EALING COUNCIL

STATEMENT OF ACCOUNTS 2008/09

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 31 March 2009 Ealing's financial standing has been further strengthened and the fourth year of a more business like approach to financial controls meant that:

- The total net expenditure of the Council was contained within budget, the final outturn being an underspend against budget of £0.025M.

- The general fund balance as at 31 March 2009 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. Again the Council began monitoring the achievment of its savings for 2009/10 before the financial year had even begun.

The Council has again achieved its priority of value for money, delivering an overall balanced budget with sound financial management via the monthly finance monitor process.

The processes of planning and control to produce these statements have worked extremely well. A Closing Board was established to monitor the production of these accounts, involving both Corporate Centre and Service Finance teams. This built on the improvement in reconciliation and other financial control measures introduced throughout the year.

The Council has added £1M to its unearmarked reserves to make sure the £15M target has been achieved this year. In addition, earmarked reserves have been further enhanced. I have ensured that the Council has maintained its prudent position in a number of risk areas. This is particularly important as we enter a period of continued economic uncertainty. Potential claims from contractors have been provided for as appropriate.

The continued focus on Council tax collection in 2008/09 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 2009/10 to drive further value for the residents of the Borough.

The Borough continues to refocus its resources to deliver the Council's priorities. In particular the Council has invested in cleaner streets, safer communities and value for money activities.

The Council must plan to contain expenditure on demand led services if it is to sustain a strong position. In addition, the Council must develop robust plans for funding its long term capital investment. Borrowing is very high and limitations are strongly against pushing borrowing much higher without realistic and deliverable commensurate departmental savings.

The Council's Pension Fund net assets decreased by £119.7M during the year to a value of £434.8M, a decrease of 21.6%. This is due to the fall in equity values as a result of the recession. However, as the liabilities of the fund have also decreased, the effect has been a reduction of £10.1M in the Council element of the pension fund deficit on the FRS17 calculated basis.

Foreword to the accounts (continued)

The Council's actuary carried out a formal actuarial review as at 31 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 actuarial 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 next triennial actuarial valuation in 2010, where the impact of the economic downturn will be reflected.

The Council had £1.5 bn worth of fixed assets at the start of the year. The value of these assets reduced by £209M during the year as a result of the fall in property prices associated with the economic downturn. This emphasises the importance of the council's approach to asset management, to ensure effective and efficient use of the operational assets.

The Housing Revenue Account (HRA) has a surplus of £3.7M at the end of the financial year. Due to a number of contractual issues, expenditure on decent homes works was suspended during the year. Re-profiling of decent homes funding has now been agreed with the Homes and Communities agency.

The Council’s Parking Places Reserve Account has continued to prove difficult to contain within planned budgets. The significant concerns raised in previous years about this account were borne out with the general fund having to make good a £2.682M deficit. Significant financial challenges remain for this account.

The Local Authority Business Growth Incentive (LABGI) reserve reflects the receipt of a further £1.5M of LABGI grant in 2008/09 to promote continued economic growth in the local area.

Ealing's formula grant from the government for 2008/09 increased by only the minimum 2% to £139.997million and will remain at the "grant floor" for the foreseeable future, putting great pressure on funding.

In summary the accounts present an authority in sound financial health. However, 2010/11 will require further budget savings to continue this position. The Council still faces a series of significant financial risks, particularly from demand led services, the wider effect of the recession and government grant funding, but is actively managing these to ensure that the financial strength of Ealing is not jeopardised in supporting the delivery of value for money to local taxpayers.

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

EXPLANATORY FOREWORD

1. Statement of Accounts

1.1 The Council's statement of accounts have been produced under the CIPFA/LASAAC Code of Practice on Local Authority Accounting and comply with UK GAAP. The statement of accounts are set out on pages 2 to 75 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 2008/2009 the turnover of Ealing Homes Limited amounted to £17.5M (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 Revenue Expenditure and Services Provided

2.1.1 Revenue Funding

The Council's revenue spending is financed from the following main sources

	£M	%
Rents and Other Income	324	29
Government Grants	538	49
Council Tax	122	11
NNDR (Business Rates)	123	11
	1,107	100

2.1.2 Revenue Expenditure

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

	£M	%
Running Expenses	750	68
Employees	327	29
Capital Financing Charges	30	3
	1,107	100

2.1.3 Services Provided

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

	£M	%
Housing	396	36
Children's and Education	422	38
Adult Social Care	108	10
Corporate Services	67	6
Cultural and Environmental	73	7
Highways, Roads and Transport	41	3
	1,107	100

2.1.4 2008/09 Budget and Actual Comparison

The main components of the General Fund budget (excluding the HRA) for 2008/09 and how these compare with the actual income and expenditure for the year are set out below

	Revised Budget £000	**Outturn £000**	**Variance £000**
Services net expenditure	261,091	261,066	(25)
Income from Government Grant and Local Taxpayers	(262,091)	(262,091)	-
Increase in General Fund Balance for the Year	**(1,000)**	**(1,025)**	**(25)**

2.2 Housing Revenue Account

The Housing Revenue Account has made a surplus of £2.2M for 2008/09, which is greater than the budget surplus of £0.4M by £1.8M. This increases the accumulated balances from £1.5M at 1 April 2008 to £3.7M at 31 March 2009.

2.3 Capital Expenditure

Capital expenditure for 2008/09 was £90.8M. The capital expenditure by service and its financing is shown below -

Service Expenditure

	£M	%
Housing & Regeneration	23.0	25
Environment & Customer Services	29.0	32
Education	27.1	30
Corporate	4.3	5
Social Services	1.2	1
Private Finance Initiative Projects	6.2	7
	90.8	**100**

Financed by

	£M	%
Borrowing	43.6	48
Capital & Other Grants	26.6	29
Revenue Contributions	10.9	12
Major Repairs Reserve	6.2	7
Capital Receipts	3.5	4
	90.8	**100**

3. Collection Fund

3.1 The collection fund made a surplus of £2.2M for the year. The surplus brought forward from 2007/08 was £4.0M and therefore, there is now a surplus of £6.2M at 31 March 2009, of which £1.4M 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 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – Statement of Recommended Practice 2008 (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 2009. 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 a 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 38 and 39 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. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

9. Tangible Fixed Assets (continued)

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. 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.

11. 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.

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.

12. 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.

13. 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.

14. Financial Instruments

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy / LASAAC Joint Committee. This has been based on major changes in international accounting standards which have resulted in this country in the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

This caused major changes in 2007/08 in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new "fair value" disclosure requirements were also introduced. The need for this has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, World Com etc.

For 2008/09 there have been some further, but more minor, modifications to accounting policy and these disclosure notes.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have to be valued on an amortised cost basis using the effective interest rate (EIR) method.

Fair Value

In these 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.

Compliance

This authority has complied with the following: -

1. it has 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

15. Interests in Companies and Other Entities
Ealing Homes is the only organisation that meets the criteria for inclusion in the group accounts and consequently its accounts have been included with those of the London Borough of Ealing in the group accounts.

16. Private Finance Initiative (PFI)
Government Grants received in respect of PFI schemes are credited to an earmarked PFI reserve to fund future expenditure under the PFI contracts.

17. 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 secured and repaid by way of mortgage.

18. Depreciation
All non-housing properties are subject to depreciation charges, other than those specifically exempt, i.e. non-depreciable land and assets with a useful life of over 50 years. Where depreciation is provided for, assets are depreciated using the straight-line method over the following periods:

Buildings (Where appropriate) 5-49 years
Infrastructure 10-40 years
Computers, Equipment, Furniture & Fittings 4 – 30 years
Vehicles 4-7 years

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.

For Housing Revenue Account property the major repairs allowance is used as a proxy for depreciation as permitted by the CIPFA/LASAAC Joint Committee.

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 2008/09 the Council decided to calculate MRP in line with the "regulatory method" of 4% of the Capital Financing Requirement. 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.

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

On 6 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 56 to 60. 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 present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing this statement of accounts I have:

3.1 selected suitable accounting policies and then applied them consistently;

3.2 made judgements and estimates that were reasonable and prudent;

3.3 complied with the Code;

3.4 kept proper accounting records which were up to date;

3.5 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 68 present fairly the financial position of the London Borough of Ealing as at 31 March 2009 and its income and expenditure for the year then ended, and that the accounts set out on pages 70 to 75 present fairly the net assets of the London Borough of Ealing Pension Fund as at 31 March 2009 and its income and expenditure for the year then ended.

Ian O'Donnell
Executive Director of Corporate Resources
29 September 2009

5. Certificate of the Chairman of the meeting

I confirm that these accounts were approved by the Audit Committee at its meeting held on 23 September 2009.

Councillor Yvonne Johnson
Audit Committee Vice-Chairman
29 September 2009

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

Opinion on the Authority accounting statements

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

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

Respective responsibilities of the Executive Director of Corporate Resources and auditor

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

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In my opinion:

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

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

Opinion on the pension fund accounts

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

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

Respective responsibilities of the Executive Director of Corporate Resources and auditor

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

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

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

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

Basis of audit opinion

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

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

Opinion

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

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

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

Delay in certification of completion of the audit

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

Mr Kash Pandya
District Auditor

Audit Commission, 1st Floor Millbank Tower, Millbank, London SW1P 4HQ

30 September 2009

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account was introduced from 2006/07 and 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 2008/09 is shown on the summary account of the SMGFB.

	2008/2009 Gross Expenditure £000	2008/2009 Income £000	2008/2009 Net Expenditure £000	2007/2008 Net Expenditure £000
Adult Social Care	108,424	(24,433)	83,991	70,680
Central Services to the Public	67,234	(46,061)	21,173	27,158
Children's and Education Services	421,945	(306,184)	115,761	39,933
Cultural, environmental, regulatory and planning services	71,942	(17,020)	54,922	47,787
Highways and transport services	40,837	(24,336)	16,501	16,025
Local authority housing (HRA)	158,526	(66,395)	92,131	39,421
Other housing services	237,873	(231,328)	6,545	9,092
Net Cost of Services	1,106,781	(715,757)	391,024	250,096
(Gain) or loss on disposal of fixed assets			928	-
Levies (note 10)			8,589	7,380
Contribution to/(from) Housing Act Advances (note 11)			9	(7)
Interest and Investment Income			(11,257)	(13,393)
Interest Payable and similar charges			30,025	33,036
Contribution of Housing Capital Receipts to Government Pool			862	4,128
Pension Interest Cost and expected return on pension assets			15,131	5,700
Net Operating Expenditure			435,311	286,940
Demand on the Collection Fund			(122,096)	(117,761)
Revenue Support Grant			(17,107)	(18,871)
Other non-specific grants (note 5)			(14,913)	(5,369)
Contribution from non-domestic rate pool			(122,890)	(112,446)
Deficit for the year			**158,305**	**32,493**

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.

		2008/2009 £000	2007/2008 £000
(Surplus) / Deficit for the year on the Income and Expenditure Account		158,305	32,493
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)**	(159,330)	(34,546)
Increase in General Fund Balance for the Year		**(1,025)**	**(2,053)**
General Fund Balance brought forward		(14,153)	(12,100)
General Fund Balance carried forward - available for new expenditure		**(15,178)**	**(14,153)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Statement of Total Recognised Gains and Losses brings together all the gains and losses of the council for the year 2008/09 and shows the aggregate increase in its net worth.

