

EALING
COUNCIL

STATEMENT
OF ACCOUNTS
2007/08

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Foreword to the accounts

During the financial year ended 31 March 2008 Ealing's financial standing has been further strengthened and the third year of a more business like approach to financial controls meant that:

- The general fund balance as at 31 March 2008 stands at £14.2M compared with £2.2M as at 31 March 2004.
- The accounts have been prepared in advance of the Statutory deadline.
- The total net expenditure of the Council was contained within budget, the final outturn being an underspend against budget of £0.053M or 0.02%.
- Further significant legacy issues have been provided for in relation to housing services and the Housing Revenue Account (HRA).

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 its savings for 2008/09 before the financial year had even begun. Further work will be required over the next year to bring the unearmarked reserves closer to £15M, the deemed necessary balances required by a Council of this size, following the removal of further risk areas.

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 has worked extremely well. Improvements to controls have been developed through the new financial system, Agresso, and whilst there were issues in the early stages of this system I am confident it will fundamentally enhance the Council's financial position on management, controls and improvements over the medium term.

The Council has added £2M to its unearmarked reserves and replaced the adjusted reserves by using some of the 2007/08 underspend to make sure the £14M target has been achieved this year and has a positive direction of travel for its reserves next year. This is testimony to the maturity of all Councillors in Ealing. In addition, earmarked reserves have been further enhanced. I have ensured that the Council has maintained its position in a number of risk areas, for example building dilapidations and the renewals of key replacement items such as computers along with known potential claims in relation to the Housing Revenue Account.

Focus on Council tax collection in 2007/08 has yielded an in year collection of 96.4%. This is the highest ever level of collection for Ealing and keeps Ealing in the top quartile of London Boroughs. It places the Borough 8th best out of 32 London Boroughs and the City of London. Cash management will continue to be a key focus in 2008/09 to drive further value for the residents of the Borough.

The London Borough of Ealing has further improved in 2007/08. It has retained its 3 star Comprehensive Performance Assessment status having been a 1 star authority only a few years ago. Of key importance is the Council's financial standing which has been rated as excellent by the Audit Commission.

The Borough continues to refocus its resources to deliver the Council's priorities in particular

Foreword to the accounts (continued)

for cleaner streets, safer communities and value for money to maintain customer focus and service delivery as primary drivers.

The Council will need a plan to reduce expenditure on demand led services if it is to sustain a strengthening position. In addition a plan for long term capital investment will need developing and consideration is being given for funding sources for the future programme of Building Schools for the Future (BSF). Borrowing is very high and limitations are strongly against pushing borrowing much higher without realistic and deliverable commensurate departmental savings. The Council has experienced difficulties in handling major regeneration projects such as the South Acton Housing Estate regeneration scheme and proper project management techniques have been further developed to mitigate against the risks of these projects.

The Council's Pension Fund net assets decreased by £8.0M during the year to a value of £553.4M, a decrease of 1.4%. The Fund also continued its financial recovery in respect of its funding level. 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 is an improvement from a ratio of 68% at the previous actuarial review at 31 March 2004.

The Housing Revenue Account (HRA) has a surplus of £1.5M at the end of the financial year. During 2005/06 the Council Arms Length Management Organisation, Ealing Homes, received a 2 star rating for its services which released £207M of investment funding over the period 2005/06 to 2010/11 of which £50.2M was used in 2007/08. There remain a number of significant issues to be solved during 2008/09 and beyond, for example South Acton Estate regeneration scheme and Drayton Bridge Road Estate 20 year leasing scheme.

The Housing Revenue Account is undergoing a thorough systematic service and financial review and legacy issues will continue to be dealt with as they emerge. The Director of Housing has been requested to ensure that external assistance is sought to thoroughly look for any further financial issues. In addition, current economic conditions in the property market in particular will require close monitoring given their potential impact on the Council's capital programme in terms of funding.

The Council's Parking Places Reserve Account has continued to prove difficult to contain within planned budgets. The significant concerns I raised in last year's foreword about this account were borne out with the general fund having to make good a £1.9M deficit. Significant financial challenges remain for this account.

The Local Authority Business Growth Incentive (LABGI) reserve account has been set up as a result of Government notification that the Council is to receive a further £3.8M of LABGI grant to promote continued economic growth in the local area.

In summary the accounts present an authority in very good and improving financial health. However, 2009/10 will require further budget savings to continue this positive direction of travel. The Council still faces a series of significant financial risks particularly from the HRA, inflation and demand led services but is actively managing these to ensure that the financial strength of Ealing is not jeopardised.

