 2007, the amounts set aside to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions. It does not provide additional resources for future financing of capital.

	2010 £000	2009 £000
Balance at 1 April	564,006	748,474
Impairment of Fixed Assets	(26,298)	(170,277)
Revaluation of Fixed Assets charged to I&E	808	45
Disposal of Fixed Assets (Net Book Value)	(7,398)	(7,991)
Disposal of Fixed Assets (Revalued Amount)	155	911
Minimum revenue provision	15,575	13,835
Depreciation	(24,275)	(23,686)
Revaluation Reserve Depreciation	475	215
Amortisation of government grants deferred	18,573	9,211
De-Minimus Capital Expenditure	(1,430)	(700)
Applied capital receipts	5,424	3,511
Loan Premium	-	-
Direct revenue financing	3,135	4,758
Contribution from major repairs reserve	(8,316)	(4,406)
Revenue Expenditure Funded from Capital under Statute	(18,375)	(9,894)
Balance at 31 March	522,059	564,006

28. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 on Financial Instruments were adopted into the SORP. The FIAA is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

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

29. Usable Capital Receipts

These are capital receipts from sales of assets which have not yet been used to finance capital expenditure or to repay debt.

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

30. Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of fixed assets which will be received over an agreed period of time. For example, mortgages on sales of council houses, which form part of mortgages under long term debtors.

	2010 £000	2009 £000
Mortgages	238	265
Other General Fund	2,911	2,015
Other HRA	255	-
Balance at 31 March	3,404	2,280

31. Major Repairs Reserve

The major repairs reserve is used to fund housing repairs within the ringfenced HRA.

	Balance at 1 April 2009 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2010 £000
HRA Major Repairs Reserve	31,632	11,106	2,790	39,948

32. General Fund

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

33. Reserves and Other Revenue Balances

Reserves :	Balance at 1 April 2009 £000	Transfers In £000	Transfers Out £000	Balance at March 2010 £000
Building Schools for the Future	2,224	7	(1,006)	1,225
Business Improvement Reserve	477	513	(34)	956
Business Rates Liability	200	-	(200)	-
Business Risk Reserve	11,100	50	(415)	10,735
By-elections Reserve	100	-	-	100
Capitalisation Reserve	15	-	-	15
Capital Expenditure Financing Reserve	-	4,000	-	4,000
Compensation for loss of office Reserve	8,664	2,506	(2,407)	8,763
Ealing Civic Improvement Fund (ECIF)	6,850	-	(4,031)	2,819
Economic Incentive Reserve	7,000	-	(5,980)	1,020
Elections Reserve	336	238	-	574
Government Grant Claim Reserve	1,000	-	-	1,000
Health & Safety Inspection Reserve	1,139	-	-	1,139
Human Resources Reserve	3,000	-	(33)	2,967
ICT Reserve	150	3,000	(150)	3,000
Treasury Risk Reserve	3,343	-	-	3,343
Line by Line Reserve	1,855	1,507	(1,855)	1,507
Local Govt. Business Growth Incentive Grant	1,502	434	(1,502)	434
New Secondary School - Greenford Glaxo	-	2,601	(130)	2,471
Property Projects Reserve	3,000	-	-	3,000
Police Com. Support Officers Reserve	500	-	(500)	-
Property Dilapidation Reserve	907	-	(142)	765
Property Maintenance Reserve	97	-	-	97
Repairs & Renewals Reserve	1,195	-	(43)	1,152
Schools Central Exp. Reserve (DSG)	750	414	(880)	284
Transport / Legal Reserve	656	-	(522)	134
VAT Reserve	-	250	-	250
Ward Forum Reserve	-	123	-	123
Sub-total Ear-marked Reserves	56,060	15,643	(19,830)	51,873
Education PFI Reserve	13,009	8,733	(8,265)	13,477
Older Person's PFI Reserve	6,629	1,277	(4,152)	3,754
Street Lighting PFI Reserve	3,624	2,051	(1,983)	3,692
Individual Schools Budget Balances	17,226	-	(910)	16,316
Sub-total Other Reserves	40,488	12,061	(15,310)	37,239
Revenue Balances				
Housing Revenue Account	3,705	3,231	-	6,936
Lessees Central Heating Account	25	-	(25)	-
Education Balances	604	-	(604)	-
Control Accounts	347	-	(347)	-
Sub-total Revenue Balances	4,681	3,231	(976)	6,936
Total Reserves & Revenue Balances	**101,229**	**30,935**	**(36,116)**	**96,048**

33. 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, for example, Property Dilapidation, Property Maintenance, Business Improvement, Human Resources, By-Elections, Business Risks, and Repairs and Renewals etc.

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 have not been restated.

1. 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 has been carried out in 2009/10 and used for the 2010/11 budget.
2. The Ealing Civic Improvement Fund has been set up as a fund primarily for improvements in the borough.
3. 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.
4. 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.
5. The Property Projects Reserve has been created to cover the costs of major capital projects in future years.
6. Treasury Risk Reserve has been set up, to protect the Council against any adverse variations in interest rate movement.
7. The Individual Schools Budget Reserve has been set up to contain all the schools balances, (see note 35)
8. 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.
9. The Economic Incentive Reserve was set up to provide resources for the Council to respond to the rapidly changing economic conditions. It has been mainly used to fund the VFM Premium scheme.
10. The ICT Reserve has been set up in order to fund the implementation of the new ICT strategy
11. The Capital Expenditure Financing reserve has been established to fund future capital projects.
12. A reserve has been established to support expansion of secondary school places through a new high school in the north of the Borough.
13. The Health and Safety inspection reserve has been set up to fund the Council's Health & Safety developments.
14. The Repairs and Renewals reserve is funding to meet repairs and replacement costs on the Council's fixed assets.
15. Human Resources reserve - this has been set up to assist in the management of the Council's obligations towards Human Reources issues
16. The Government Grant Claim reserve is theref to provide a resource to fund one-off costs incurred as a result of any shortfalls on government grant claims
17. Building Schools for the future reserve - to support the BSF programme and the client side Local Education Partnership team.

34. 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 (2009: £48,207) with revenue balances of £12,371 (2009: £12,115).

35. Delegated Schools Budget

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families (DCSF), 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.

Details of the deployment of DSG receivable for 2009/10 are as follows:

	2009/10 Central Expenditure £000	2009/10 Individual School Budget £000	2009/10 Total £000	2008/09 Total £000
A Final DSG for the year			203,273	194,006
B Brought forward from previous year			749	523
C Carry forward agreed in advance			-	523
D Agreed budgeted distribution in year	25,475	178,547	204,022	194,006
E Actual Central Expenditure	(25,191)	-	(25,191)	(23,529)
F Actual ISB deployed to schools	-	(178,547)	(178,547)	(170,251)
G Local Authority Contribution	-	-	-	-
H Carry Forward to 2010/11	**284**	**-**	**284**	**226**

Notes
A DSG figure as issued by DCSF on 25 June 2009 & increased 31st January 2010
B Figure brought forward from previous year as agreed with DCSF
C Amount which the authority decided after consultation with the schools forum to carry forward to 2010/11
D Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum
E Actual amount of central expenditure items in 2009/10
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 2009/10
H Carry Forward to 2010/11

36. Retirement Benefits

36.1 - Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

36. Retirement Benefits (continued)

The authority participates in the following pension scheme:

- the Local Government Pension Scheme. Administered by Ealing Council, this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

36.2 - Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	2009/10 £000	2008/09 £000
Income and Expenditure Account		
Net Cost of Services:		
current service cost	12,320	18,017
past service costs	39	607
effect of settlements or curtailments	2,149	425
Net Operating Expenditure:		
interest cost	48,022	48,484
expected return on assets in the scheme	(25,320)	(33,353)
Net Charge to the Income and Expenditure Account	**37,210**	**34,180**
Statement of Movement in the General Fund Balance		
reversal of net charges made for retirement benefits in accordance with FRS 17	(37,210)	(34,180)
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	22,469	24,374

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £85,004k (£19,937k gain in 2008/09) were included in the Statement of Total Recognised Gains and Losses.