	2008/2009 £000	2007/2008 £000
Deficit for the year on the Income and Expenditure Account	158,305	32,493
(Surplus) / deficit arising on revaluation of fixed assets	23,786	(64,249)
Actuarial (gains)/losses on pension fund assets and liabilities.	(19,937)	89,987
Movement on Collection Fund attributable to the authority	(1,723)	(2,757)
Other (gains) / losses	533	7,071
Total recognised (gains) / losses for the year	160,964	62,545

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Note A

Reconciling Items for the Statement of Movement on the General Fund (GF)

	2008/2009 £000	2007/2008 £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		
Amortisation of Loan Premium	1,166	1,167
Depreciation and Impairment of fixed assets	(189,388)	(76,039)
Financial Instruments Adjustment	(70)	(1,706)
Government Grants Deferred amortisation	9,211	9,850
De-minimus capital expenditure written off to revenue	(700)	(531)
Write down of revenue expenditure funded from capital under statute	(9,894)	(5,441)
Net gain / (loss) on sale of fixed assets	(928)	-
PFI appropriation contribution	(2,926)	(2,926)
PFI Residual Interest	6,179	6,179
Net Charges made for retirement benefits in accordance with FRS 17	(34,180)	(28,916)
	(221,530)	(98,363)
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		
Statutory Provision for repayment of debt	10,563	10,077
Deferred Capital Receipts	-	2,015
Capital expenditure charged in-year to the GF	4,758	1,630
Transfer from usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(862)	(4,128)
Employer's Contribution payable to the pension fund	24,374	22,146
	38,833	31,740
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	2,168	(5,698)
Contribution to specific reserves	21,199	37,775
	23,367	32,077
Net amount to be credited to the General Fund balance for the year	**(159,330)**	**(34,546)**

BALANCE SHEET

BALANCE SHEET as at 31 March 2009	See Note	31 March 2009 £000	31 March 2009 £000	31 March 2008 £000
Tangible Fixed Assets - Operational	(13)	1,252,495		1,431,804
Tangible Fixed Assets - Non-Operational	(13)	38,496		16,896
Deferred Assets	(13)	22,268		16,089
Total Fixed Assets			1,313,259	1,464,789
Deferred Consideration			65,699	67,443
Long Term Investments	(44)		8,415	4,502
Mortgagors	(19)		350	551
Other Long Term Debtors	(20)		2,154	2,184
Total Long Term Assets			1,389,877	1,539,469
Current Assets				
Short Term Investments	(44)	174,926		187,458
Debtors	(21)	69,085		61,089
Cash at Bank and in hand		25,654		11,812
			269,665	260,359
Current Liabilities				
Creditors	(22)	(149,757)		(127,940)
Short Term Loans	(44)	-		(502)
			(149,757)	(128,442)
Total Assets Less Current Liabilities			1,509,785	1,671,386
Long Term Loans	(44)		(525,342)	(524,613)
Long Term Liabilities	(25)		(1,425)	(1,747)
Government Grants-Deferred	(26)		(102,054)	(88,547)
Provisions	(27)		(10,603)	(15,023)
Pension scheme liability	(38)		(292,200)	(302,331)
Total Assets less Liabilities			578,161	739,125
Financing:				
Revaluation Reserve	(28)		29,994	54,906
Capital Adjustment Account	(29)		687,677	866,451
Financial Instruments Adjustment Account	(30)		(4,484)	(5,578)
Usable Capital Receipts	(31)		2,020	483
Deferred Capital Receipts	(32)		2,280	2,395
Pensions Reserve	(38)		(292,200)	(302,331)
Major Repairs Reserves	(33)		31,632	27,226
General Fund	(34)		15,178	14,153
Other Balances and Reserves	(35)		101,229	78,308
Collection Fund	page 61		4,835	3,112
Total net worth			578,161	739,125

CASH FLOW STATEMENT

	2008/2009 £000	2008/2009 £000	2007/2008 £000
Net Cash Inflow from Revenue Activities		(82,667)	(82,074)
Servicing of Finance			
Interest paid	27,364		27,046
Interest received	(10,806)	16,558	(11,807)
		(66,109)	(66,835)
Capital Activities			
Cash Outflows			
Purchase of fixed assets	79,068		102,457
Purchase of long term investments	3,500		4,500
Other Capital Cash payments	10,595		9,758
		93,163	116,715
Cash Inflows			
Sale of fixed assets	(5,799)		(18,362)
Capital grants received	(22,718)		(22,632)
		(28,517)	(40,994)
Net Cash Inflow before Financing		(1,463)	8,886
Management of Liquid Resources			
Net increase / (decrease) in short term deposits		(12,532)	41,449
Financing			
Cash outflows			
Repayments of amounts borrowed	26,400		118,488
Capital element of finance lease rental payments	3		-
Cash inflows			
New loans raised	150		(65,000)
New short term loans	(26,400)	153	(111,065)
(Increase) / decrease in cash		(13,842)	(7,242)

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 follows :

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 £4,458k in 2008/09 (£4,322k in 2007/08).

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 2008/09 was £8,022k, (2007/08 £6,035k).

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 of £24m will be paid over 25 years and used to fund the project with Ealing Care Alliance. The building of the homes will be fully complete in 2009.

The value of the Unitary charge in 2008/09 was £8,263k (2007/08 £4,301k). 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 will increase to 291 once 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, Chestnut Lodge, is scheduled to open in summer 2009.

1.3 Street Lighting PFI

The project involves the renewal and upgrading of street lighting across Ealing and EDF Energy / Southern Electric Energy have taken over the responsibility for the management, design, installation, ongoing repair 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, 3,363 existing columns were removed and 3,855 columns were installed.

The value of the Unitary charge in 2008/09 was £3,043k (2007/08 £2,036k).

2. Trading Accounts

2.1 Building Control - The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the building control unit cannot be charged for, such as providing general advice and liasing with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2.2 Off Street Car Parking - This is provided in competition with privately run car parks.

2.3 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 2008/2009 £000**	**Income 2008/2009 £000**	**Net Expenditure 2008/2009 £000**	**Net Expenditure 2007/2008 £000**
Building Control - Chargeable	1,237	949	288	(129)
Building Control - Non Chargeable	528	208	320	456
	1,765	1,157	608	327
Off Street Car Parking	607	2,123	(1,516)	(1,444)
Trade Refuse	831	1,424	(593)	(627)

3. Business Improvement District (BID)

The Ealing Broadway BID is run by businesses in partnership with Ealing Council and the Metropolitan Police to boost trade and make the area safer and more enjoyable for visitors, businesses and residents alike. The BID Funds provide additional measures for the area over and above those provided as standard. This ranges from increased security, improved signage, marketing and promotion activities for Ealing as a destination and community, upgrading the physical environment with the further removal of graffiti and improved provisions for public spaces. Ealing Council collects the levy from business rate payers of behalf of the BID body.

	2008/2009 £000	**2008/2009 £000**	**2007/2008 £000**
BID Levy Income	(379)		(337)
Other Income collected by BID Board	(285)		(118)
Total Income		(664)	(455)
Cost of collecting the levy	21		20
Expenditure on providing services	633		415
Provision held as reserve for appeals	52		35
Total Expenditure		706	470
Deficit for the year		42	15
Surplus brought forward		(128)	(143)
Surplus carried forward		(86)	(128)

4. 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.

	2008/2009 Total Costs £000	2007/2008 Total Costs £000
Community Equipment	1,863	1,648
Total Cost	1,863	1,648
Funding :		
Ealing Council	911	1,010
Ealing Primary Care Trust	952	638
Total Funding	1,863	1,648

5. Non-Specific Grants

The grants included in the Income & Expenditure Account under 'Other non-specific grants' are as follows:

	2008/2009 £000	2007/2008 £000
Local Authority Business Growth Incentive Grant	1,501	4,504
LPSA Reward Grant	-	600
Section 106	-	265
Area Based Grant	13,412	-
	14,913	5,369

Both 2008/09 grants are not ringfenced and therefore, there are no restrictions on their use by the Council.

6. Members Allowances

The total of allowances paid to the members of the Council was £1,189,609 in 2008/09 (£1,020,052 in 2007/08).

7. Publicity Account

Section 5(1) of the Local Government Act 1986 required the local authority to keep a separate account of its expenditure on publicity. The expenditure is analysed as follows:-

	2008/2009 £000	2007/2008 £000
Staff Recruitment	686	624
Advertising	1,222	1,058
Marketing, Communications & Web Services	407	423
Printing	854	958
	3,169	3,063

8. Related Party Transactions

8.1 The Council is required under Financial Reporting Standard 8 (FRS 8) to disclose the existence of related parties and material transactions with them.

8.2 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 in the financial statements.

8.3 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 2009 and the Board has £650,000 (31 March 2008 £500,000) 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 acts 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 £151K to the trust in 2008/09.

8.4 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 £1.3M at 31/03/09 (£1.9M at 31/03/08). Ealing Homes had £3.3M placed on deposit with Ealing Council at 31/03/09.
During 2008/2009 the following Councillors were Directors of Ealing Homes Limited:

- Councillors Yerolemou, Pagan, Young, Bell, and Gallagher until May 2008
- Councillors Yerolemou, Pagan, Popham, Reeves, and Gallagher from June 2008

8.5 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 £1.863m in 2008/09. One Ealing Member is also an associate director of Ealing PCT.

8.6 All Officers and Councillors submitted their returns.

9. Audit Costs

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

	2008/2009 £000	2007/2008 £000
Fees payable to the Audit Commission appointed auditor with regard to external audit services carried out by the appointed auditor	376	92
Fees payable to the Audit Commission in respect of statutory inspection	27	439
Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns	130	150
	533	681

10. Levies

	2008/2009 £000	2007/2008 £000
London Pension Fund Authority	486	338
Lee Valley Park	352	344
National Rivers Authority	233	208
West Waste Authority	7,313	6,298
Coroners Services	205	192
	8,589	7,380

11. 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.