Richard Ennis
Executive Director of Corporate Resources

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 70 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 expenditure and income 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 2007/2008 the turnover of Ealing Homes Limited amounted to £19.8M (including internal recharges of £1.3M).

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.

EXPLANATORY FOREWORD

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').

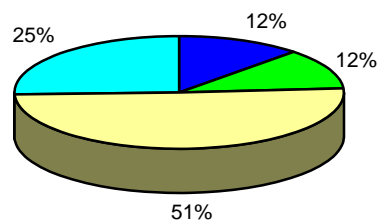
The statement relates to the system of internal control as it applied during the financial year for the accounts that it accompanies. The Council is in a group relationship and the review of the effectiveness of the system of internal control includes the group activities.

2.1 Revenue Expenditure and Services Provided

2.1.1 Revenue Funding

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

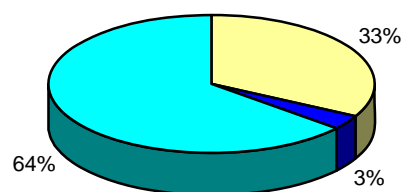
	£M	%
■ Rents and Other Income	247	25
■ Government Grants	492	51
■ Council Tax	118	12
■ NNDR (Business Rates)	112	12
	969	100



2.1.2 Revenue Expenditure

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

	£M	%
■ Running Expenses	619	64
■ Employees	317	33
■ Capital Financing Charges	33	3
	969	100

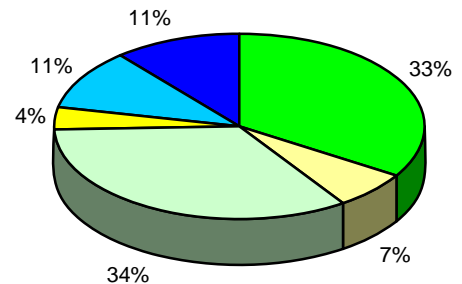


EXPLANATORY FOREWORD

2.1.3 Services Provided

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

	£M	%
■ Housing	329	33
■ Children's and Education	327	34
■ Adult Social Care	102	11
■ Corporate Services	108	11
■ Cultural and Environmental	64	7
■ Highways, Roads and Transport	39	4
	969	100



2.1.4 2007/08 Budget and Actual Comparison

The main components of the General Fund budget (excluding the HRA) for 2007/08 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	247,078	247,025	(53)
Income from Government Grant and Local Taxpayers	(249,078)	(249,078)	-
Increase in General Fund Balance for the Year	(2,000)	(2,053)	(53)

2.2 Housing Revenue Account

The Housing Revenue Account has made a deficit of £5.7M for 2007/08, which is greater than the budget deficit of £1.1M by £4.6M. This decreases the accumulated balances from £7.2M at 1 April 2007 to £1.5M at 31 March 2008.

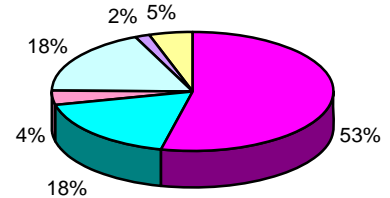
EXPLANATORY FOREWORD

2.3 Capital Expenditure

Capital expenditure for 2007/08 was £121.4M. The capital expenditure by service and its financing is shown below -

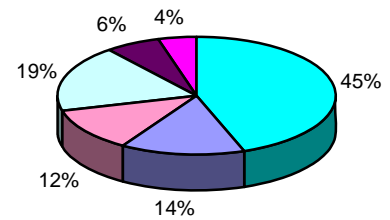
Service Expenditure

	£M	%
■ Housing & Regeneration	65.0	53
■ Environment & Customer Services	21.9	18
■ Education	21.6	18
■ Corporate	4.7	4
■ Social Services	2.0	2
■ Private Finance Initiative Projects	6.2	5
	121.4	100



Financed by

	£M	%
■ Supported Borrowing	54.1	45
■ Capital Receipts	14.3	12
■ Capital Grants & Other	22.5	19
■ Unsupported Borrowing	17.5	14
■ Revenue	7.8	6
■ Major Repairs Reserve	5.2	4
	121.4	100



3. Collection Fund

3.1 The collection fund had a surplus of £3.536M for the year. The surplus brought forward from 2006/07 was £0.456M and therefore there is now a surplus of £3.992M at 31 March 2008, of which £0.88M is due to the Greater London Authority.