36. Retirement Benefits (continued)

36.4 - Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	£000 2009/2010	£000 2008/2009
1st April	(681,913)	(793,766)
Current service cost	(12,320)	(18,017)
Interest cost	(48,022)	(48,484)
Contributions by scheme participants	(7,602)	(8,672)
Actuarial gains and losses	(207,634)	163,478
Benefits paid	31,012	24,580
Curtailments	(2,149)	(425)
Past service costs	(39)	(607)
31st March	(928,667)	(681,913)

Reconciliation of fair value of the scheme assets:

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £147,950k (2008/2009: £110,188k).

36.5 Scheme History

	2009/2010 £000	2008/2009 £000	2007/2008 as restated £000	2006/2007 as restated £000	2005/2006 * £000
Present Value of Liabilities	(928,667)	(681,913)	(793,766)	(721,058)	(718,750)
Fair Value of Assets	536,722	389,713	491,435	515,427	486,469
Surplus/(deficit) in the scheme:	(391,945)	(292,200)	(302,331)	(205,631)	(232,281)

* The council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £392m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing the overall balance to £426M.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:
- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

The total contributions projected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £22.5M.

36. Retirement Benefits (continued)

36.6 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Ealing Council Fund liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates for the Ealing Council Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The principal assumptions used by the actuary have been:	2009/10	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Bonds	5.2%	6.0%
Other	0.5%	0.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.2	21.2
- Women	24.1	24.0
Longevity at 65 for future pensioners:		
- Men	22.2	22.2
- Women	25.0	25.0
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.3%	3.3%
Rate for discounting scheme liabilities	5.6%	7.1%
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 2010 %	31 March 2009 %
Equity investments	72.0	70.0
Bonds	27.0	27.0
Cash / Liquid Assets	1.0	3.0
	100.0	100.0

36.7 History of experience on gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2009/2010 %	2008/2009 %	2007/2008 %	2006/2007 %	2005/2006 %
Differences between the expected and actual return on assets	22.8	(36.8)	(12.5)	(0.3)	11.8
Experience gains and losses on liabilities	(22.4)	24.0	(2.2)	-	(0.8)

37. 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.

37. Pension Costs - Teachers (continued)

In 2009/10 the Council paid £13.2M (2008/09 - £12.4M) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 14.1 % (2008/09 - 14.1%) of teachers pensionable pay for the year. At 31 March 2010 the pension contributions due to the scheme in respect of the March 2010 salaries were £1,122k.

Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employers 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 2009/10 these amounted to £1.19M, (2008/09 - £1.45M) representing 1.26% (2008/09 – 1.65%) of pensionable pay.

38. Reconciliation of operating Surplus/Deficit to the activities net cash flow

	2009/2010 £000	2008/2009 £000
(Surplus) / Deficit for year on I&E	47,329	161,093
Non cash items posted to I&E:		
- movement in provisions	426	4,420
- government grants deferred amortisation	18,573	9,211
- financial instruments adjustment - effective interest rate	-	(70)
- non cash element of interest paid	-	(2,653)
- amortisation of loan premium	-	1,166
- FRS 17 adjustments	(14,741)	(34,180)
- Depreciation	(35,383)	(26,873)
- Impairments charged to I&E	(26,298)	(167,089)
- revaluation gains charged to I&E	808	45
- Additional pension fund contribution	-	(800)
- Increase in cumulative collection fund surplus	-	1,723
- other non cash items	-	8,716
Movements in working capital:		
- debtors	(384)	8,686
- creditors	2,709	(27,980)
Items appearing elsewhere in the statement:		
- Council Tax collected on behalf of GLA but not yet paid over	183	996
- NNDR paid to government but not yet collected	(9,084)	5,087
- revenue expenditure funded from capital under statute	(18,375)	(9,895)
- De-minimus capital expenditure	(1,430)	(700)
- Returns on investment & servicing of finance	(35,590)	(24,841)
- Fixed asset disposals	2,873	5,799
Net cash flow from revenue activities	(68,384)	(88,139)

The reconciliation to net cash flow has been restated in 08/09 due to the prior period adjustments required by the 2009/10 SORP changes to the Collection Fund accounting policy.

39. Reconciliation of cash flow to net debt

	Balance at 1 April 2009 £000	Cash inflow £000	Cash outflow £000	Non-cash movement £000	Balance at 31 March 2010 £000
Long term loans	(525,342)	(79,150)	-	8,286	(596,206)
Short term loans	-	(6,000)	6,000	(9,367)	(9,367)
Total loans	(525,342)	(85,150)	6,000	(1,081)	(605,573)
Cash inflow / (outflow) from increase in liquid resources	121,295	(10,562,613)	10,576,814	4,730	140,226
Increase in cash balance	25,654		(11,753)		13,901
Total movement in net debt	(378,393)	(10,647,763)	10,571,061	3,649	(451,446)

40. Analysis of liquid resources and financing

	Balance at 1 April 2009 £000	Movement in year £000	Balance at 31 March 2010 £000
Liquid Resources:			
Temporary Investments	174,926	10,030	184,956
Balances from Collection Fund	(53,631)	8,901	(44,730)
	121,295	18,931	140,226
Financing:			
Short term loans	-	(9,367)	(9,367)
Long term loans	(525,342)	(70,864)	(596,206)
	(525,342)	(80,231)	(605,573)

Liquid resources are comprised of the Authority's short term investments and cash from the Council's activities under the agency arrangements for Council Tax and NNDR collection.

41. 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 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Financial liabilities at	596,206	525,342	9,367	-
Trade creditors	-	-	155,246	163,108
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	596,206	525,342	164,613	163,108
Loans and receivables	-	8,415	184,956	174,926
Trade debtors	-	-	74,872	69,322
Available-for-sale financial	-	-	-	-
Fair value through Profit and Loss	-	-	-	-
Total investments	-	8,415	259,828	244,248

41. Financial Instruments Balances (continued)

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 SORP 2009 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.

2. Trade creditors and trade debtors have been restated due to the changes in accounting policy for Council Tax and Business Rates and PFI schemes

42. Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL 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	2009/10 Total £000s	Liabilities measured at amortised cost £000s	Loans and receivables £000s	2008/09 Total £000s
Interest expense	(28,420)		(28,420)	(27,353)	-	(27,353)
Losses on derecognition			-	-	-	-
Impairment losses			-	-	-	-
Interest payable and similar charges	**(28,420)**		**(28,420)**	(27,353)	-	(27,353)
Interest income		3,327	3,327	-	11,257	11,257
Gains on derecognition			-	-	-	-
Interest and investment income	**-**	**3,327**	**3,327**	-	11,257	11,257
Gains on revaluation			-			-
Losses on revaluation			-			-
Amounts recycled to the I&E account after impairment		(1,525)	(1,525)		(151)	(151)
Surplus arising on revaluation of financial assets	**-**	**(1,525)**	**(1,525)**	-	(151)	(151)
Net gain/(loss) for the year	**(28,420)**	**1,802**	**(26,618)**	(27,353)	11,106	(16,247)

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

42. Financial Instruments Gains/Losses (continued)

The calculations are made with the following assumptions:
* For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 063/10.
* For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
*We have used interpolation techniques between available rates where the exact maturity period was not available.
* No early repayment or impairment is recognised.
* We have calculated fair values for all instruments in the portfolio.
* The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

TABLE 3 - FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 2010		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB - maturity	523,726	552,184	443,673	499,673
LOBOs	81,047	92,799	81,019	82,432
Other	800	800	650	650
Financial Liabilities	605,573	645,783	525,342	582,755

Fair value is higher 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 reduces 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

	31st March 2010		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	184,956	185,002	183,341	184,305
Financial assets	184,956	185,002	183,341	184,305

The fair value is higher than the carrying amount because the Councils 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.