	2008/2009 £000	2007/2008 £000
INCOME		
Interest charged to mortgagors	9	11
Fees and charges	16	28
	25	39
EXPENDITURE		
Interest on loans	7	12
Management expenses	27	20
	34	32
Contribution to / (from) General Fund	(9)	7

12. Employees Remuneration

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 were:

Remuneration Band	Number of Employees 2008/2009	Number of Employees 2007/2008
£50,000 - £59,999	203	176
£60,000 - £69,999	93	83
£70,000 - £79,999	38	31
£80,000 - £89,999	21	12
£90,000 - £99,999	13	12
£100,000 - £109,999	6	6
£110,000 - £119,999	3	1
£120,000 - £129,999	2	2
£130,000 - £139,999	2	-
£140,000 - £149,999	-	-
£150,000 - £159,999	1	2
£160,000 - £169,999	1	-
£170,000 - £179,999	-	-
£180,000 - £189,999	-	-
£190,000 - £199,999	-	-
£200,000 - £209,999	-	-
£210,000 - £219,999	-	1
£220,000 - £229,999	1	-

13. Fixed Assets

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

	Balance at 1 April 2008 £000	Additions £000	Previously unrecognised Assets £000	Disposals £000	Revaluation £000	Impairment £000	Re-classification £000	Depreciation £000	Balance at 31 March 2009 £000
Operational assets									
- Council dwellings	956,211	13,509	-	(3,603)	-	(141,945)	(22,484)	(10,606)	791,082
- Other land & buildings	383,700	13,946	325	(1,341)	16,149	(56,909)	8,958	(8,355)	356,473
- Vehicles, plant & Equipment	21,578	8,647	-	-	-	-	-	(8,202)	22,023
- Infrastructure assets	67,770	16,105	-	-	-	-	-	(5,162)	78,713
- Community assets	2,545	1,659	-	-	-	-	-	-	4,204
Non-operational assets									
- Surplus Assets	16,132	323	-	(3,047)	341	(9,832)	6,746	(625)	10,038
- Investment Assets	-	-	-	-	1,794	(752)	6,780	-	7,822
- Asset Under Construction	764	19,872	-	-	-	-	-	-	20,636
- Deferred Asset (PFI)	16,089	6,179							22,268
	1,464,789	80,240	325	(7,991)	18,284	(209,438)	-	(32,950)	1,313,259

A prior year adjustment of £2,312k has been made to the opening balance of 'Other land and buildings' to reflect the values in the Council's asset register. This is offset by a credit entry to the Capital Adjustment Account.

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

	2008/2009 £000	2007/2008 £000
Supported Borrowing	13,601	54,028
Unsupported Borrowing	29,998	17,523
Revenue Contributions	10,937	7,809
Capital Receipts	3,510	14,287
Capital Grants and other	26,543	22,533
Major repairs reserve	6,200	5,237
Finance Lease Liability	45	-
	90,834	121,417

	2008/2009 £000	2007/2008 £000	
Fixed Assets purchased	74,013	105,478	
Fixed Assets acquired under finance lease	48	-	
Creation of PFI Deferred Asset	6,179	6,179	
Revenue Expenditure Funded from Capital under Statute :	9,894	9,229	
De-minimus capital expenditure	700	531	
	90,834	121,417	-

14. 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 2009. 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.

	2009/2010 £000	2010/2011 £000	2011/2012 £000	Total £000
Schools Services	12,618	-	-	12,618
Children's Services	24	-	-	24
Street Environment	3,297	-	-	3,297
Cultural Services	11,243	3	-	11,246
Corporate Resources	1,869	-	-	1,869
Housing (General Fund)	2,345	-	-	2,345
Housing (HRA)	1,777	-	-	1,777
Total	33,173	3	-	33,176

15. The numbers of major fixed assets are:-

		2009	2008
Council Dwellings		13,303	13,605
HRA Garages		3,206	3,212
HRA Shops		84	85
HRA Offices		7	8
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
Schools		72	71
Libraries		12	12
Museums		1	1
Parks and Recreation Grounds		837ha	837ha
Cemeteries		5	5
Social Services Adults	- Residential Homes/Hostels	12	12
	- Day Centres	9	9
Social Services C&F	- Residential Homes/Hostels	2	3
	- Day Centres	2	2
	- Play Centres	4	4
	- Children's Centres	3	3
	- Youth Centres	5	5

16. 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.

17. Leases

17.1 Operating Leases

The Council holds various assets under operating leases. In 2008/09 the Council entered into one new operating lease for one vehicle and terminated another vehicle's contract, incurring early termination costs of £3.5k. The rental paid during the year amounted to £191,714.77 (2007/08 £125,468). Undischarged obligations under operating leases at 31 March 2009 amounted to £456,745 (2008 £648,289), a breakdown of the commitment in years is shown below.

	2009 £000	2008 £000
Commitment to Expire:		
Within 1 year	31	-
Within 2 to 5 years	426	648*
Over 5 years	-	-
Total	457	648

* This figure has changed from the 2007/08 audited accounts due to additional leases that came to light during 2008/09

There are no significant leases of land and buildings to be included in this note.

17.2 Finance Leases

The Council has acquired sports equipment under a finance lease during 2008/09. The rentals payable under this arrangement in 2008/09 were £3.4k charged to the Income and Expenditure Account as £0.4k finance costs (debited to interest payable) and £3k 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:

	2009 £000	2008 £000
Value at 1 April	-	-
Additions	47	-
Revaluations	-	-
Depreciation	-	-
Disposals	-	-
Value at 31 March	47	-

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2009, accounted for as part of long-term liabilities, are as follows:

	2009 £000	2008 £000
Commitment to Expire:		
Within 1 year	10	-
Within 2 to 5 years	34	-
Over 5 years	-	-
Total	44	-

18. 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 2008/09. All property assets are revalued as part of a five year rolling programme. Revaluations have taken place in 2008/09 comprising a mixed portfolio of operational and non-operational property including:
- car parks
- leisure properties
- libraries
- youth centres and playcentres
- other miscellaneous assets

The assets were revalued as at 31st March 2009. In addition to the rolling programme, a desktop impairment review was carried out by Lambert Smith Hampton for all properties that were not fully revalued during 2008/09.

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 adopted FRS15 in 2001/02 which requires that all properties are subject to depreciation charges except where specifically exempt, i.e. non-depreciable land and assets with a useful life of over 50 years (see also accounting policy 17 on page 12).

19. Long Term Debtors: Mortgagors

These are debts secured by mortgage and due after one year

	31 March 2009 £000	31 March 2008 £000
Council House Sales	320	441
Housing Associations	30	85
Individuals	-	25
	350	551

20. Long Term Debtors: Other

These are debtors which fall due after one year.

	31 March 2009 £000	31 March 2008 £000
Deferred Capital Receipt	2,015	2,015
Car Loans to Employees	80	101
Other	59	68
	2,154	2,184

21. Debtors

	31 March 2009 £000	31 March 2009 £000	31 March 2008 £000		31 March 2008 £000
Government Departments	23,786		19,528	*	
Other Public Authorities	13,168		12,606	*	
Payments in Advance	2,971		702		
NNDR	11,064		7,445		
Council Tax	20,257		18,679		
Rent Arrears (including Housing Benefit overpayments)	18,567		19,690	*	
Housing Association Grant Due	1,245		2,281		
Sundry Debtors	27,794		27,534	*	
		118,852			108,465
Less provision for bad and doubtful debts		(49,767)			(47,376)
		69,085			61,089

* These categories of debtors have been re-classified for 2007/08 to align with the 2008/09 classification

22. Creditors

	31 March 2009 £000	31 March 2008 £000	
HM Revenue & Customs	5,158	5,035	
Other Government Departments	23,257	18,510	*
Other Public Authorities	5,477	4,816	*
Receipts in Advance	25,491	24,391	
Council Tax Payers	5,951	2,641	
NNDR	6,018	5,139	
Ealing Pension Fund	19,314	9,612	
Housing:			
Rents	3,436	3,564	
Mortgages	939	318	
Ealing Homes	3,266	1,585	
Sundry Creditors	51,450	52,329	*
	149,757	127,940	

* These categories of creditors have been re-classified for 2007/08 to align with the 2008/09 classification

23. Analysis of Net Assets Employed

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

	2009 £000	2008 £000
General Fund	(9,668)	7,459
Housing Revenue Account	587,829	731,666
Balance at 31 March	578,161	739,125

24. 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 2008/09 was £1,010K (£1,076K in 2007/08) and the net assets held were £246K (£163K in 2007/08).

The Council's contribution to Locata Ltd in 2008/09 was £96K (£106K in 2007/08). 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

25. Long Term Liabilities

	Balance at 1 April 2008 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2009 £000
Hull-Grundy Bequest Fund	206	7	18	195
Northala Fields	507	71	370	208
Deposits	1,025	99	145	979
Other Funds	9	52	18	43
Total	1,747	229	551	1,425

26. Government Grants Deferred

Government Grants Deferred is made up of grants received to finance capital expenditure. These will be amortised to the Income and Expenditure account over the life of the fixed assets that they are used to finance. The balance comprises grants received that will be used in future years and those that have been applied to expenditure in the current or previous years.

During 2008/09 a matching exercise took place to ensure all grants held in the government grants deferred account could be tied back to the assets those grants financed. This has resulted in a restatement to the opening balance of £40,902k which was written off from government grants deferred to the capital adjustment account. This is an accounting adjustment only and does not impact on the overall financial position of the authority.

	Balance at 1 April 2008 as restated £000	Receipts In Year £000	Amortisation / Applied in year £000	Balance at 31 March 2009 £000
Capital Grants Applied	66,200	26,275	9,211	83,264
Capital Grants Unapplied	22,347	22,718	26,275	18,790
TOTAL	88,547	48,993	35,486	102,054

27. Provisions

	Balance at 1 April 2008 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2009 £000
Total Provisions	15,023	8,154	12,574	10,603

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. Some clients or next of kin are yet to be traced but action is being taken to make refunds where possible during 2008/09 and future years. An analysis undertaken at the end of the year suggested the provision required to meet these costs has 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. Printing provision - this was made for revenue and tax printing costs, relating to the financial years 2003/04 to 2006/07, as the supplier of the printing facilities did not provide full billing for this period. Full settlement of printing costs was made in 2007/08, and the balance of the reserve has now been released.

5. 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 claims mainly related to the level of overhead and profit the contractors consider they should have been paid and the level of indexation allowed under the contracts. Although proceedings were not issued the Council has reached agreement with both the contractors with the result that the only provision remaining at 31 March 2009 covers settlement costs to be paid in 2009/10 and 2010/11.

28. 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 2009 therefore, only shows revaluation gains accumulated since 1 April 2007, with previous gains being incorporated into the Capital Adjustment Account.

	General Fund 2008/09 £000	HRA 2008/09 £000	Total 2008/09 £000	Total 2007/08 £000
Balance at 1 April	15,731	39,175	54,906	-
Revaluation Reserve depreciation	(215)	-	(215)	-
Revaluation gains	16,165	2,072	18,237	62,842
Impairments charged to Revaluation Reserve	(4,175)	(38,173)	(42,348)	-
Addition of previously unrecognised assets	-	325	325	1,407
Disposal of revalued fixed assets	(509)	(402)	(911)	(9,343)
Balance at 31 March	26,997	2,997	29,994	54,906

29. 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. The balance at 1 April 2007 has been subject to restatement, see notes 13.1 and 26 for details.

	2009 £000	2008 as restated £000
Balance at 1 April	866,451	921,247
Impairment of Fixed Assets	(167,089)	(56,761)
Revaluation of Fixed Assets charged to I&E	45	-
Disposal of Fixed Assets	(7,080)	(10,519)
Minimum revenue provision	10,563	10,077
Depreciation	(22,344)	(19,277)
Revaluation Reserve Depreciation	215	-
Amortisation of government grants deferred	9,211	9,850
De-Minimus Capital Expenditure	(700)	(531)
Applied capital receipts	3,511	14,287
Loan Premium	-	5,039
Direct revenue financing	4,758	1,630
Contribution from major repairs reserve	(4,406)	(5,480)
Private Finance Initiative - Deferred Consideration	(1,743)	(63)
Private Finance Initiative - Creation of Deferred Asset	6,179	6,179
Revenue Expenditure Funded from Capital under Statute	(9,894)	(9,227)
Balance at 31 March	687,677	866,451

30. 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 investements.