4. External Funding

4.1 The Neighbourhood Renewal Funding from Central Government in 2007/08 was £1.4M. The objective of this grant is to "improve outcomes in deprived areas".

4.2 The Northala Fields project started work on site in August 2004 and is due for completion in July 2008. The capital value of this project is estimated to be £5.5M of which £5.1M had been spent to 31 March 2008. The project is being funded by income generated by the importation of inert waste into the site. The total income received to 31 March 2008 is £5.1M, (including interest of £250K).

4.4 Following the award of two stars to Ealing Homes by the Audit Commission in August 2005 the Council has been awarded £207M of decent homes funding for use by 2010 by way of supported borrowing. £50.2M of this funding was used in 2007/08. The whole of this funding is to bring the Council's Housing stock up to the "decent homes standard."

4.5 The Council has been allocated £4.5M from the Government under the Local Government Business Growth Incentive (LABGI) scheme in 2007/08. The authority received £622k in 2007/08 and a further accrual of £3.8M has been made in respect of 2007/08. The scheme operates as an unringfenced grant and there are no restrictions on the council as to its use.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007 (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 2008. 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 any provision for depreciation charged to the revenue 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.

7. 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 2007. 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 two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

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.

10. Tangible Fixed Assets (continued)

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.

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.

11. Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

12. Leases

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 at note 34 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.

The Council does not hold any Finance Leases.

13. 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.

14. 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.

15. Stocks and Work in Progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

16. 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.

17. 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.

18. Capital Receipts

The disposal of fixed assets creates capital receipts. Under the Local Government Act 2003 the Council must pay 75% of capital receipts from the sale of Council Houses to the DCLG. The remaining amount can be used to finance new capital expenditure and is shown in the usable capital receipts and grants balance. .Deferred capital receipts represent sales of Council land and property secured and repaid by way of mortgage

19. 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, Furniture & Fittings 4 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.

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

20. Redemption of Debt

Under legislative requirements the Council must ensure that there is a minimum revenue provision of 4% made from the General Fund in respect of non-HRA debt outstanding. The amount necessary to achieve this provision has been made from all Services, excluding the HRA, by a charge to the General Fund.

21. 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 DCSF.

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 52 to 56. 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 2008.

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 64 present fairly the financial position of the London Borough of Ealing as at 31 March 2008 and its income and expenditure for the year then ended, and that the accounts set out on pages 66 to 70 present fairly the net assets of the London Borough of Ealing Pension Fund as at 31 March 2008 and its income and expenditure for the year then ended.

Richard Ennis

Executive Director of Corporate Resources

29 September 2008

5. Certificate of the Chairman of the meeting

I confirm that these accounts were approved by the Regulatory Committee at its meeting held on 29 September 2008.

Signed by Councillor Ann Chapman, Chairman of the meeting approving the accounts.

Councillor Ann Chapman

29 September 2008

Opinion on the accounting statements

I have audited the Authority and Group accounting statements, pension fund accounts and related notes of the London Borough of Ealing for the year ended 31 March 2008 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 Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority and Group accounting statements and 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 the 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Corporate Resources and auditor

The Director of Corporate Resources' responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements, 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 Authority and Group accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Council and its income and expenditure for the year; and
- 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 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, pension fund accounts and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and the Pension Fund Annual Report. 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, 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 Authority and Group accounting statements, 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 Authority and Group accounting statements, 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 Authority and Group accounting statements, 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 Authority and Group accounting statements, pension fund accounts and related notes.

Opinion

In my opinion:

- the 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 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended;
- 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 2007, the financial position of the Group as at 31 March 2008 and its income and expenditure for the year then ended; and
- the pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, 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 Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and 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 Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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 December 2006, 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 ended 31 March 2008.

Best Value Performance Plan

I have issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20 December 2007. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

I have carried out 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. However, the audit cannot be formally concluded, and an audit certificate issued, until I have resolved issues arising from correspondence with the public. I am satisfied that the amounts involved will not have a material effect on the statement of accounts.

Kash Pandya
District Auditor
Audit Commission
1st Floor Millbank Tower, Millbank, London SW1P 4HQ

30 September 2008

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 2007/08 is shown on the summary account of the SMGFB.