43. 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 Council has fully adopted and implemented the CIPFA Code of Practice on Treasury Management. In particular, it has set up twelve treasury management practices covering all areas of treasury management. These specify in detail the policies of the Council, the procedures on how these policies are to be put into effect and who is responsible for all aspects of treasury management. These policies cover such areas as credit risk, liquidity risk and market risk. The treasury management team have also fully implemented the national investment guidance of the ODPM issued on 12 March 2004.

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.

In view of the current unprecedented level of turbulence in financial markets Treasury Officers are operating 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. Senior Managers review the position on a weekly basis and Treasury officers and the Head of Financial Planning & Investment 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 2010 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2010 %	Estimated Maximum exposure to default and uncollectability £000	Estimated maximum exposure at 31 March 2009 £000
	A	B	C	(A x C)	
Deposits with banks and other financial institutions excluding impaired Icelandic deposits	49,500	-	-	-	-
Total	**49,500**	**-**	**-**	**-**	**-**

43. 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	2,233	5.45	556	1,677	72%

All monies within Glitnir is 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 2010. 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 2010 indicate that the assets of Glitnir may only be sufficient to meet 29% of its liabilities.

43. 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 Income and Expenditure Account in 2009/10, £1,525,250, 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 as follows, based on the statements made by the administrator:

Date	Glitnir Bank £
March 2011	153,455
December 2011	147,323
December 2012	139,526
December 2013	115,624

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

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

Debtors
The past due amount can be analysed as follows:

TABLE 6 - CREDIT RISK (B)

Sums past due but are impaired

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

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

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

43. 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. 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-10 £000	31-Mar-09 £000
Loans Outstanding:		
Public Works Loans Board	515,646	436,646
Market debt	78,000	78,000
Temporary borrowing	-	-
Other	800	650
Total	**594,446**	**515,296**
Less than 1 year	-	-
Between 1 and 2 years	800	650
Between 2 and 5 years	25,750	7,750
More than 5 years	567,896	506,896
Total	**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 is going to be challenged in the Icelandic courts by the UK local authorities. In the 2008/09 financial year in accordance with the CIPFA guidance the Icelandic investment was impaired and £152k was charged to the Income & expenditure account. This year a further £1,525k 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.

43. 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 Income and Expenditure Account.
* Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
* 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 STRGL.

* 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. Although there are currently no variable loans, £61m of market loans LOBO's have call dates that fall within the financial year 2010/11. 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 2010 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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

TABLE 8 - INTEREST RATE RISK

	31-Mar-10 £000	31-Mar-09 £000
Increase in interest payable on variable rate borrowings	618	450
Decrease in interest receivable on variable rate investments	(2,843)	(1,995)
Decrease in government grant receivable for financing costs	(76)	(77)
Impact on Income and Expenditure Account	**(2,301)**	**(1,622)**
Share of overall impact debited to HRA	**(736)**	**(697)**
Decrease in fair value of 'available for sale' investment assets	-	-
Impact on Statement of Total Recognised Gains & Losses (STRGL)	**-**	**-**
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	(77,455)	(70,067)
Decrease in fair value of fixed rate investments (no impact on I&E account or STRGL)	(467)	(550)

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

4. Price Risk

The Council does not invest in equity shares 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.

44. Private Finance Initiative (PFI) payments due

To write down liability	31-Mar-10 Schools 1 £000	31-Mar-10 Schools 2 £000	31-Mar-10 Street Lighting £000	31-Mar-10 Care Homes £000	31-Mar-10 Total £000
within 1 year	939	1,165	919	402	3,425
within 2 to 5 years	3,639	4,826	2,828	1,613	12,906
within 6 to 10 years	4,478	7,502	3,768	3,230	18,978
within 11 to 15 years	4,769	10,250	5,902	3,145	24,066
within 16 to 20 years	7,809	14,851	8,693	5,535	36,888
within 21 to 25 years	2,944	9,647	(279)	8,102	20,414
within 26 to 30 years	-	-	-	3,437	3,437
Total	24,578	48,241	21,831	25,464	120,114

The street lighting PFI liability differs from that shown in note 11.2 as the capital works are still ongoing

Interest charges	31-Mar-10 Schools 1 £000	31-Mar-10 Schools 2 £000	31-Mar-10 Street Lighting £000	31-Mar-10 Care Homes £000	31-Mar-10 Total £000
within 1 year	1,441	4,022	1,949	1,930	9,342
within 2 to 5 years	5,246	15,129	6,932	7,406	34,713
within 6 to 10 years	5,218	16,429	7,302	8,480	37,429
within 11 to 15 years	4,041	12,848	5,324	7,304	29,517
within 16 to 20 years	2,277	7,971	2,252	5,734	18,234
within 21 to 25 years	229	1,421	(24)	3,345	4,971
within 26 to 30 years	-	-	-	349	349
Total	18,452	57,820	23,735	34,548	134,555

Service charges & lifecycle costs	31-Mar-10 Schools 1 £000	31-Mar-10 Schools 2 £000	31-Mar-10 Street Lighting £000	31-Mar-10 Care Homes £000	31-Mar-10 Total £000
within 1 year	903	1,817	1,141	6,777	10,638
within 2 to 5 years	4,252	8,062	6,316	27,423	46,053
within 6 to 10 years	6,726	11,090	9,025	33,843	60,684
within 11 to 15 years	7,612	11,922	8,867	35,105	63,506
within 16 to 20 years	6,335	12,198	8,870	34,285	61,688
within 21 to 25 years	1,488	5,274	582	34,107	41,451
within 26 to 30 years	-	-	-	9,880	9,880
Total	27,316	50,363	34,801	181,420	293,900

45. Members Allowances

The total of allowances paid to the members of the Council was £1,039,049 in 2009/10 (£1,189,609 in 2008/09).

46. Post Balance Sheet Events

1. Ealing Homes Limited

On 14th September 2010 the Council's Cabinet agreed in principle to end the management agreement with Ealing Homes Limited on 31st March 2011 and to bring the delivery of housing management services for the Council's housing stock in to the Council. This includes the delivery of tenancy services, the management of the Council's housing repairs and maintenance contracts, and major housing capital works procurement and contract management. However, this decision has been called in to the Council's Overview and Scrutiny Committee who will decide whether or not to uphold the decision or to refer the decision back to the Cabinet.

If the Cabinet's decision, following consideration by Overview and Scrutiny Committee or re-consideration by the Cabinet proceeds, the Council will be taking on the liabilities of Ealing Homes Limited. Currently the only significant liability identified is in relation to the pension provision for Ealing Homes' staff. The Ealing Homes' accounts show a deficit of £22.580m in terms of pension provision (as defined by FRS17) as at 31st March 2010.

2. Building Schools for the Future (BSF)

On the 5 July 2010 the Secretary of State for Education confirmed that the national BSF programme was to be brought to an end. The Council had incurred £3.2M capital costs to 31 March 2010 on facilitating this procurement process for this programme.

The procurement process was focussed on the design and development of the two sample schools for which central government funding has subsequently been confirmed.

As a result there will be no requirement to amend the figures recorded in these accounts in future years.

3. Pension Fund

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the London Borough of Ealing Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the Financial Reporting Standard (FRS)17 / International Accounting Standard (IAS) 19 benefit obligations by between 5% and 8% .The precise financial effect will be taken into account in the FRS17 / IAS19 figures for the financial year ending 31 March 2011.