	2009 £000	2008 £000
Balance at 1 April	5,578	-
Effective Interest Rate Adjustment	70	1,706
HRA Item 8 debit adjustment	(1,164)	3,872
Balance at 31 March	4,484	5,578

31. 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.

	2009 £000	2008 £000
Balance at 1 April	483	1,873
Received in year	5,048	12,897
Applied during year	(3,511)	(14,287)
Balance at 31 March	2,020	483

32. Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales which will be received in instalments over an agreed period of time. They arise principally from mortgages on sales of council houses, which form part of mortgages under long term debtors. Other deferred capital receipts of £2,015k relating to the sale of 22-24 Uxbridge Road, due in 2010, are also included in the £2,280k total on the balance sheet.

33. Major Repairs Reserve

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

	Balance at 1 April 2008 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2009 £000
HRA Major Repairs Reserve	27,226	10,606	6,200	31,632

34. General Fund

	2009 £000	2008 £000
Balance at 1 April	14,153	12,100
(Decrease) / Increase in General Fund Balance for the Year	1,025	2,053
Balance at 31 March	15,178	14,153

35. Reserves and Other Revenue Balances

Reserves :	Balance at 1 April 2008 £000	Transfers In £000	Transfers Out £000	Balance at March 2009 £000
Building Schools for the Future	1,136	1,351	263	2,224
Business Improvement Reserve	1,420	293	1,236	477
Business Rates Liability	-	200	-	200
Business Risk Reserve	4,500	7,100	500	11,100
By-elections Reserve	75	50	25	100
Capitalisation Reserve	1,500	-	1,485	15
Compensation for loss of office Reserve	7,676	3,232	2,244	8,664
Ealing Civic Improvement Fund (ECIF)	1,497	5,881	528	6,850
Economic Incentive Reserve	-	7,000	-	7,000
Elections Reserve	118	218	-	336
Government Grant Claim Reserve	1,000	-	-	1,000
Health & Safety Inspection Reserve	1,139	-	-	1,139
Human Resources Reserve	-	3,000	-	3,000
ICT Reserve	-	150	-	150
Treasury Risk Reserve	1,343	2,000	-	3,343
Line by Line Reserve	1,650	1,855	1,650	1,855
Property Projects Reserve	5,000	-	2,000	3,000
Police Com. Support Officers Reserve	1,000	-	500	500
Property Dilapidation Reserve	968	600	661	907
Property Maintenance Reserve	190	-	93	97
Repairs & Renewals Reserve	1,195	-	-	1,195
Schools Central Exp. Reserve (DSG)	523	227	-	750
Transport / Legal Reserve	818	-	162	656
Local Govt. Business Growth Incentive Grant	3,882	1,501	3,881	1,502
Sub-total Ear-marked Reserves	36,630	34,658	15,228	56,060
Education PFI Reserve	12,052	8,755	7,798	13,009
Older Person's PFI Reserve	8,168	301	1,840	6,629
Street Lighting PFI Reserve	2,862	2,179	1,417	3,624
Individual Schools Budget Balances	15,637	1,589	-	17,226
Sub-total Other Reserves	38,719	12,824	11,055	40,488
Revenue Balances				
Housing Revenue Account	1,537	2,168		3,705
Lessees Central Heating Account	238		213	25
Education Balances	1,231		627	604
Control Accounts	(47)	394		347
Sub-total Revenue Balances	2,959	2,562	840	4,681
Total Reserves & Revenue Balances	**78,308**	**50,044**	**27,123**	**101,229**

35. Reserves and Other Revenue Balances (continued)

Reserves :
Contributions to revenue reserves have ben 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.

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 project in 2009/10 and future years.

6. Treasury Risk Reserve, 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 37)

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 has been setup to provide resources for the Council to respond to the rapidly changing economic conditions.

36. 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 (2008: £47,642) with revenue balances of £12,115 (2008: £11,880).

37. 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 are as follows:

	2008/09 Central Expenditure £000	2008/09 Individual School Budget £000	2008/09 Total £000	2007/08 Total £000
A Final DSG for the year	-	-	194,006	185,023
B Brought forward from previous year	-	-	523	-
C Carry forward agreed in advance	-	-	523	-
D Agreed budgeted distribution	24,149	169,857	194,006	185,023
E Final Budget distribution	23,755	170,251	194,006	185,023
F Actual Expenditure	23,528	168,662	192,190	183,899
G Local Authority Contribution	-	-	-	-
H Under / (Over)spend for the year	**227**	**1,589**	**1,816**	**1,124**
I Balances brought forward	523	15,637	16,160	15,036
J Underspend carried forward	**750**	**17,226**	**17,976**	**16,160**

Notes

A DSG figure as issued by DCSF on 19 June 2008
B Figure brought forward from 2007/08 as agreed with DCSF
C Amount which the authority decided after consultation with the schools forum to carry forward to 2009/10
D Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum
E Final budget split between Central Expenditure and ISB 2008/09
F Actual Central / ISB expenditure in 2008/09
G Contribution from the local authority in 2008/09
H Underspend Central / ISB expenditure in 2008/09 (E-F+G)
I Underspends brought from from 2007/08
J Underspends carried forward to 2009/10 (H+I)

38. Retirement Benefits

38.1 - 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.

38. Retirement Benefits (continued)

The authority participates in the following pension scheme:

- the Local Government Pension Scheme for civilian employees. Administered by Ealing Council, this is a funded 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.

38.2 - Change of accounting policy

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £492.4m to £491.4m, a decrease of £1.0m, resulting in an increase of the pension deficit of £1.0m (31 March 2007: increase of £1.0m).

38.3 - 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 in the General Fund Balance.

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

	2008/2009 £000	2007/2008 £000
Income and Expenditure Account		
Net Cost of Services:		
current service cost	18,017	18,335
past service costs	607	4,478
effect of settlements or curtailments	425	533
Net Operating Expenditure:		
interest cost	48,484	38,950
expected return on assets in the scheme	(33,353)	(33,380)
Net Charge to the Income and Expenditure Account	**34,180**	**28,916**
Statement of Movement in the General Fund Balance		
reversal of net charges made for retirement benefits in accordance with FRS 17	(34,180)	(28,916)
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	24,374	22,146

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £19,937k (£89,863k 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

38. Retirement Benefits (continued)

38.4 - Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	£000s 2008/2009	£000s 2007/2008
1st April	(793,766)	(721,058)
Current service cost	(18,017)	(18,335)
Interest cost	(48,484)	(38,950)
Contributions by scheme participants	(8,672)	(6,538)
Actuarial gains and losses	163,478	(28,279)
Benefits paid	24,580	24,405
Curtailments	(425)	(533)
Past service costs	(607)	(4,478)
31st March	(681,913)	(793,766)

Reconciliation of fair value of the scheme assets:

	£000s 2008/2009	£000s 2007/2008 as restated
1st April	491,435	515,427
Expected rate of return	33,353	33,313
Actuarial gains and losses	(143,541)	(61,584)
Employer contributions	24,374	22,146
Contributions by scheme participants	8,672	6,538
Benefits paid	(24,580)	(24,405)
31st March	389,713	491,435

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 £110,188k (2007/2008: £26,448).

38.5 Scheme History

	2008/2009 £000	2007/2008 as restated £000	2006/2007 as restated £000	2005/2006 * £000	2004/2005 * £000
Present Value of Liabilities	(681,913)	(793,766)	(721,058)	(718,750)	(631,167)
Fair Value of Assets	389,713	491,435	515,427	486,469	398,046
Surplus/(deficit) in the scheme:	(292,200)	(302,331)	(205,631)	(232,281)	(233,121)

* The council has elected not to restate fair value of scheme assets for 2004/05 and 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 £292.2m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing the overall balance to £576.2m.

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 2010 is £21.0m.

38. Retirement Benefits (continued)

38.6 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.

	2008/09	2007/08
The principal assumptions used by the actuary have been:		
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Bonds	6.0%	6.1%
Other	0.5%	5.3%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.2	21.1
- Women	24.0	24.0
Longevity at 65 for future pensioners:		
- Men	22.2	22.2
- Women	25.0	25.0
Rate of inflation	3.3%	3.6%
Rate of increase in salaries	5.05%	5.4%
Rate of increase in pensions	3.3%	3.6%
Rate for discounting scheme liabilities	7.1%	6.1%
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 2009 %	31 March 2008 %
Equity investments	70.0	73.7
Bonds	27.0	23.7
Cash / Liquid Assets	3.0	2.6
	100.0	100.0

38.7 History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2008/2009 %	2007/2008 %	2006/2007 %	2005/2006 %	2004/2005 %
Differences between the expected and actual return on assets	(36.8)	(12.5)	(0.3)	11.8	4.0
Experience gains and losses on liabilities	24.0	(2.2)	-	(0.8)	5.0

39. 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.

39. Pension Costs - Teachers (continued)

In 2008/09 the Council paid £12.4M (2007/08 - £11.9M) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 14.1% (2007/08 - 14.1%) of teachers pensionable pay for the year. At 31 March 2009 the pension contributions due to the scheme in respect of the March 2009 salaries were £1,050k.

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 2008/09 these amounted to £1.45M, (2007/08 - £1.72M) representing 1.6% (2007/08 – 2.0%) of pensionable pay.

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

	2008/2009 £000	2007/2008 £000
(Surplus) / Deficit for year on I&E	158,305	32,493
Non cash items posted to I&E:		
- movement in provisions	4,420	(4,624)
- government grants deferred amortisation	9,211	9,850
- financial instruments adjustment - effective interest rate	(70)	(1,706)
- non cash element of interest paid	(2,653)	(5,281)
- amortisation of loan premium	1,166	1,167
- long term investments written down	-	(45)
- FRS 17 adjustments	(34,180)	(28,916)
- Depreciation	(22,343)	(19,276)
- Impairments charged to I&E	(167,089)	(56,762)
- revaluation gains charged to I&E	45	-
- PFI deferred consideration and residual interest	3,253	3,253
- Additional pension fund contribution	(800)	(800)
- other non cash items	8,739	(3,769)
Movements in working capital:		
- debtors	7,547	(5,355)
- creditors	(26,864)	24,867
- stocks & works in progress	-	(1,311)
Items appearing elsewhere in the statement:		
- revenue expenditure funded from capital under statute	(9,895)	(9,227)
- De-minimus capital expenditure	(700)	(531)
- Returns on investment & servicing of finance	(16,558)	(15,239)
- Fixed asset disposals	5,799	18,362
Net cash flow from revenue activities	(82,667)	(62,850)

41. Reconciliation of cash flow to net debt

	Balance at 1 April 2008 £000	Cash inflow £000	Cash outflow £000	Balance at 31 March 2009 £000
Long term loans	(524,613)	(729)	-	(525,342)
Short term loans	(502)	(26,400)	26,902	-
Total loans	(525,115)	(27,129)	26,902	(525,342)
Cash inflow / (outflow) from increase in liquid resources	187,458	(3,119,680)	3,107,148	174,926
Increase in cash balance	11,812	13,842	-	25,654
Total movement in net debt	(325,845)	(3,132,967)	3,134,050	(324,762)

42. Analysis of liquid resources and financing

	Balance at 1 April 2008 £000	Movement in year £000	Balance at 31 March 2009 £000
Liquid Resources:			
Temporary Investments	187,458	(12,532)	174,926
Financing:			
Short term loans	(502)	502	-
Long term loans	(524,613)	(729)	(525,342)
	(525,115)	(227)	(525,342)

Liquid resources is comprised of the Authority's short term investments. This is unchanged from previous years.