2006/2007 Net Expenditure £000		2007/2008		
		Gross Expenditure £000	Income £000	Net Expenditure £000
69,232	Adult Social Care	102,027	(31,347)	70,680
11,404	Central Services to the Public	93,863	(80,620)	13,243
47,091	Cultural, environmental and planning services	63,657	(15,870)	47,787
64,521	Children's and Education Services	327,401	(287,468)	39,933
12,471	Highways, roads and transport services	38,532	(22,507)	16,025
(8,129)	Local authority housing (HRA)	110,583	(71,162)	39,421
10,253	Other housing services	218,270	(209,178)	9,092
7,869	Corporate and democratic core	5,528	(214)	5,314
5,934	Non distributed costs	8,739	(138)	8,601
<u>220,646</u>	Net Cost of Services	<u>968,600</u>	<u>(718,504)</u>	250,096
(19,629)	(Gain) or loss on disposal of fixed assets			-
6,840	Levies (note 5)			7,380
(14)	Contribution from Housing Act Advances (note 3)			(7)
(5,737)	Interest and Investment Income			(13,393)
26,015	Interest Payable and similar charges			33,036
4,861	Contribution of Housing Capital Receipts to Government Pool			4,128
6,211	Pension Interest Cost and expected return on pension assets			5,700
8,500	Exceptional items - Former Response Programme			-
<u>247,693</u>	Net Operating Expenditure			<u>286,940</u>
(115,504)	Demand on the Collection Fund			(117,761)
(20,901)	Revenue Support Grant			(18,871)
(9,866)	Other non-specific grants			(5,369)
<u>(107,357)</u>	Contribution from non-domestic rate pool			<u>(112,446)</u>
<u><u>(5,935)</u></u>	(Surplus) / Deficit for the year			<u><u>32,493</u></u>

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.

2006/2007 £000		2007/2008 £000
(5,935)	(Surplus) / Deficit for the year on the Income and Expenditure Account	32,493
11,043	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)	(34,546)
5,108	Decrease / (Increase) in General Fund Balance for the Year	(2,053)
(17,208)	General Fund Balance brought forward	(12,100)
(12,100)	General Fund Balance carried forward - available for new expenditure	(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 2007/08 and shows the aggregate increase in its net worth.

2006/2007 £000		2007/2008 £000
(5,935)	(Surplus) / deficit for the year on the Income and Expenditure Account	32,493
24,940	(Surplus) / deficit arising on revaluation of fixed assets	(64,249)
(33,743)	Actuarial (gains)/losses on pension fund assets and liabilities.	89,987
(22)	Movement on Collection Fund attributable to the authority	(2,757)
(791)	Other (gains) / losses	7,071
(15,551)	Total recognised (gains) / losses for the year	62,545

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Note A

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

2006/2007 £000		2007/2008 £000
	<u>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</u>	
1,179	Amortisation of Loan Premium	1,167
(28,091)	Depreciation and Impairment of fixed assets	(76,039)
-	Financial Instruments Adjustment	(1,706)
8,374	Government Grants Deferred amortisation	9,850
-	De-minimus capital expenditure written off to revenue	(531)
(4,360)	Write down of deferred charges to be financed from capital resources	(5,441)
19,629	Net gain on sale of fixed assets	-
(28,433)	Net Charges made for retirement benefits in accordance with FRS 17	(28,916)
<u>(31,702)</u>		<u>(101,616)</u>
	<u>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</u>	
9,760	Statutory Provision for repayment of debt	10,077
-	Deferred Capital Receipts	2,015
7,773	Capital expenditure charged in-year to the GF	7,809
(2,790)	PFI appropriation contribution	(2,926)
(4,861)	Transfer from usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(4,128)
22,373	Employer's Contribution payable to the pension fund	22,146
<u>32,255</u>		<u>34,993</u>
	<u>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</u>	
(2,777)	HRA balance	(5,698)
13,267	Contribution to / (from) specific reserves	37,775
<u>10,490</u>		<u>32,077</u>
11,043	Net amount to be debited to the General Fund balance for the year	(34,546)