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

The HRA Income and Expenditure Account 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	2009/10 £000	2008/09 £000
Income			
Dwelling rents		57,168	55,030
Non dwelling rents		1,169	1,140
Charges for services and facilities		4,886	4,818
Contribution towards expenditure		1,892	2,130
Housing Revenue Account subsidy receivable (including MRA)	10	1,058	3,277
Total Income		66,173	66,395
Expenditure			
Repairs and Maintenance		14,267	9,226
Supervision and management		22,309	27,814
Rent, rates, taxes and other charges		88	3,029
Depreciation and impairment of fixed assets	7	23,850	116,436
Amortisation of revenue expenditure funded from capital under statute	8	7,859	1,710
Amortisation of Government Grants Deferred		(3,174)	(160)
De-minimus capital expenditure		-	(182)
Debt Management Costs		28	7
Increase in bad debt provision	3	258	646
Total Expenditure		65,485	158,526
Net Cost of HRA Services per Authority Income and Expenditure Account		(688)	92,131
HRA services share of Corporate and Democratic Core		412	-
HRA share of other amounts in the whole authority Net Cost of services but not allocated to specific services		282	13
Net Cost of HRA Services		6	92,144
(Gain)or loss on disposal of HRA fixed assets		2,222	1,300
Interest payable and similar charges		13,303	13,133
Interest and investment income		(664)	(1,963)
Pension Interest cost and expected return on pension assets		441	323
(Surplus) or deficit for the year on HRA services		15,308	104,937

Statement of Movement on the HRA Balance

	2009/10 £000	2008/09 £000
(Surplus) or deficit for the year on the HRA Income and Expenditure Account	15,308	104,937
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(18,539)	(107,105)
(Increase) or decrease in Housing Revenue Account Balance	(3,231)	(2,168)
Housing Revenue Account surplus brought forward	(3,705)	(1,537)
Housing Revenue Account surplus carried forward	(6,936)	(3,705)

Note to Statement of Movement on the HRA Balance

	2009/10 £000	2008/09 £000
Items included in the HRA Income & Expenditure Account but excluded from the movement on HRA Balance for the year		
Impairment of Fixed Assets and Depreciation in excess of MRA	(12,744)	(106,043)
Revenue Expenditure Funded from Capital Under Statute	(7,859)	(1,710)
Amortisation of Government Grants deferred	3,174	160
Gain or loss on sale of HRA fixed assets	(2,222)	(1,300)
De-minimus capital expenditure	-	182
Net charges made for retirement benefits in accordance with FRS 17.(Pension interest cost and past service cost)	(723)	(336)
Items not included in the HRA Income & Expenditure Account but included in the movement on HRA Balance for the year		
Financial Instruments Adjustment	8	(49)
Premium & Discount Amortisation	944	1,166
Employer's contributions payable to Pension Fund and retirement benefits payable direct to pensioners	335	376
Contribution to CFLO Reserve	548	449
Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(18,539)	(107,105)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Stock Analysis

	2009/10	2008/09
Flats	10,151	10,185
Houses	2,868	2,870
Temporary Accomodation	169	169
Shared Ownership	7	7
Long Leases	19	72
	13,214	13,303

2 Stock Valuation at net Book Value

	31 March 2010 £000	31 March 2009 £000
Operational Assets:		
Dwellings - vacant possession value	2,390,816	2,114,842
Less: reduction to reflect Social Housing use	(1,496,480)	(1,323,760)
Dwellings - equivalent Social Housing value	894,336	791,082
Garages	25,648	22,442
Other Land & Buildings	1,735	1,775
Total	921,719	815,299
Open Housing Management System	550	511
Non Operational Assets:		
Shops	4,734	4,778
Land	394	439
Other Buildings	1,396	1,351
Total	6,524	6,568
Assets Under Construction	368	
TOTAL OPERATIONAL & NON OPERATIONAL	929,161	822,378

The vacant possession value of dwellings within the HRA as 31st March 2010 is £2,390M 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

	2009/10 £000	2008/09 £000
Tenants:		
Dwellings	4,311	4,173
Temporary Accommodation (net)	904	844
Long Leases (net)	375	349
Total	5,590	5,366
Leaseholders:		
Service Charge - Capital	3,987	3,777
Service Charge - Revenue	570	846
Total	4,557	4,623

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

b Provision for Bad or Doubtful Debts

	2009/10 £000	2008/09 £000
Tenants:		
Provision at 1 April	5,356	5,868
Adjustment for to opening balances	(1,148)	-
Write-offs in year	(657)	(1,153)
Increase in provision	258	641
Provision at 31 March	3,809	5,356
Leaseholders		
Provision at 1 April	390	369
Write-offs in year	(45)	(59)
Increase in provision - Revenue contribution	-	5
Increase in provision - Capital contribution	-	75
Provision at 31 March	345	390

4. Major Repairs Reserve (MRR)

	2009/10 £000	2008/09 £000
Balance at 1 April	31,632	27,226
Depreciation charges for all dwellings	11,106	10,606
Capital projects funded from the MRR	(2,790)	(6,200)
Balance at 31 March	39,948	31,632

5 Capital expenditure and funding

	2009/10 £000	2008/09 £000
Dwellings	61,192	15,191
Other Properties	210	300
Total	61,402	15,491
<u>Funded by:</u>		
Borrowing	55,594	5,900
Capital Receipts	-	-
Major Repairs Reserve	2,791	6,200
Leaseholder's Income	2,549	2,825
Capital Grants	468	566
	61,402	15,491

6 Capital Receipts

	2009/10 £000	2008/09 £000
Land	2,417	16
Council Dwellings	1,106	2,077
Other Receipts	234	252
Total	3,757	2,345

Local authorities are required to contibute to the Housing Capital receipt pool a proportion of receipts generated from the disposal of HRA assests. In 2009/10 £805k (£862k in 2008/09) of receipts was paid into the pool.

7 Depreciation and Impairment Charge

	2009/10 £000	2008/09 £000
Depreciation Charges		
Operational Assets:		
Dwellings	12,971	10,606
Other Properties	566	652
Total	13,537	11,258
Non Operational Assets	33	30
TOTAL	13,570	11,288
Impairment Charges		
Dwellings	10,280	105,148

This reflects losses on HRA dwellings arising from an accounting adjustment to the annual value.

8 Revenue Expenditure Funded from Capital under Statute

	2009/10 £000	2008/09 £000
Other Properties	7,859	1,710
	7,859	1,710

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

	2009/10 £000	2008/09 £000
Employer's Contribution to the Pension Fund	335	376
	335	376

10 HRA Subsidy

	2009/10 £000	2008/09 £000
Management and Maintenance	27,798	26,945
Charges for capital	17,035	17,093
Other reckonable expenditure	95	3,211
Rental Constraint Allowance	-	27
Notional Rents	(54,957)	(54,580)
Interest on receipts	(19)	(25)
Housing Element Subsidy	(10,048)	(7,329)
Major Repairs Allowance	11,106	10,606
Defective Housing Grants	-	-
Total HRA subsidy for the year	1,058	3,277

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 2010

	2009/10 £000	2008/09 £000
INCOME		
Income from Council Tax Payers (note 1)	132,939	133,849
Council Tax Benefits	30,189	27,988
Income from NNDR	121,028	123,895
Contributions:		
Towards previous years estimated Collection Fund deficit	12	12
	284,168	285,744
EXPENDITURE		
Precepts and Demands		
- Ealing Council	123,763	122,108
- Greater London Authority	36,173	35,688
Bad and Doubtful Debts		
- Write offs	1,822	1,382
- Provisions	334	445
Business Rates		
Payment to the national pool (note 3)	120,509	123,392
Cost of collection	519	503
	283,120	283,518
Fund surplus brought forward	6,219	3,993
Surplus for year	1,048	2,226
Fund surplus at 31 March	7,267	6,219
Analysis of Surplus :		
Ealing Council	5,624	4,813
Greater London Authority	1,643	1,406
	7,267	6,219

A prior period adjustment of £23k has been made to the shares of the cumulative surplus on the collection fund.