43. Financial Instruments Balances

Types of Financial Instruments

Accounting regulations require the “financial instruments” (investment, 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 2009 £000	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000
Financial liabilities at amortised cost	525,342	524,613	-	502
Trade creditors	-	-	149,757	127,940
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	525,342	524,613	149,757	128,442
Loans and receivables	8,415	4,502	174,926	187,458
Trade debtors	-	-	69,085	61,089
Available-for-sale financial assets	-	-	-	-
Fair value through Profit and Loss	-	-	-	-
Unquoted equity under available for sale through x method	-	-	-	-
Total investments	8,415	4,502	244,011	248,547

NOTES

1. Market loans (LOBOs) of £45m 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 paragraph B9 of SORP 2008 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.

44. 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	Available-for-sale assets £000s	Fair value through P&L £000s	2008/09 Total £000s	Liabilities measured at amortised cost £000s	Loans and receivables £000s	2007/08 Total £000s
Interest expense	(27,353)				(27,353)	(30,659)	-	(30,659)
Interest payable and similar charges	**(27,353)**				**(27,353)**	(30,659)	-	(30,659)
Interest income		11,257			11,257	-	11,721	11,721
Interest and investment income	**-**	**11,257**			**11,257**	-	11,721	11,721
Amounts recycled to the I&E account after impairment		(151)			(151)			-
Surplus arising on revaluation of financial assets	**-**	**(151)**			**(151)**	-	-	-
Net gain/(loss) for the year	**(27,353)**	**11,106**			**(16,247)**	(30,659)	11,721	(18,938)

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.

44. 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 072/09.
* 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 2009		31 March 2008	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
PWLB - maturity	443,673	499,673	443,666	481,510
LOBOs	81,019	82,432	81,449	85,506
Other	650	650	-	-
Financial Liabilities	525,342	582,755	525,115	567,016

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 2009		31 March 2008	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Loans and receivables	183,341	184,305	191,960	194,152
Financial Assets	183,341	184,305	191,960	194,152

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 is receivable is higher than the rates available for similar loans at the Balance Sheet date.

45. 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, It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

In view of the current unprecedented level of turbulence in financial markets the Council is operating to a restricted interim counterparty list (institutions to which the authority can lend) to ensure that any new investment exposure is to only UK banks rated AA- or lower, but who have the Bank of England support, or AAA Money Market Funds investing in a more diversified range of financial instruments. Investments are placed for a maximum of 6 months. Senior Managers review the position on a weekly basis and Treasury officers and the Head of Financial Planning & Investments monitor the position daily and report on any market developments. In addition monthly Treasury Information meetings are held with the Executive Director of Corporate Resources. All surplus funds that cannot be invested within the restricted range of approved banks are invested in the Bank of England's Debt Management Account Deposit Facility (DMADF) to minimise the credit risk of using banks whose credit quality have been undermined in recent months.

As at the 31 March 2009 the authority had overseas investments in the following countries: Iceland (£2M), Republic of Ireland (£17.5M), Germany (£3.0M) and Australia (£2.0M), totalling £24.5M. A number of overseas investments had matured by the time of writing. As at 1 June 2009, all Australian investments had matured, as well as £7.4M of Irish investments and £1.6M of German investments, giving a total overseas exposure of £13.5M. The final overseas deposit will mature on 5 August 2009.

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.

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

TABLE 5 - CREDIT RISK (A)

	Amounts at 31 March 2009 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2009 %	Estimated Maximum exposure to default and uncollectability £000s	Estimated maximum exposure at 31 March 2009 £000s
	A	B	C	(A x C)	
Deposits with banks and other financial institutions excluding impaired Icelandic deposits	177,900	-	0.65	1,156	-
Total	**177,900**			**1,156**	**-**

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	Interest Rate %	Carrying amount £'000	Impairment £'000	Principal Default %
Glitnir	15/01/2008	15/01/2009	2,000	5.45	2,109	151	7.13
Total			**2,000**		**2,109**	**151**	

All monies within the bank are currently subject to the administration and receivership process. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.
The current situation with regards to recovery of the sum deposited is summarised below. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

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. This indicates that full recovery of the principal and interest due to the Council at 14 November 2008 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

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

* Confirmation that deposits placed by the Council enjoy preferential creditor status which is likely to have to be 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.

The authority has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008 in the future. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.
Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008.
However, in light of the associated risks i.e. that the Council may not be deemed to be a preferential depositor, the Council has transferred £2m to reserves, to accommodate any future costs that may arise, should the impairment be up to the nominal amount invested.

<u>ACCOUNTING FOR IMPAIRMENT LOSSES</u>

The total impairment loss (principal plus interest not received) recognised in the Income and Expenditure Account in 2008/09 of £151k, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.
Adjustments to the assumptions will be made in future accounts as more information becomes available.

The 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 (£'000)
31-Mar-10	2,090

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

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

	Glitnir Bank £000
Credited 2007/08	22.9
Received 2007/08	-
Credited 2008/09	108.7
Received 2008/09	-

Financial Instruments Adjustment Account

Regulations issued in March 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts can instead be transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The authority has however opted not to take advantage of the regulations.

The whole of £151k of the total impairment loss not taken to the Financial Instruments Adjustment Account in 2008/09 relates to interest which has been borne in full by the General Fund.

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

Debtors

The past due amount can be analysed as follows:

TABLE 6 - CREDIT RISK (B)

Sums past due but are impaired

	31-Mar-09 £000s Customers	31-Mar-09 £000s Banks	31-Mar-09 £000s TOTAL
Glitnir	-	2,133	2,133
Total	-	**2,133**	**2,133**

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

	31-Mar-09 £000s Customers	31-Mar-09 £000s Banks	31-Mar-09 £000s TOTAL
Glitnir	-	-	-
Total	-	-	-

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.

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

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

TABLE 7 - LIQUIDITY RISK

	31-Mar-09 £000	31-Mar-08 £000
Loans Outstanding		
Public Works Loans Board	436,646	436,646
Market debt	78,000	78,000
Temporary borrowing	-	502
Other	650	-
Total	**515,296**	**515,148**
Less than 1 year	-	502
Between 1 and 2 years	650	-
Between 2 and 5 years	7,750	5,000
More than 5 years	506,896	509,646
Total	**515,296**	**515,148**

In the more than 5 years category there are £45m 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.

As reported 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 15 January 2009 and as expected the funds were not returned. Officers are working closely with the Local Government Association and other authorities in a similar position for speedy settlement. Recent developments suggest that the Local Authorities may be preferential creditors, and so a 100% settlement is likely to be made on the 31 March 2010. In accordance with the CIPFA guidance the Icelandic investment has been impaired and £151k has been charged to the Income and Expenditure account. The Council has healthy cash balances and sufficient cashflow to deal with this matter.

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 affect 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.

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

* 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. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. Although there are currently no variable loans, £45m of market loans LOBO's have call dates that fall within the financial year 2009/10. 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 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 2009 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 8 - INTEREST RATE RISK

	31-Mar-09 £000	31-Mar-08 £000
Increase in interest payable on variable rate borrowings	(450)	(510)
Increase in interest receivable on variable rate investments	1,995	2,030
Increase in government grant receivable for financing costs	77	38
Impact on Income and Expenditure Account	**1,622**	**1,558**
Share of overall impact debited to HRA	**697**	**682**
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 investments (no impact on I&E account or STRGL)	70,607	71,063
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	550	423

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.

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

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.

46. Events after the Balance Sheet Date

Ealing Homes Ltd

On 15th September 2009 the Council's Cabinet agreed in principle, not to extend the management agreement with Ealing Homes beyond the end of the current contract on 31st March 2011. The Cabinet also agreed to competitively procure contracts to deliver housing management services for the Council's housing stock. This will include the delivery of tenancy services, and the management of the Council's housing repairs and maintenance contracts, major housing capital works procurement and contract management and development opportunities as appropriate. 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.

The proposals for alternative provision are at a very early stage, but if the Council decides following consideration by Overview and Scrutiny Committee or re-consideration by the Cabinet to proceed, a number of issues will need addressing during this process, including the future of the pension provision for Ealing Homes' staff. Ealing Homes is currently a scheduled body with its staff admitted to the Council's Pension Fund and the Ealing Homes' accounts show a deficit of £14.8m in terms of pension provision (as defined by FRS17) as at 31st March 2009.

47. Deferred Consideration

The Council's Private Finance Initiative (PFI) contracts included the transfer of assets to the PFI partner which is reflected in the price of the contract. This is treated as a prepayment in the accounts and referred to as Deferred Consideration. The balance is written down over the life of the PFI contracts, with the outstanding amount split over the four contracts as shown below. Further details of the contracts can be found in Note 1 to the Core Financial Statements.

	31 March 2009 £000	31 March 2008 £000
Education PFI 1	15,217	15,909
Older Persons PFI	5,151	5,338
Street Lighting PFI	10,312	10,803
Education PFI 2	35,019	35,393
	65,699	67,443

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	2008/09 £000	2007/08 £000
Income			
Dwelling rents		55,030	54,549
Non dwelling rents		1,140	1,233
Charges for services and facilities		4,818	7,255
Contribution towards expenditure		2,130	-
Housing Revenue Account subsidy receivable (including MRA)	10	3,277	8,125
Total Income		66,395	71,162
Expenditure			
Repairs and Maintenance		9,226	18,421
Supervision and management		27,814	28,986
Rent, rates, taxes and other charges		3,029	6,494
Depreciation and impairment of fixed assets	7	116,436	57,260
Amortisation of revenue expenditure funded from capital under statute	8	1,710	30
Amortisation of Government Grants Deferred		(160)	(851)
De-minimus capital expenditure		(182)	-
Debt Management Costs		7	25
Increase in bad debt provision	3	646	218
Total Expenditure		158,526	110,583
Net Cost of HRA Services per Authority Income and Expenditure Account		92,131	39,421
HRA services share of Corporate and Democratic Core		-	-
HRA share of other amounts in the whole authority Net Cost of		13	90
Net Cost of HRA Services		92,144	39,511
(Gain)or loss on sale of HRA fixed assets		1,300	-
Interest payable and similar charges		13,133	12,560
Interest and investment income		(1,963)	(1,662)
Pension Interest cost and expected return on pension assets		323	112
(Surplus) or deficit for the year on HRA services		104,937	50,521

Statement of Movement on the HRA Balance

	2008/09 £000	2007/08 £000
(Surplus) or deficit for the year on the HRA Income and Expenditure Account	104,937	50,521
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(107,105)	(44,823)
(Increase) or decrease in Housing Revenue Account Balance	(2,168)	5,698
Housing Revenue Account surplus brought forward	(1,537)	(7,235)
Housing Revenue Account surplus carried forward	(3,705)	(1,537)