BALANCE SHEET

2007	BALANCE SHEET as at 31 March 2008	See Note	2008	
£000			£000	£000
1,383,278	Tangible Fixed Assets	(17)	1,446,388	
9,910	Deferred Assets		16,089	
<u>1,393,188</u>	Total Fixed Assets			1,462,477
67,506	Deferred Consideration			67,443
47	Long Term Investments	(39)		4,502
703	Mortgagors	(18)		551
211	Other Long Term Debtors	(19)		2,184
<u>1,461,655</u>	Total Long Term Assets			<u>1,537,157</u>
	Current Assets			
1,311	Stock & Works in Progress	(20)	-	
143,751	Short Term Investments	(39)	187,458	
66,444	Debtors	(21)	62,356	
4,570	Cash at Bank and in hand		<u>2,200</u>	
<u>216,076</u>				252,014
	Current Liabilities			
(133,583)	Creditors	(22)	(119,226)	
(7,924)	Short Term Loans	(39)	<u>(502)</u>	
<u>(141,507)</u>				(119,728)
<u>1,536,224</u>	Total Assets Less Current Liabilities			<u>1,669,443</u>
(449,646)	Long Term Loans	(39)		(524,613)
(110,033)	Government Grants-Deferred			(129,449)
(10,399)	Provisions	(23)		(15,023)
(204,598)	Pension scheme liability	(32)		(301,355)
<u>761,548</u>	Total Assets less Liabilities			<u>699,003</u>
	Financing:			
-	Revaluation Reserve	(24)		54,906
878,033	Capital Adjustment Account	(25)		823,237
-	Financial Instruments Adjustment Account	(26)		(5,578)
1,873	Usable Capital Receipts	(27)		483
524	Deferred Capital Receipts	(28)		2,395
(204,598)	Pensions Reserve			(301,355)
21,744	Major Repairs Reserves	(29)		27,226
12,100	General Fund	(30)		14,153
51,517	Other Balances and Reserves	(31)		80,424
355	Collection Fund	page 57		3,112
<u>761,548</u>	Total net worth			<u>699,003</u>

CASH FLOW STATEMENT

2006/2007 £000		2007/2008 £000	
		£000	£000
251,282	Revenue Activities		
275,252	Cash Outflows		
32,653	Cash paid to and on behalf of employees	235,178	
142,724	Other operating cash payments	418,648	
4,861	Precepts paid	34,403	
110,245	Housing Benefit paid	132,653	
<u>817,017</u>	Capital Receipts Pool payments	4,128	
	Non-domestic rates paid to National Pool	<u>111,780</u>	
			936,790
(22,095)	Cash Inflows		
(123,401)	Rents (after rebates)	(23,178)	
(107,357)	Council Tax	(129,456)	
(107,461)	Non-domestic rate receipts from National Pool	(112,446)	
(28,503)	Local non-domestic rate receipts	(114,018)	
(177,934)	Revenue Support Grant	(18,871)	
(221,235)	DWP grants for rebates	(197,822)	
(114,129)	Other government grants	(285,106)	
<u>(902,115)</u>	Cash received for goods and services	<u>(139,077)</u>	
			<u>(1,019,974)</u>
(85,098)	Net Cash Inflow from Revenue Activities		(83,184)
	Servicing of Finance		
23,394	Interest paid	32,303	
(7,169)	Interest received	(11,807)	20,496
<u>(68,873)</u>			<u>(62,688)</u>
	Capital Activities		
89,536	Cash Outflows		
5,166	Purchase of fixed assets	112,215	
-	Purchase of Intangible Fixed Assets	-	
<u>94,702</u>	Purchase of long term investments	<u>4,500</u>	
			116,715
(22,870)	Cash Inflows		
(12,322)	Sale of fixed assets	(12,897)	
<u>(35,192)</u>	Capital grants received	<u>(22,632)</u>	
(9,363)			<u>(35,529)</u>
	Net Cash Inflow before Financing		18,498
	Management of Liquid Resources		
57,479	Net increase / (decrease) in short term deposits		41,449
	Financing		
219,933	Cash outflows		
	Repayments of amounts borrowed		118,488
(52,458)	Cash inflows		
(221,723)	New loans raised	(65,000)	
<u>(6,132)</u>	New short term loans	<u>(111,065)</u>	<u>(176,065)</u>
	(Increase) / decrease in cash		<u>2,370</u>

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. Employees Remuneration

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

Number of Employees 2006/2007	Remuneration Band	Number of Employees 2007/2008
181	£50,000 - £59,999	176
62	£60,000 - £69,999	83
17	£70,000 - £79,999	31
10	£80,000 - £89,999	12
12	£90,000 - £99,999	12
4	£100,000 - £109,999	6
-	£110,000 - £119,999	1
2	£120,000 - £129,999	2
3	£140,000 - £149,999	-
-	£150,000 - £159,999	2
1	£190,000 - £199,999	-
-	£210,000 - £219,999	1

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 liaising 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.