1. Income from Council Tax

	2009/10 £000	2008/09 £000
Council Tax Income:- 119,094*£1,369.75	163,128	161,837
Less Council Tax Benefits	(30,189)	(27,988)
Due from Taxpayers	132,939	133,849

NOTES TO THE COLLECTION FUND ACCOUNT

2. Council Tax

The Council Tax is a banded capital value based property tax with a 25% discount for single adult households. For the 2009/2010 estimate, 125,817 domestic properties provided a tax base equivalent to 118,501 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 2010
A	2,267	6/9	1,512
B	10,490	7/9	8,159
C	25,837	8/9	22,965
D	37,396	9/9	37,396
E	19,703	11/9	24,082
F	8,642	13/9	12,483
G	6,142	15/9	10,236
H	834	18/9	1,668
Total	**111,311**		**118,501**
	Adjustment for actual collection rate		593
	Council Tax base for 2009/10		**119,094**

3. Income from NNDR

The Council collects non-domestic rates which are based on local rateable values multiplied by a national rate of 48.5 pence, 48.1 pence for business with a rateable value less than £21,500 (46.2 and 45.8 pence respectively in 2008/2009). The local rateable value at 31 March 2010 was £297M (£303M at 31 March 2009). The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. The calculation of the amount due to the pool is set out below :-

	2009/10 £000	2008/09 £000
Non-domestic charges raised	138,891	137,913
Add / (deduct) allowances and other adjustments :		
Transitional Relief	480	(381)
Empty and Void Relief	(8,398)	(4,313)
Charitable and Other Relief	(6,996)	(6,242)
Provision for uncollectible amounts	(2,292)	(2,911)
Cost of collection and interest	(846)	(674)
Deferred Instalments	(330)	
Contribution to NNDR national pool	120,509	123,392

Group Accounts

The 2009 SORP 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:

- Group Income and Expenditure Account
- Reconciliation of Ealing Council's surplus/deficit to the Group surplus/deficit
- Group Statement of Total Recognised Gains and Losses
- 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.

Group Income and Expenditure Account

	Gross Expenditure 2009/10 £000	Gross Income 2009/10 £000	Group Net 2009/10 £000	Group Net 2008/09 £000
Ealing Council	1,013,849	(766,349)	247,500	372,267
Ealing Homes Ltd.	14,387	(604)	13,783	17,232
Net Cost of Services	1,028,236	(766,953)	261,283	389,499
(Gain) or loss on disposal of fixed assets		(2,873)	(2,873)	928
Contribution from Housing Act Advances Account	14		14	9
Amounts payable to Housing Capital Receipts Pool	805		805	862
Levies	10,199		10,199	8,589
Interest payable	40,403		40,403	38,308
Interest and Investment Income		(3,730)	(3,730)	(11,401)
Taxation of Group Entities	208		208	
Pension interest costs & expected return on pension	22,702		22,702	16,174
Net Expenditure	1,102,567	(773,556)	329,011	442,968
Income from Collection Fund		(124,562)	(124,562)	(123,819)
Government Grants		(41,189)	(41,189)	(32,020)
Distribution from non-domestic rate pool		(115,653)	(115,653)	(122,890)
Net General Fund (Surplus) / Deficit	**1,102,567**	**(1,054,960)**	**47,607**	**164,239**

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

	2009/10 £000	2008/09 £000
(Surplus) / deficit Ealing Council's Income and Expenditure Account for the year	47,329	161,093
Adjustment for transactions with other group entities	(14,812)	(14,985)
	32,517	146,108
Add: (surplus) or deficit arising from other entities included in the Group Accounts analysed into amount attributable to subsidiaries (Ealing Homes)	15,090	18,131
Group Accounts (Surplus) / Deficit for the Year	47,607	164,239

Group Statement of Total Recognised Gains and Losses

	2009/10 £000	2008/09 £000
(Surplus) / deficit for the year on the Income and Expenditure Account	47,607	161,451
(Surplus) / deficit on revaluation of fixed assets	(85,656)	23,786
Actuarial (gains)/losses on pension fund assets and liabilities.	92,485	(24,447)
Reclassification of Revenue Balances	976	-
Prior Year Adjustments	-	(3,090)
Other (gains) and losses	-	533
Total recognised (gains) and losses for the year	55,412	158,233

GROUP BALANCE SHEET

	Ealing Council 2009/10 £000	Ealing Homes 2009/10 £000	Group 2009/10 £000	Group 2008/09 £000
Tangible fixed Assets				
Operational				
- Council Dwellings	894,337		**894,337**	791,082
- Other Land & Buildings	468,567		**468,567**	428,677
- Vehicles, Plant & Equipment	19,163		**19,163**	22,116
- Infrastructure Assets	119,959		**119,959**	100,125
- Community Assets	4,480		**4,480**	4,204
Non Operational				
- Surplus Assets	7,627		**7,627**	10,038
- Investment Assets	7,320		**7,320**	7,822
- Assets Under Construction	11,390		**11,390**	20,636
Total Fixed Assets	**1,532,843**	**-**	**1,532,843**	**1,384,700**
Long Term Investments	-		**-**	8,415
Long Term Debtors	1,098		**1,098**	5,897
Total Long Term Assets	**1,533,941**	**-**	**1,533,941**	**1,399,012**
Current Assets :				
Short Term Investments	184,956		**184,956**	174,926
Debtors	73,410	43	**73,453**	67,800
Cash at Bank	13,901	160	**14,061**	26,051
Total Assets	**1,806,208**	**203**	**1,806,411**	**1,667,789**
Current Liabilities :				
Creditors	(151,817)	(1,907)	(153,724)	(161,822)
Capital Grants Unapplied	(17,345)		(17,345)	(18,790)
Short Term Loans	(9,367)		(9,367)	-
Long Term Loans	(596,206)		(596,206)	(525,342)
Long Term Liabilities	(105,561)		(105,561)	(101,631)
Government Grants-Deferred	(95,593)		(95,593)	(83,264)
Provisions	(10,177)		(10,177)	(10,603)
Pension Liabilities	(391,945)	(22,580)	(414,525)	(307,012)
Total Assets less Liabilities	**428,197**	**(24,284)**	**403,913**	**459,325**
Revaluation Reserve	134,436		134,436	49,409
Capital Adjustment Account	522,059		522,059	564,006
Financial Instruments Adjustment Account	(3,522)		(3,522)	(4,484)
Usable Capital Receipts	4,937		4,937	2,020
Deferred Capital Receipts	3,404		3,404	2,280
Pensions Reserve	(391,945)	(22,580)	(414,525)	(307,012)
Major Repairs Reserve	39,948		39,948	31,632
General Fund Balances	15,241		15,241	15,178
Reserves and Balances	98,015	(1,704)	96,311	101,483
Collection Fund Adjustment Account	5,624		5,624	4,813
Total Net Worth	**428,197**	**(24,284)**	**403,913**	**459,325**

Group Cash Flow Statement

	Council 2009/10 £000	EH 2009/10 £000	Group 2009/10 £000	Group 2008/09 £000
Net Cash Inflow / Outflow from Revenue Activities	(68,384)	863	(67,521)	(84,740)
Returns on Investments and Servicing of Finance:				
Cash outflows				
- Interest paid	36,328		36,328	35,647
- Taxation paid			-	
Cash inflows				
- Interest received	(5,516)	(17)	(5,533)	(10,950)
Capital Expenditure and Financial Investment:				
Cash outflows				
Purchase of fixed assets	114,295		114,295	79,068
Purchase of long term investments			-	3,500
Other Capital Cash payments	19,805		19,805	10,595
Cash inflows				
Sale of fixed assets	(9,146)		(9,146)	(5,799)
Capital grants received	(10,690)		(10,690)	(22,718)
Net cash inflow/outflow before financing				
Management of Liquid Resources				
Net increase/(decrease) in short-term deposits	5,300	(609)	4,691	(13,014)
NNDR paid to government and not yet collected	9,084		9,084	(5,087)
Cash collected on behalf of GLA	(183)		(183)	(996)
Financing				
Cash outflows				
Repayments of amounts borrowed	6,000		6,000	26,400
Capital element of finance lease rental payments	10		10	3,275
Cash inflows				
New loans raised	(79,150)		(79,150)	150
New short-term loans	(6,000)		(6,000)	(26,400)
Net (Increase)/decrease in cash	**11,753**	**237**	**11,990**	**(11,069)**

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.