Note to Statement of Movement on the HRA Balance

	2008/09 £000	2007/08 £000
Items included in the HRA Income & Expenditure Account but excluded from the movement on HRA Balance for the year		
Difference between amounts charged to Income and expenditure for amortisation of premiums and discount and the charge for the year determined in accordance with statue	-	-
Financial Instruments Adjustment	(49)	(748)
Impairment of Fixed Assets	(106,043)	(46,543)
Revenue Expenditure Funded from Capital Under Statute	(1,710)	(30)
Amortisation of Government Grants deferred	160	851
Gain or loss on sale of HRA fixed assets	(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)	(336)	(202)
Items not included in the HRA Income & Expenditure Account but included in the movement on HRA Balance for the year		
Premium & Discount Amortisation	1,166	1,167
Employer's contributions payable to Pension Fund and retirement benefits payable direct to pensioners	376	360
Contribution to CFLO Reserve	449	153
Contribution to Lessees Reserve	-	169
Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(107,105)	(44,823)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Stock Analysis

	2008/09 £000	2007/08 £000
Flats	10,185	10,215
Houses	2,870	2,873
Temporary Accomodation	169	168
Shared Ownership	7	7
Long Leases	72	342
	13,303	13,605

2 Stock Valuation at net Book Value

	31 March 2009 £000	31 March 2008 £000
Operational Assets:		
Dwellings - vacant possession value	2,114,842	2,493,794
Less: reduction to reflect Social Housing use	(1,323,760)	(1,560,067)
Dwellings - equivalent Social Housing value	791,082	933,727
Garages	22,442	22,484
Other Land & Buildings	1,775	2,312
Total	815,299	958,523
Open Housing Management System	511	246
Non Operational Assets:		
Shops	4,778	3,790
Land	439	503
Other Buildings	1,351	1,449
Total	6,568	5,742
TOTAL OPERATIONAL & NON OPERATIONAL	822,378	964,511

The vacant possession value of dwellings within the HRA as 31st March 2009 is £2.115M. 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

	2008/09 £000	2007/08 £000
Tenants:		
Dwellings	4,173	4,851
Temporary Accommodation (net)	844	1,967
Long Leases (net)	349	842
Total	5,366	7,660
Leaseholders:		
Service Charge - Capital	3,777	3,612
Service Charge - Revenue	846	809
Total	4,623	4,421

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

b Provision for Bad or Doubtful Debts

	2008/09 £000	2007/08 £000
Tenants:		
Provision at 1 April	5,868	6,007
Write-offs in year	(1,153)	(357)
Increase in provision	641	218
Provision at 31 March	5,356	5,868
Leaseholders		
Provision at 1 April	369	219
Write-offs in year	(59)	(54)
Increase in provision - Revenue contribution	5	33
Increase in provision - Capital contribution	75	171
Provision at 31 March	390	369

4. Major Repairs Reserve (MRR)

	2008/09 £000	2007/08 £000
Balance at 1 April	27,226	21,746
Depreciation charges for all dwellings	10,606	10,717
Capital projects funded from the MRR	(6,200)	(5,237)
Balance at 31 March	31,632	27,226

5 Capital expenditure and funding

	2008/09 £000	2007/08 £000
Dwellings	15,191	59,771
Other Properties	300	
Total	15,491	59,771
Funded by:		
Borrowing	5,900	53,534
Capital Receipts	-	467
Major Repairs Reserve	6,200	5,237
Leaseholder's Income	2,825	-
Capital Grants	566	533
	15,491	59,771

6 Capital Receipts

	2008/09 £000	2007/08 £000
Land	16	340
Council Dwellings	2,077	5,399
Other Properties	252	176
Total	2,345	5,915

Local authorities are required to contibute to the Housing Capital receipt pool a proportion of receipts generated from the disposal of HRA assests. In 2008/09 £862k (£4.1m in 2007/08) of receipts was paid into the pool.

7 Depreciation and Impairment Charge

	2008/09 £000	2007/08 £000
Depreciation Charges		
Operational Assets:		
Dwellings	10,606	10,717
Other Properties	652	-
Total	11,258	10,717
Non Operational Assets	30	-
TOTAL	11,288	10,717

Imapirment Charges

Dwellings	105,148	46,543

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

8 Revenue Expenditure Funded from Capital under Statute

	2008/09 £000	2007/08 £000
Dwellings	-	-
Other Properties	1,710	30
	1,710	30

Reflects grants to assist house purchases in the open market written out in year

9 Contribution to the Pensions Reserve

	2008/09 £000	2007/08 £000
Employer's Contribution to the Pension Fund	376	360
	376	360

10 HRA Subsidy

	2008/09 £000	2007/08 £000
Management and Maintenance	26,945	26,996
Charges for capital	17,093	16,052
Other reckonable expenditure	3,211	6,555
Rental Constraint Allowance	27	451
Notional Rents	(54,580)	(52,616)
Interest on receipts	(25)	(33)
Housing Element Subsidy	(7,329)	(2,595)
Major Repairs Allowance	10,606	10,717
Defective Housing Grants	0	3
Total HRA subsidy for the year	3,277	8,125

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 2009

	2008/2009 £000	2007/2008 £000
INCOME		
Income from Council Tax Payers (note 1)	133,849	131,171
Council Tax Benefits	27,988	27,068
Income from NNDR	123,895	112,347
Contributions:		
Towards previous years estimated Collection Fund deficit	12	48
	285,744	270,634
EXPENDITURE		
Precepts and Demands		
- Ealing Council	122,108	117,809
- Greater London Authority	35,688	34,403
Bad and Doubtful Debts		
- Write offs	1,382	288
- Provisions	445	2,251
Business Rates		
Payment to the national pool (note 3)	123,392	111,842
Cost of collection	503	505
	283,518	267,098
Fund surplus brought forward	3,992	456
Surplus for year	2,226	3,536
Fund surplus at 31 March	6,218	3,992
Analysis of Surplus :		
Ealing Council	4,835	3,112
Greater London Authority	1,383	880
	6,218	3,992

1. Income from Council Tax

	2009 £000	2008 £000
Council Tax Income:- 118,151*£1,369.75	161,837	158,239
Less Council Tax Benefits	(27,988)	(27,068)
Due from Taxpayers	133,849	131,171

2. Council Tax

The Council Tax is a banded capital value based property tax with a 25% discount for single adult households. For the 2008/2009 estimate, 124,576 domestic properties provided a tax base equivalent to 116,958 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 2009
A		2,119	6/9	1,413
B		10,287	7/9	8,001
C		25,338	8/9	22,522
D		36,941	9/9	36,941
E		19,453	11/9	23,776
F		8,606	13/9	12,431
G		6,132	15/9	10,220
H		827	18/9	1,654
Total		**109,703**		**116,958**
	Adjustment for actual collection rate			1,193
	Council Tax base for 2008/09			**118,151**

3. Income from NNDR

The Council collects non-domestic rates which are based on local rateable values multiplied by a national rate of 46.2 pence, 45.8 pence for business with a rateable value less than £21,500 (44.4 and 44.1 pence respectively in 2007/2008). The local rateable value at 31 March 2009 was £303M (£304M at 31 March 2008). 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 £000	2008 £000
Non-domestic charges raised	137,913	130,413
Add / (deduct) allowances and other adjustments :		
Transitional Relief	(381)	(106)
Empty and Void Relief	(4,313)	(11,485)
Charitable Relief	(6,242)	(6,137)
Provision for uncollectible amounts	(2,911)	(129)
Cost of collection and interest	(674)	(714)
Contribution to NNDR national pool	123,392	111,842

Group Accounts

The 2008 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 2008/2009 £'000	Gross Income 2008/2009 £'000	Group Net 2008/2009 £'000	Group 2007/2008 £'000
Ealing Council	1,090,046	714,007	376,039	233,072
Ealing Homes Ltd.	17,981	749	17,232	26,875
Net Cost of Services	1,108,027	714,756	393,271	259,947
(Gain) or loss on disposal of fixed assets		(928)	928	-
Contribution from Housing Act Advances Account	9		9	(7)
Amounts payable to Housing Capital Receipts Pool	862		862	4,128
Levies	8,589		8,589	7,380
Interest payable	30,025		30,025	33,667
Interest and Investment Income		11,401	(11,401)	(13,545)
Pension interest costs & expected return on pension	16,174		16,174	5,700
Exceptional Items			-	-
Net Expenditure	1,163,686	725,229	438,457	297,270
Income from Collection Fund		122,096	(122,096)	(117,761)
Government Grants		32,020	(32,020)	(24,240)
Distribution from non-domestic rate pool		122,890	(122,890)	(112,446)
Net General Fund (Surplus) / Deficit	**1,163,686**	**1,002,235**	**161,451**	**42,823**

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

	2008/2009 £000	2007/2008 £000
(Surplus) / deficit Ealing Council's Income and Expenditure Account for the year	158,305	32,493
Adjustment for transactions with other group entities	(14,985)	(17,024)
	143,320	15,469
Subsidiaries	18,131	27,354
	161,451	42,823

Group Statement of Total Recognised Gains and Losses

	2008/2009 £000	2007/2008 £000
(Surplus) / deficit for the year on the Income and Expenditure Account	161,451	42,823
(Surplus) / deficit on revaluation of fixed assets	23,786	(64,249)
Actuarial (gains)/losses on pension fund assets and liabilities.	(24,447)	93,889
Movement on Collection Fund attributable to the authority	(1,723)	(2,757)
Other (gains) and losses	533	(2,666)
Total recognised (gains) and losses for the year	159,600	67,040

GROUP BALANCE SHEET

	Ealing Council 2008/2009 £'000	Ealing Homes 2008/2009 £'000	Group 2008/2009 £'000	Group 2007/2008 £'000
Tangible fixed Assets				
Operational				
- Council Dwellings	791,082		**791,082**	956,211
- Other Land & Buildings	356,473		**356,473**	383,700
- Vehicles, Plant & Equipment	22,023	93	**22,116**	21,762
- Infrastructure Assets	78,713		**78,713**	67,770
- Community Assets	4,204		**4,204**	2,545
Non Operational				
- Surplus Assets	10,038		**10,038**	16,132
- Investment Assets	7,822		**7,822**	
- Assets Under Construction	20,636		**20,636**	764
- Deferred Asset	22,268		**22,268**	16,089
Total Fixed Assets	**1,313,259**	**93**	**1,313,352**	**1,464,973**
Deferred Consideration	65,699		**65,699**	67,443
Long Term Investments	8,415		**8,415**	4,502
Long Term Debtors	2,504		**2,504**	2,735
Total Long Term Assets	**1,389,877**	**93**	**1,389,970**	**1,539,653**
Current Assets :				
Stock & WIP	-		-	-
Short Term Investments	174,926		**174,926**	187,458
Debtors	67,539	25	**67,564**	60,073
Cash at Bank	25,654	397	**26,051**	14,981
Total Assets	**1,657,996**	**515**	**1,658,511**	**1,802,165**
Current Liabilities :				
Creditors	(146,020)	(2,452)	(148,472)	(128,007)
Short Term Loans	-		-	(502)
Total Assets less Current Liabilities	**1,511,976**	**(1,937)**	**1,510,039**	**1,673,656**
Long Term Loans	(525,342)		(525,342)	(524,613)
Long Term Liabilities	(1,425)		(1,425)	(1,747)
Government Grants-Deferred	(102,054)		(102,054)	(88,547)
Provisions	(10,603)		(10,603)	(15,023)
Pension Liabilities	(292,200)	(14,812)	(307,012)	(320,523)
Total Assets less Liabilities	**580,352**	**(16,749)**	**563,603**	**723,203**
Revaluation Reserve	29,994		29,994	54,906
Capital Adjustment Account	687,677		687,677	866,451
Financial Instruments Adjustment Account	(4,484)		(4,484)	(5,578)
Usable Capital Receipts	2,020		2,020	483
Deferred Capital Receipts	2,280		2,280	2,395
Pensions Reserve	(292,200)	(14,812)	(307,012)	(320,523)
Major Repairs Reserve	31,632		31,632	27,226
General Fund Balances	15,178		15,178	14,153
Reserves and Balances	103,420	(1,937)	101,483	80,578
Collection Fund	4,835		4,835	3,112
Total Net Worth	**580,352**	**(16,749)**	**563,603**	**723,203**