2. Ealing Homes Ltd.
In September 2004 Ealing Homes Ltd. took over the management of the Council's Housing Stock. In 2009/10 the turnover of Ealing Homes was £17.7M and net liabilities were valued at £22.4M 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.

On 15th September 2009 the Cabinet agreed not to extend the management agreement with Ealing Homes beyond the end of the current contract on 31st March 2011. The Cabinet considered a further report on this subject on 1st June and resolved to:

• Carry out a tenant consultation under section 105 of the Housing Act 1985 and also to consult leaseholders including a 'Test of Opinion' on a change of management arrangements from management by Ealing Homes (the Council's ALMO) to direct management by the Council and

• Draw up proposals for the return of Housing Services currently delivered by Ealing Homes to direct management by the Council.

In light of this decsion, Ealing Homes' accounts were prepared on a break-up 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 break up 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 2009/2010 £000	EH 2009/2010 £000	Total 2009/2010 £000	Total 2008/2009 £000
Sundry Debtors	73,410	43	73,453	67,800
Sundry Creditors	151,817	1,907	153,724	161,822

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 2009/2010 £000	EH 2009/2010 £000	Total 2009/2010 £000	Total 2008/2009 £000
Pension Costs				
Current Service Cost	(12,320)	(749)	(13,069)	(19,307)
Past Service Gain / Cost	(39)	-	(39)	(665)
Settlements/Curtailments	(2,149)	-	(2,149)	(757)
Total Operating Gain/(Loss)	(14,508)	(749)	(15,257)	(20,729)
Pension Liability				
Market Value of Assets	536,722	12,108	548,830	397,718
Liabilities	(928,667)	(34,688)	(963,355)	(704,730)
Total Net Pension Liability	(391,945)	(22,580)	(414,525)	(307,012)

PENSION FUND

PENSION FUND ACCOUNTS – ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

Introduction

1. 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.

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

3. The number of contributing members of the Fund as at 31 March 2010 was 6,691 (6,467 at 31 March 2009) whilst the number of pensioners, widows and dependants was 6,123 (5,913 at 31 March 2009). The deferred members as at 31 March 2010 totalled 5,959 (5752 at 31 March 2009). The Council is the administering authority of the scheme and has the major share of contributors and pensioners. There are now 18 contributing scheduled bodies and 3 admitted bodies. All of the bodies shown below contribute to the Fund.

Employers contributing to the Fund as at 31st March 2010 are:

Scheduled Bodies	**Admitted Bodies**
Brentside High	May Gurney (formerly ECT)
Cardinal Wiseman	Servite
Dormers Wells Infant	MITIE
Dormers Wells Junior	
Dormers Wells High	
Dormers Wells Trust	
Drayton Manor High	
Ellen Wilkinson	
Ealing Homes	
Featherstone High	
Greenford High	
Northolt High	
St Ann's	
St Saviours	
Thames Valley University	
West London Academy	
Woodend Infant	
Woodend Junior	

4. 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

5. The pension fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2009 issued by CIPFA (Chartered Institute of Public Finance and Accountancy) and in line with Section 5 of the Pensions SORP (Statement of Recommended Practice). The fund accounts are not consolidated with the accounts of the authority.

Accounting Policies (continued)

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

i) 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, Bank of New York Mellon's (BNYM) Global Pricing Guidelines.
ii) From 2008/2009, all other UK actively traded investments are valued on the basis of bid market prices where available or using the most appropriate basis where these prices are not available.
iii) Unit trust and In-house funds are stated at the bid point of the latest prices quoted by their respective managers.
iv) 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 2010. IDC is usually used for foreign equities except US equities which are typically priced using Interactive Data Pricing and Reference Data Inc (IDSI).
v) Dividends from foreign investments received during the year are accounted for in sterling at the foreign exchange rate prevailing on the day of receipt.
vi) All valuations for investments at 31 March 2010 and transactions during 2009/2010 financial year are obtained from the accounting records of the Custodian BNYM. The 2008/2009 opening figures were prepared from consolidation of the individual external fund manager accounts.

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

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

9. Council departments bear all the additional pension costs directly deriving from early retirements by annual payments over five years into the Compensation For Loss Of Office Reserve. At the end of this period the amount accrued is credited to the pension fund. During 2009/2010 there were 50 early retirements under this rule (38 in 2008/2009) The credit to the Pension Fund and internal interest on cash balances held by the Council are included in the revenue account as other income:

	2009/2010 **£000**	2008/2009 **£000**
Transfer from Compensation for Loss of Office Reserve	1,974	1,725
Internal Interest	375	402
Total Other Income	**2,349**	**2,127**

Actuarial Valuation

10. The Fund is valued by an independent actuary every 3 years. An independent valuation was carried out by Mercer Human Resource Consulting 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. This excess will be addressed by increases in the employers contributions as necessary over a 17 year recovery period. The Actuary used a “market value” basis for the valuation of the Fund at 31 March 2007. Assets amounted to £561.4M representing 73% of the Fund’s accrued (past service) liabilities of £766.4M.

11. The contribution required from the Council and other bodies was 19.6% of pensionable salary during 2009/2010 (19.6% in 2008/2009), except in the case of Thames Valley University where the rates are lower, reflecting a different profile of liabilities. The Council is meeting the fund’s liabilities by increases that have been certified by the Actuary for the next three years .

12. The contribution rates were calculated using the projected unit actuarial method 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%

Fund Management and Administration

13. The Fund investment management arrangements were last reviewed in 2006/07. The Panel appointed RCM for Global Equities, Lazards for UK Equities and Royal London Asset Management for UK Corporate Bonds and the transition to the new arrangements was completed in April 2007. The three specialised managers have also been set outperformance targets of 2% pa for Lazard and RCM and 1.0% pa for RLAM against their selected benchmarks.

14. The Fund's investments as at 31st March 2010 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 2010 was £227M, £210M and £169M respectively based on the Custodian BNYM valuation. The asset classification by sector shown in the accounts for 2009/2010 is provided by the Custodian whereas the 2008/2009 figures are based on the fund managers analysis.

15. Both the costs of the investment management arrangements and pension fund administration expenses are charged to the Fund. The audit cost for 2009/2010 of £38,500 has been included in the administration expenses.

16. Investment transactions for the Fund, excluding cash instruments, amounted to: sales £272M (2008/2009 - £239M) and purchases £316M (2008/2009 - £253M). 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 £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.

Fund Management and Administration (continued)

17. In addition to the sales and purchases of investments there was a further £4M net investment during the year in an overnight money market fund. The Custodian also held a further £1M in currency accounts at 31 March 2010. In the 2008/2009 accounts £10.3M cash held by the Custodian was accounted for as a money market instrument

18. Investment income is accounted for on an accruals basis for all securities . In previous years the authority included fixed interest securities (mainly bonds) in the account on a "dirty" basis (i.e. including the value of interest accruing from the previous interest payment date to the valuation date). In accordance with the SORP, the Council now accounts for these securities on a clean basis (i.e. excluding accrued interest) and accounts for the accrued interest distinctly as a debtor. The 2008/2009 opening value for fixed interest securities was shown at the "dirty" value and included £2.9M in interest due.

19. Foreign tax recoverable at 31 March 2010 of £328k is accounted for in 2009/2010 but was not included in the comparable 2008/2009 figure for dividend income due.

20. The 2009/2010 accounts show £3.4M invested in a UK pooled investment vehicle. £2.2M invested in this fund at 31 March 2009 was included in the total for UK Corporate Bonds in the 2008/2009 accounts.

21. The total contributions (employers and employees) from the administering authority and the admitted and scheduled bodies were £35.9M (2008/2009 - £34.4M); of this, £7.4M (2008/2009 - £7.3M) was from the admitted and scheduled bodies. This included £2M (2008/2009 £2.1M) in contributions for the scheduled body Ealing Homes and a further £5.4M (2008/2009 £5.2M) from other bodies.
All benefits payable were administered by London Borough of Ealing.
The total value of pension benefits paid in 2009/2010 was £24.7M (2008/2009 £23.2M) of which £1.8M (2008/2009 £1.4M) related to former employees of admitted and scheduled bodies.

22. 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 2009/2010 amounted to £48,378.10 (£83,070.97 in 2008/2009).
The latest available fund valuations are as follows:

	£000	£000 (Previous Year)
Scottish Widows with Profits Fund (31 March 2010)	**426**	**420**
Equitable Life with Profits Fund	240	276
Equitable Life Unit Linked Fund	165	134
Equitable Deposit Account Fund	93	88
Total Value of Equitable Life Funds (31 October 2009)	**498**	**498**

Fund Management and Administration (continued)

23. FRS 8 Related Party Transactions

The London Borough of Ealing is the administrator of the London Borough of Ealing Pension Fund. The Council charged the Pension Fund £690k for expenses incurred in administering the fund in 2009-10. The Council paid the Pension Fund £216k interest in respect of 2009/2010 cash balances held in the Council's bank account and a further £159k in respect of 2008/2009 where interest was recalculated after the end of the financial year. The total cash balances held by the Council at 31 March 2010 on behalf of the Pension Fund were £4.5M (£19.3M at 31 March 2009).

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. Cllr Reeves was a member of the board of Ealing Homes and West London Academy during 2009/2010, which are scheduled bodies 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 2009-10.

£383k was due in contributions and £9k relating to actuarial expenses from employers of admitted and scheduled bodies contributing to the fund at 31 March 2010 .

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

Statement of Investment Principles (SIP)

24. The Statement of Investment Principles for Ealing Pension Fund was reviewed as part of the annual report on the 2008/09 Annual Accounts and approved by the Pension Fund Panel as Trustees of the Fund on 8 September 2009. 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	2009/2010 £000	2008/2009 £000
INCOME		
Contributions:		
From employers		
-normal	26,335	25,322
-deficit funding	-	800
From members		
-normal	9,550	9,043
Transfers In:		
-individual transfers in from other schemes	6,552	4,349
Other Income (note 9)		
-other (includes strain, internal interest & class actions)	2,349	2,127
	44,786	41,641
EXPENDITURE		
Benefits:		
-pensions	24,747	23,174
-commutation of pensions & lump sum retirement benefits	7,237	5,218
-lump sum death benefits	544	780
Payment to and on account of leavers:		
-refunds of contributions	73	15
-individual transfers out to other schemes	4,878	2,176
Other Payments:		
Administrative expenses	1,145	1,146
	38,624	32,509
Sub-total: Net additions from dealings with members	6,162	9,132
RETURNS ON INVESTMENTS		
Investment Income		
-income from fixed interest securities	9,341	8,975
-dividends from equities	11,070	11,658
-interest on cash deposits	17	250
Change in market value of investments (realised and unrealised)	148,259	(145,056)
Investment management expenses	(2,048)	(1,885)
Sub-total: Net returns on investments	166,639	(126,058)
Net increase / (decrease) in the fund during the year	172,801	(116,926)
Net assets of the scheme at 1 April	437,584	554,510
Net assets of the scheme at 31 March	610,385	437,584

PENSION FUND NET ASSETS STATEMENT

	2010 £000	2009 £000
INVESTMENT ASSETS		
Fixed Interest Securities		
UK Corporate Bonds	148,574	109,961
UK Government	1,025	
Other UK	11,816	130
Equities		
UK	215,130	166,565
North America	62,507	47,791
Europe	98,525	40,481
Japan	21,508	14,613
Pacific	14,134	7,813
Emerging Markets	18,445	19,618
Other	1,077	
Pooled Investment Vehicles		
Other managed funds	3,430	-
Cash		
Cash held by custodian	1,044	
Money market instrument	3,963	10,268
Other Short Term Investment Balances		
Debtors		
Interest due	3,588	-
Dividends due	1,287	1,341
Recoverable tax on dividends	328	
Unsettled sales	1,280	921
Total Investment Assets	607,661	419,502
INVESTMENT LIABILITIES		
Other Investment Balances		
Creditors		
Unsettled purchases	(1,422)	(954)
NET INVESTMENTS (Under External Management)	606,239	418,548
CURRENT ASSETS		
Contributions due from employers	392	387
Payments in advance	1	1
Cash balances not forming part of investment assets	4,458	19,314
Total Current Assets	4,851	19,702
CURRENT LIABILITIES		
Unpaid benefits	(72)	-
Accrued expenses	(633)	(666)
Total Current Liabilities	(705)	(666)
TOTAL NET ASSETS	610,385	437,584

The financial statements summarise the transactions of the scheme and show the net assets of the fund at the disposal of the Pension Fund Panel. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the scheme year. The actuarial position of the fund that takes account of such liabilities is described in paragraphs 10 to 12.

RECONCILIATION OF OPENING NET ASSETS TO CLOSING NET ASSETS

	Net Assets of Scheme 31/03/09 £000	Adjust for Fixed Interest on Securities £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 31/03/10 £000
Lazard	149,505		139,654	(131,688)	66,766		224,237
RCM	147,376		83,887	(78,931)	54,608		206,940
RLAM	110,091	(2,942)	92,018	(61,351)	27,179		164,995
Cash held by Custodian	10,268				(294)	(8,930)	1,044
Money Market Instruments			118,945	(114,983)			3,962
Investment Income Due	1,340	2,942			20,428	(19,507)	5,203
Unsettled Sales	921					359	1,280
Unsettled Purchases	(953)					(469)	(1,422)
Net External Investments	**418,548**	**-**	**434,504**	**(386,953)**	**168,687**	**(28,547)**	**606,239**
Net Current Assets with LBE	19,036				4,110	(19,000)	4,146
Net Assets	**437,584**	**-**	**434,504**	**(386,953)**	**172,797**	**(47,547)**	**610,385**
		Note 18			Note (i)	Note(ii)	

Increase in Fund during Year	£000	
Change in Market Value of Investments	148,259	
Net Additions from dealings with Members	6,162	
Investment Management Expenses	(2,048)	
Investment Income	20,428	
Fund Manager Commission included in Investment Management Expenses	(4)	
Net Increase in Fund during the year	**172,797**	Note (i)

Change in Investments during 2009/2010	£000	
Purchases for the Year	434,504	
less Sales for the Year	(386,953)	
Net increase in Investments at book cost	**47,551**	
Funded By:		
Distribution of cash held by Ealing Council to fund manager Dec 2009	19,000	
Dividend Income applied to investment during year	19,507	
External cash applied to investment during year	9,040	
Fund Manager Commission included in Investment Management Expenses	4	
Net Investment in Fund	**47,551**	Note(ii)

APPENDIX 1: ANNUAL GOVERNANCE STATEMENT

APPENDIX 1: Annual Governance Statement 2009/2010

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) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, 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 2010 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. Working with strategic partners and local communities 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); which meets monthly and performs many of the statutory duties on Scrutiny including dealing with Call ins, Councillor (and Crime & Disorder) Calls for Action and petitions. Items can be called in by OSC itself, the Standing Panels, the Shadow Cabinet (which is fully clerked and supported) any six councillors or just those in a ward should it be a matter of particular local interest. The Liberal Democrat Group, as the minor opposition party also have the right to call in items. There are three standing Scrutiny Panels covering the other main statutory obligations relating to Health, Crime & Disorder and Education matters as well as one on Housing which is currently an important issue for the Council as well as being the scrutiny body designed to interact with the LINk+ where Ealing is a pilot for the extension on the LINk principle into supported Housing. There are also four "Specialist Scrutiny Panels" which are organised to consider issues identified as being of particular topical interest or importance. Typically these last for one municipal year. OSC is also the body that regularly reviews matters of governance such as having an annual report on the operation of the urgency procedure.