Group Cash Flow Statement

	Council 2008/2009 £'000	EH 2008/2009 £'000	Group 2008/2009 £'000	Group 2007/2008 £'000
Net Cash Inflow / Outflow from Revenue Activities	(92,279)	3,399	(88,880)	(85,719)
Returns on Investments and Servicing of Finance:				
Cash outflows				
- Interest paid	27,364		27,364	32,303
Cash inflows				
- Interest received	(10,806)	(144)	(10,950)	(11,959)
Capital Expenditure and Financial Investment:				
Cash outflows				
Purchase of fixed assets	79,068		79,068	112,492
Purchase of long term investments	3,500		3,500	-
Other Capital Cash payments	10,595		10,595	4,500
Cash inflows				
Sale of fixed assets	(5,799)		(5,799)	(12,897)
Capital grants received	(22,718)		(22,718)	(29,892)
Net cash inflow/outflow before financing				
Management of Liquid Resources				
Net increase/(decrease) in short-term deposits	(12,532)	(482)	(13,014)	39,383
Financing				
Cash outflows				
Repayments of amounts borrowed	26,400		26,400	118,488
Capital element of finance lease rental payments	3		3	-
Cash inflows				
New loans raised	150		150	(65,000)
New short-term loans	(26,400)		(26,400)	(111,065)
Net (Increase)/decrease in cash	**(23,454)**	**2,773**	**(20,681)**	**(9,366)**

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 2008/09 the turnover of Ealing Homes was £18.484M and net liabilities were valued at £14.558M 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.

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 2008/2009 £'000	EH 2008/2009 £'000	Total 2008/2009 £'000	Total 2007/2008 £'000
Sundry Debtors	67,539	25	67,564	60,442
Sundry Creditors	146,020	2,452	148,472	118,395

4. Pension Fund Liabilities

The employees of Ealing Council and Ealing Homes are all eligible to join the local government pension scheme. Ealing Homes pension fund is a separate scheme from the Ealing Council pension fund.

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

	Council 2008/2009 £'000	EH 2008/2009 £'000	Total 2008/2009 £'000	Total 2007/2008 £'000
Pension Costs				
Current Service Cost	(18,017)	(1,290)	(19,307)	(19,475)
Past Service Gain / Cost	(607)	(58)	(665)	(5,078)
Settlements/Curtailments	(425)	(332)	(757)	- 568
Total Operating Gain/(Loss)	(19,049)	(1,680)	(20,729)	(25,121)
Pension Liability				
Market Value of Assets	389,713	8,005	397,718	500,802
Liabilities	(681,913)	(22,817)	(704,730)	(820,349)
Total Net Pension Liability	(292,200)	(14,812)	(307,012)	(319,547)

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 2009 was 6,467 (6,286 at 31 March 2008) whilst the number of pensioners, widows and dependants was 5,913 (5,730 at 31 March 2008). The deferred members as at 31 March 2009 totalled 5,752. The Council is the administering authority of the scheme and has the major share of contributors and pensioners. There are now 17 contributing scheduled bodies and 4 admitted bodies. All of the bodies shown below contribute to the Fund.

Employers contributing to the Fund as at 31st March 2009 are:

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

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 2008 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 traded within the Stock Exchange Electronic Trading Service (SETS) are valued using the last SETS traded price.
ii) From 2008/09, all other UK investments are valued on the basis of bid market prices where available or using the most appropriate basis where these prices are not available.
ii) Unit trust and In-house funds are stated at the bid point of the latest prices quoted by their respective managers.
iii) Overseas investments are valued using Extel, ISMA or other available price sources on the basis appropriate to the market concerned or at the last trade price at close of business and translated into sterling at the rate prevailing on 31st March 2009.
iv) Dividends from foreign investments received during the year are accounted for in sterling at the foreign exchange rate prevailing on the day of receipt.

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. Investment income is accounted for on an accruals basis for securities quoted ex-dividend as at 31 March, but foreign tax recoverable is accounted for on a cash basis.

10. Additional costs directly deriving from early retirements pre 2000/01 were charged to the General Fund and the resulting strain on the pensions paid was borne by the Pension Fund. From 2000/01 the Pension Fund has been credited with a one-off capital sum each year to cover the cost of additional years though no such contribution was required in 2008/09. A general contribution of £0.8M was credited to the Pension Fund from the General Fund in 2008/09.

Relevant departments bear all the pension costs of the early retirement (including the 'strain') by payment into the Compensation For Loss Of Office Reserve, where a capital sum will accrue over a period of 5 years for credit to the fund in respect of the strain in addition to the added years capital sum. During 2008/2009 there were 38 early retirements under this rule (56 in 2007/2008) and the sum credited to the Pension Fund is £1.7M (£2.9M in 2007/2008).

Actuarial Valuation

11. 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.

Actuarial Valuation (continued)

12. The contribution required from the Council and other bodies was 19.6% of pensionable salary during 2008/2009 (19.6% in 2007/2008), 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 .

13. The contribution rates were calculated using the projected unit actuarial method and the main assumptions were as follows:

	For Past Service Liabilities	For Future Service Liabilities
Investment Return	6.40%	6.50%
Earnings Growth	4.85%	4.50%
Price Inflation	2.75%	2.75%

Fund Management and Administration

14. 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 the WM Local Authority Universe of Funds.

15. The Fund's investments as at 31st March 2009 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 2009 was £153M, £152M and £114M respectively.

16. Both the costs of the investment management arrangements and pension fund administration expenses are charged to the Fund. As the 2008/09 financial year is the first year the pension fund will be audited separately, the audit cost of £38,000 has been included in the administration expenses.

17. Investment transactions for the Fund amounted to: sales £239M (2007/08 - £324M) and purchases £253M (2007/08 - £368M). Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £281k. In addition to the trancasction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investnent vehicles. The amount of indirect costs is not seperately provied to the scheme.

18. The total contributions from the administering authority and the admitted and scheduled bodies were £34.4M (2007/08 - £31.9M); of this, £5.2M (2007/08 - £4.6M) was from the admitted and scheduled bodies. All benefits payable were administered by London Borough of Ealing.

Fund Management and Administration (continued)

19. 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 with the majority of investments being made into a With Profits Cash Accumulation Fund. Contributions received into the AVC facility during the year amounted to £83,070.97 (£53,384.00 in 2007/08).

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

Statement of Investment Principles (SIP)

21. The Statement of Investment Principles for Ealing Pension Fund was reviewed as part of the Funding Strategy Statement and approved by the Pension Fund Panel as Trustees of the Fund on 4th September 2007. 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	2008/2009 £000	2007/2008 £000
INCOME		
Contributions:		
Contributions		
From employers		
-normal	25,322	24,207
-deficit funding	800	800
From members		
-normal	9,043	7,722
Transfers In:		
-individual transfers in from other schemes	4,349	7,046
Other Income (note 10)		
-other (includes strain, internal interest & class actions)	2,127	3,392
	41,641	43,167
EXPENDITURE		
Benefits:		
-pensions	23,174	21,621
-commutation of pensions & lump sum retirement benefits	5,218	5,851
-lump sum death benefits	780	296
Payment to and on account of leavers:		
-refunds of contributions	15	82
-individual transfers out to other schemes	2,176	3,974
Other Payments:		
Administrative expenses	1,146	640
	32,509	32,464
Sub-total: Net additions from dealings with members	9,132	10,703
RETURNS ON INVESTMENTS		
Investment Income		18,461
-income from fixed interest securities	8,975	
-dividends from equities	11,658	
-interest on cash deposits	250	
Change in market value of investments (realised and unrealised)	(145,056)	(33,932)
Investment management expenses	(1,885)	(2,127)
Sub-total: Net returns on investments	(126,058)	(17,598)
Net decrease in the fund during the year	(116,926)	(6,895)
Net assets of the scheme at 1 April	554,510	561,405
Net assets of the scheme at 31 March	437,584	554,510

PENSION FUND NET ASSETS STATEMENT

	2009 £000	2008 £000
INVESTMENT ASSETS		
Fixed Interest Securities		
UK Corporate Bonds	109,961	136,781
Other UK	130	-
Foreign	-	-
Equities		
UK	166,565	234,288
North America	47,791	72,220
Europe	40,481	44,660
Japan	14,613	17,840
Pacific	7,813	18,541
Emerging Markets	19,618	14,198
Other Investments		
Venture Capital	-	-
Cash Deposits		
Money Market Instruments	10,268	5,742
Total Investments	417,240	544,270
CURRENT ASSETS AND LIABILITIES		
Current Assets		
Debtors		
Dividends Due	1,341	5,076
Unsettled Sales	921	1,199
Creditors		
Unsettled Purchases	(954)	(5,287)
	1,308	988
TOTAL ASSETS (Under External Management)	418,548	545,258
Debtors (including payments in advance)	388	355
Cash held by Ealing Council	19,314	9,612
Creditors	(666)	(715)
	19,036	9,252
TOTAL NET ASSETS	437,584	554,510

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 11 to 13.

RECONCILIATION OF OPENING NET ASSETS TO CLOSING NET ASSETS

	Market Value 31/03/08 £M	Purchases £M	Sales £M	Change in Market Value £M	Market Value 31/03/09 £M
Lazard - UK Equity	215	94	(86)	(72)	152
RCM- Global Equities	187	85	(84)	(40)	147
RLAM - UK Corporate Bonds	137	74	(70)	(31)	110
Fund overstatement reversal				(1)	(1)
Total Investments	**539**	**253**	**(239)**	**(145)**	**408**

Debtors	6
Creditors	(5)
Cash	6
Fund overstatement reversal	-
Net Current Assets with LBE	9
Opening Net Assets	555

Debtors	2
Creditors	(1)
Cash	10
Fund overstatement reversal	(1)
Net Current Assets with LBE	19
Closing Net Assets	**438**

ANNUAL GOVERNANCE STATEMENT APPENDIX A

Annual Governance Statement 2008/2009

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 2009 and up to the date of approval of the statement of accounts.