3.4 The Improvement 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 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 Value for Money reviews (reported to Business Effectiveness 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. Larger Business Change projects also report monthly to the Business Effectiveness Board.

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 panels monitor 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 forms 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 to be made within the Authority. Cabinet and Committee reports that fail to address key areas within the Decision Making Toolkit are 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 are available of all decisions taken, including the reason for the decision. Finance and Legal services officers, and the responsible service director, must approve all reports 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, 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.

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. The Council has adopted specific Codes of Conduct for councillors involved in planning or licensing decision-making and these councillors receive 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 Resident’s Survey is undertaken annually with a refresh every 6 months to feedback resident views and satisfaction levels. The last survey was undertaken in September 2009. In future the main survey will take place every two years with an annual refresh.

3.18 There is a corporate induction programme in place for staff, 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 has been updated annually. LAA indicators are 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 are provided to the Partnership Board detailing LAA performance.

3.21 The Council has 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. Going forward assurance will be gained through the Contracts Review Board and internal audit reviews. A partnership protocol is also being developed.

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 will be refreshed by April 2011. The template for Business Plans was amended last year 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 Climate Change Strategy requires the Council and its partners to consider the impacts of their services, property and assets on climate change and make improvements around waste management, energy efficiency, use of natural resources and transport. It also requires the LSP to understand the implications of climate change on their services, property and assets, and the borough, and begin preparation for the risks and opportunities presented. The Strategy sets out a high-level strategic framework to help the LSP mitigate the effects of, and adapt to, climate change, and achieve its LAA target. Mitigating climate change is also a key element of the Sustainable Community Strategy, the new LAA and Council's Corporate Plan. The strategy's target and timeline is consistent with the LAA. The target set by the Council and LSP is a 10 per cent reduction in per capita carbon dioxide emissions by 2010/11 by comparison to a 2005 baseline.

3.25 The Council has also signed up to the "10:10 commitment", a commitment to try and reduce its own carbon emissions by 10% in 2010. The Council is also required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. To meet these commitments, and a commitment to sustainability more widely, the Council has a Sustainability Board, made up of officers from across the authority, who are overseeing the development of sustainable policies and practice across the Authority. Sitting under the Board are sub-groups including a Carbon Management group and Building Services Group. As a result of the work of these groups, the Council now has in place a system to collect data on its energy use on a quarterly basis, and is considering installing Automatic Meter Reading (AMRs) across its property portfolio to ensure that data is accurate and up to date.

3.26 Sustainability forms part of other Council operations. For example:

- The Council is also working with its ALMO Ealing Homes to improve the environmental impact of its own housing stock. All new homes are being built to Level 4 of the Code for Sustainable Homes, one step higher than the mandatory Code rating.
- As part of the development of the Local Development Framework, the Council has developed an evidence base to inform carbon emissions reductions policies.
- The Council's Staff Travel Plan aims to ensure that the Council's employees have every opportunity to travel to work in the most sustainable way.

3.27 95% of the expected business continuity plans are in place. The remainder were expected to be in place by May 2010. A London wide Emergency Planning and Business Continuity exercise and a West London exercise with 6 boroughs has been conducted. A flu pandemic exercise with Local Authority, PCT, Acute Trusts & London Fire was also undertaken. A process is in place to ensure that significant contractors and partners' business continuity plans are in place.

3.28 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. A borough wide risk assessment has been undertaken and there is a Community Risk Register that identifies the key risks for West London.

3.29 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.

3.30 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.

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 annual review of Internal Audit by External Audit on the extent to which they place reliance on key financial systems work done by Internal Audit;
- The Use of Resources assessment on internal control;
- A review of the effectiveness of its system of internal audit;
- Performance against targets;
- Letters of representation;
- Customer quality assurance questionnaires;
- A review of the effectiveness of the Audit Committee; 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 was discussed by the AGSWG in mid May to ensure early robust challenge. The AGSWG also undertook a review of the 2008/9 AGS, in particular the disposition of the significant governance issues that were 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. 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"). An annual assessment of the Audit Committee and its effectiveness and alignment with best practice is undertaken annually. The results are reported formally to the Committee's meeting and to Cabinet.

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.

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 Team monitor compliance with key laws and regulations. Executive Directors, Directors and Service Heads are responsible for monitoring implementation of the Council's policies.

4.9 Letters of Representation from Executive Directors and Directors, including the Monitoring Officer for the year ended 31 March 2010 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	Source
Budget pressures Adults Services – In 2009/10 increasing demands on placement numbers and costs meant that a budget pressure of £1.95m arose, that could not be covered by management action in-year	• An in-year, one-off virement from contingency • More rigorous budget monitoring and control procedures to support improved financial management were introduced in 09/10 and fully implemented for 10/11 • A budget realignment exercise has been undertaken for 10/11 budget management	Director of Adults Services	June 2010	Officer discussion
Icelandic Bank £2m – A £2m investment was made with an Icelandic Bank in 2008. The investment has been impaired by a total sum of £1.4m (72%) as at 31 March 2010	• There is an ongoing court case which will determine the likely % to be recovered i.e. either 100% if local authorities achieve preferential creditor status or 28% if they lose	Director of Corporate Finance and Audit	Update to Q3 Audit Committee	Officer discussion

Issue	Actions	Officer Responsible	Timescale	Source
Dickens Yard challenge - Challenge to Dickens Yard development has resulted in a possible judicial review and attracted local press and trade publications attention. Dickens Yard is a major part of current regeneration plans for Ealing town centre and the outcome of any judicial review may result in delay/change to project.	• Budgeted capital receipts figure did not include Dickens Yard due to uncertain timing and sale value of the assets. This will be updated once outcome of the possible judicial review is known.	Director of Property and Regeneration	July 2010	Risk Register and Officer discussion
Housing Management – From 2011/12 housing management including the management of repairs and the capital works programme will be procured and managed by the Council as opposed to the ALMO.	• The Council will put in place its project management methodology for the transition and implementation arrangements for Housing Management	Director of Housing	April 2011	Risk Register and Officer discussion

Issue	Actions	Officer Responsible	Timescale	Source
IT virus – A virus infected the Council's IT system in May 2009. As a result of the virus, for a few days some staff were without full IT facilities and residents were without full access to some services.	• The Council has put in place and is working on, a range of measures to mitigate the likelihood and impact of these incidents. • These include improvements to the network security and an upgrade of the desktop operating system to Windows XP.	Director Business Services Group	December 2010	Risk Register and Internal Audit
Schools Finances – An audit of a high school carried out at the request of its governing body revealed serious internal control weaknesses, some requiring immediate attention. The School has worked closely with the Council's Bursarial Support and Schools Accountancy to implement the recommendations	• Internal Audit will review the status of the recommendations in June 2010. • Internal Audit, Schools Finance and Schools Support Service continue to liaise in order to identify potential establishments that may encounter financial problems. • Internal Audit will formulate and carry out thematic reviews across educational establishments	Head of Audit Head of Audit Head of Audit	June 2010 On going July 2010	Internal Audit work

Issue	Actions	Officer Responsible	Timescale	Source
Health and Safety action plans Letters of representation were made by 82 officers in the Council. Responses in respect of Health & Safety performance improvement and measurement exceeded the set tolerance level of 10% for a negative response.	• Head of Health and Safety to develop Health and Safety improvement plan • Departmental Heads to introduce Health and Safety action plans • Internal Audit will review progress in respect of Health and Safety in December 2010.	Head of Health and Safety Departmental Heads Head of Audit	August 2010 March 2011 December 2010	Letters of representation
Total facilities Management – Weaknesses were found in respect of commercial cost valuations, payments, budgetary control and performance monitoring.	• An action plan for improvement has been agreed and Internal Audit will follow up progress in December 2010	Head of Audit	December 2010	Internal Audit

Signed …………………..

Chief Executive – Ealing Council
Martin Smith
xx June 2010

Signed …………………………..

Leader of the Council
Julian Bell
xx June 2010