3. The governance framework

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 it has set out the following six priorities, which form the basis of the Corporate Plan and Business Plans and provide focus for improvement:

- Make Ealing a better place to live;
- Make Ealing one of the safest places in London;
- Create a great place for every child and young person to grow up;
- Reduce health inequalities and promote well-being and independence for adults and older people;
- Ensure there are opportunities for all people and businesses to prosper; and
- To be a consistently high performing organisation focused on the needs of its communities.

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 Equality and diversity is a key element of the Corporate Plan. The Council's Comprehensive Equality Scheme and action plan, which sets out how the Council will meet statutory obligations under a range of equality legislation was published in 2007. An updated Scheme will be published in July 2009. All departments within the Council have developed equality and diversity action plans, which are published on the Council's internet site. 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 Council uses a Corporate Equality Board, chaired by the Chief Executive, and departmental Equality Groups to oversee the delivery of equality related activities. During the year steps were taken to improve compliance with the statutory requirement to conduct impact assessments after instances of non-compliance were noted.

3.4 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 is divided into 16 articles which set out the basic rules governing the Council's business. More detailed procedures and codes of practice are covered in separate rules and protocols which are set out at the end of the Constitution.

3.5 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 senior 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

3.6 Policy and decision making is via a Cabinet Structure with Cabinet Member portfolios. Up to September 2008 there were seven area committees. These committees discussed and proposed local issues to the Cabinet e.g. traffic and parking schemes, considered car park charges and agreed road traffic orders. There were also public forum items when members of the public could raise issues of local concern and discuss these with their councillors. In September 2008 the area committees were replaced by neighbourhood governance arrangements. Under the new arrangements, elected members lead 23 ward forums across the borough – each supported by an annual budget for local improvements.

3.7 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.

3.8 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.

3.9 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.

3.10 The Standards Committee has seven 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 new member conduct procedures set out within the Local Government and Public Involvement in Health Act 2007 and receives annual reports on member conduct and complaints made against members.

3.11 There is an active scrutiny function, with four standing Scrutiny Panels covering all portfolios and an Overview and Scrutiny Committee. Specialist Scrutiny Panels are organised to consider issues identified as being of particular topical interest or importance. There are also call-ins by the Shadow Cabinet (which is fully clerked and supported) and backbenchers, although there has been a marked reduction in call-ins due to the amount of information received by members.

3.12 Member training and development 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 also provided. 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.

3.13 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 Programme Management Group.

3.14 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 every six months to feedback resident views and satisfaction levels. The last was undertaken between 5 September and 12 October 2008.

3.15 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.

3.16 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 the Primary Care Trust and the Police.

3.17 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. To ensure the successful delivery of the LAA, quarterly monitoring reports are provided to the Partnership Board detailing LAA performance.

3.18 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.

3.19 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 as required by the Best Value duty. The value for money reviews are challenged at the Business Effectiveness Programme Management Group.

3.20 The comprehensive performance assessment (CPA) and new comprehensive area assessment (CAA) both provide an overall assessment of the council. This includes how well the council engages with and leads its communities, delivers community priorities in partnership with others, and ensures continuous improvement across a range of council and partners services. Specific assessment and inspection regimes also focus in on areas of risk, for example children social care, schools, to provide an independent assessment of how the council performs. During 2008/9 the wide range of assessment and inspection activity led to the council being assessed as a 4 star local authority, and improving strongly by the Audit Commission. This is the highest achievable score.

3.21 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 refreshed 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.

3.22 88% of the expected business continuity plans are in place. The remainder are expected to be in place by December 2009. A London wide local authority exercise and a West London exercise with 6 boroughs has been conducted. A flu pandemic exercise with Local Authority, PCT, Acute Trusts & London Fire has also been undertaken. Significant contractors and partners' business continuity plans are covered by the annual letter of representation process.

3.23 There is a quarterly review of the Council's emergency arrangements using the Audit Commission's Self Assessment Toolkit, in addition, after each accident involving the Council a multi-agency debrief is held 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.

3.24 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.

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

3.26 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.

3.27 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.

3.28 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.

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; and
- 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 and a self assessment review against CIPFA/Solace guidance by the Annual Governance Working Group (AGSWG).

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 Annual Governance Statement was submitted by the AGSWG to key officers in mid May to ensure early robust challenge and input from a wider group of senior officers. The AGSWG also undertook a review of the 2007/8 AGS, in particular the disposition of the significant governance issues that were identified.

4.5 The arrangements for the provision of internal audit, risk management and counter fraud are contained within the Council's Financial Procedure Rules, which are included within the Constitution. The S151 Officer is responsible for ensuring that there is an adequate and effective system of internal audit as required by the Accounts and Audit Regulations 2006.

4.6 The Council has an established Internal Audit function and protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws and regulations. The internal audit function operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The Council is required to conduct at least once in each year a review the effectiveness of its system of internal audit. The 2008/9 review is informed by self-assessments of the extent of compliance against the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit 2006 and the Institute of Internal Auditors Quality Assessment Framework. The results of the self- assessments were reviewed by the AGSWG and the Audit Board and formally reported to Audit Committee.

4.7 The Audit Plan is a combination of key internal controls reviews, corporate governance reviews, scheduled visits to Council establishments and fraud reviews prioritised on the basis of risk. The Plan was discussed and agreed with the Executive Directors, Ealing Directors Group and the Audit Committee. It was shared with the Council's external auditor. Regular meetings between internal and external audit ensure that duplication of effort is avoided. All audit reports include an audit opinion on the adequacy of internal control; direction of travel and prioritised action plans to address areas requiring improvement. Audit reports are submitted to Directors, School Heads and Chairs of Governors as appropriate; the Audit Committee receives summary reports or full reports on request.

4.8 The Council has an established Risk Management function and the Risk Management Strategy is regularly reviewed and updated in line with best practice. The Cabinet Portfolio Holder for Finance and Performance along with the Executive Director for Corporate Resources champions risk management within the Council. There is a Strategic Risk Register supported by Operational Risk Registers covering all business and service plans.

4.9 An Audit Committee provides independent assurance to the Council on risk management and internal control, and the effectiveness of the Council's arrangements for these areas. The remit of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, 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 to oversee the financial reporting process. 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"). The Audit Committee undertakes an annual self assessment of its effectiveness and alignment with best practice, the results of which are reviewed by the AGSWG and the Audit Board. The results are formally reported at the Committee's meeting and to Cabinet.

4.10 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. The Board also undertook a review of the 2007/8 AGS, in particular the disposition of the significant governance issues identified. A number of Governance Boards similar to the Audit Board comprising senior officers across the Authority meet on a monthly basis and review progress on performance management, parking, risk management, business effectiveness and contract management.

4.11 The internal audit service undertook a programme of reviews during the year in accordance with the Audit Committee approved plan to provide assurance on the overall adequacy and effectiveness of the Council's internal control environment. A review the work of internal and external audit, risk management, review agencies, inspectorates and the representations from senior managers in respect of the control systems for the areas under their responsibility during the year supports the conclusion that while while the issues appearing consistently across reports highlighted the need for improvements in some areas the overall adequacy and effectiveness of the Council's internal control environment accorded with proper practice throughout the year. The issues appearing consistently across reports and which need to be improved are:

- Compliance with corporate policies and local procedures
- Security of assets, and the security of entry and exit points for assets, benefits and services.
- Officers understanding of the purpose and implications of their involvement in transactions.
- Access controls in respect of specific program files.
- Evidencing of management review and /or authorizations
- Financial control and governance within a few schools.

Recommendations have been made to effect the improvements needed. Management is responsible for ensuring that recommendations to effect required improvements to the system of internal control are implemented. Internal Audit monitors implementation of recommendations and reports on this to the Audit Board and Audit Committee. 61% (2007/8: 70%) of all recommendations made in 2007/8 were fully implemented during 2008/9, with a further 33% being partially implemented. Of the key recommendations made in 2007/8 49% (2007/8: 67%) were implemented during 2008/9 with a further 44% being partially implemented. Implementation of the recommendations made in 2007/8, along with those made in 2008/9 will be kept under review by Internal Audit.

4.12 All staff, in particular managers are responsible for ensuring that laws and regulations are complied 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. Letters of Representation from Executive Directors and Directors, including the Monitoring Officer for the year ended 31 March 2009 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.

Responses to 3 of the 30 questions on the Letter exceeded the set tolerance level of 10% for a negative response. This is consistent with the 2007/8 responses to these questions, which are in respect of Partnership Governance, Health & Safety and Business Continuity.

4.13 During the year the most common referral to the corporate investigation team was in respect of breach of the Council's policies and procedures. The outcomes from employee cases were more serious with more employee cases ending in planned prosecution and/or disciplinary action in line with the Counter Fraud Policy.

4.14 Based on an assessment of risk, an enhanced vetting pilot scheme was conducted within Corporate Resources, housing and housing benefit during the year. The scheme aimed to reduce the risk of appointing or promoting dishonest individuals to positions of trust. The number of agency worker failure recorded during the scheme led to this type of recruitment being classified as of higher risk than permanent staff recruitment. A range of measures has been taken or is in progress to mitigate this risk.

4.15 During the year there was more strategic focus on risk identification, more synergy in the information reported in risk registers, business plans and Star Chamber submissions and more focus on highlighting emerging risks rather existing ones. A review of risk management arrangements identified the need for:

- some services to adopt a combination of both preventative and detective risk mitigation strategies.
- the identification of service specific fraud risks.
- consistency in risk management across major contracts. This is linked to gaps in the application of contract management policies and procedures.
- targets for Health and Safety performance in some departments and formal measurement to assess progress against delivery of the Health and Safety strategic plan.
- business continuity resilience for IT systems and tested back up facilities, particularly in light of a virus infection of 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 financial and other impact of the virus on the Council cannot easily be quantified. The Council has put in place and is working on, a range of measures to mitigate the likelihood and impact of these incidents. Corporate Board reviews these measures regularly.

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

5. Significant governance issues

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

a) The Audit Commission inspection of the Council's housing arms length management organisation in September 2008 cited the suspension of a phase of the Decent Homes programme with a budget of £54m and poor partnership working with the Council as the basis for downgrading it from a good two-star rating with promising prospects for improvement to a fair one-star service with poor prospects for improvement. The Decent Homes programme has been suspended since February 2008 and should recommence in July 2009.

b) A review of the Council's approach to the enforcement of yellow box junctions attracted significant media attention and impacted the parking revenue account, leading to £2m in budget adjustments for 2009/10.
c) The Council has £2m frozen in the Icelandic bank Glitnir. The Council has a treasury risk reserve in place at least equal to this amount.
d) The Council's decision to move grant funding from a provider to an alternative provider was challenged. The Council withdrew its case during the court hearing and reinstated funding. This issue and its impact attracted significant public interest. The impact of this media attention on the Council's image is not easily quantifiable
e) A housing placement made in accordance with Department for Work and Pensions housing allowance scheme generated significant national media attention. The impact of this media attention on the Council's image is not easily quantifiable.

Action has already been taken to resolve or mitigate the significant issues identified above. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed …………………..
Chief Executive –Ealing Council
Darra Singh
September 2009

Signed …………………………..
Leader of the Council
Jason Stacey
September 2009