Net Expenditure 2006/2007 £000	Trading Accounts	Gross Expenditure 2007/2008 £000	Income 2007/2008 £000	Net Expenditure 2007/2008 £000
(150)	Building Control - Chargeable	1,175	1,304	(129)
449	Building Control - Non Chargeable	515	59	456
299		1,690	1,363	327
(840)	Off Street Car Parking	851	2,295	(1,444)
117	Trade Refuse	686	1,313	(627)

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

3. 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.

2006/2007 £000		2007/2008 £000
	INCOME	
11	Interest charged to mortgagors	11
28	Fees and charges	28
<u>39</u>		<u>39</u>
	EXPENDITURE	
13	Interest on loans	12
12	Management expenses	20
<u>25</u>		<u>32</u>
<u>14</u>	Contribution to General Fund	<u>7</u>

4. Members Allowances

The total of allowances paid to the members of the Council was £1,020,052 in 2007/08 (£991,800 in 2006/07).

5. Levies

2006/2007 £000		2007/2008 £000
308	London Pension Fund Authority	338
336	Lee Valley Park	344
131	National Rivers Authority	208
5,869	West Waste Authority	6,298
196	Coroners Services	192
<u>6,840</u>		<u>7,380</u>

6. Audit Costs

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

2006/2007 £000		2007/2008 £000
358	Fees payable to the Audit Commission appointed auditor with regard to external audit services carried out by the appointed auditor	92
193	Fees payable to the Audit Commission in respect of statutory inspection	439
150	Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns	150
<u>701</u>		<u>681</u>

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

7. Contribution to / (from) Specific Reserves

2006/2007 £000		2007/2008 £000
-	Contribution to / (from) Building Schools for the Future	1,136
200	Contribution to / (from) Business Improvement Reserve	920
2,000	Contribution to / (from) Business Risk Reserve	2,500
50	Contribution to / (from) By-elections Reserve	25
-	Contribution to / (from) Capitalisation Reserve	1,500
2,467	Contribution to / (from) Compensation for loss of office Reserve	153
1,640	Contribution to / (from) Ealing Civic Improvement Reserve	(143)
(1,722)	Contribution to / (from) Education Standards Fund	-
-	Contribution to / (from) Elections Reserve	118
1,000	Contribution to / (from) Government Grant Claim Reserve	-
-	Contribution to / (from) Health & Safety Inspection Reserve	439
(2,600)	Contribution to / (from) Improving Customer Access Reserve	-
-	Contribution to / (from) Individual Schools Budget Balances	15,637
-	Contribution to / (from) Interest Rate Equalisation Reserve	1,343
(1,950)	Contribution to / (from) LA Business Growth Initiative Reserve	3,882
48	Contribution to / (from) Lessees Refunds Reserve	169
2,000	Contribution to / (from) Line by Line Reserve	(350)
(500)	Contribution to / (from) Manifesto Delivery Reserve	-
-	Contribution to / (from) Property Projects Reserve	5,000
(188)	Contribution to / (from) Parking Place Reserve	-
1,000	Contribution to / (from) Police Com. Support Officers Reserve	-
-	Contribution to / (from) Property Dilapidation Reserve	(32)
(230)	Contribution to / (from) Property Maintenance Reserve	(80)
-	Contribution to / (from) Repairs & Renewals Reserve	500
-	Contribution to / (from) Schools Central Exp. Reserve (DSG)	523
2,313	Contribution to / (from) Transport / Legal Reserve	(1,495)
7,739	Contribution to / (from) PFI Reserves	6,030
<u>13,267</u>		<u>37,775</u>

8. 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.

2006/2007 £000		2007/2008 £000	2007/2008 £000
(290)	BID Levy Income	(337)	
(71)	Other Income collected by BID Board	(118)	
<u>(361)</u>	Total Income		(455)
20	Cost of collecting the levy	20	
195	Expenditure on providing services	415	
3	Provision held as reserve for appeals	35	
<u>218</u>	Total Expenditure		470
<u>(143)</u>	(Surplus) / Deficit for the year		<u>15</u>
-	(Surplus) / Deficit brought forward		(143)
<u>(143)</u>	(Surplus) / Deficit carried forward		<u>(128)</u>

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

9. Delegated Schools Budget

The council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over- and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2007/08 are as follows:

	Central Expenditure £000	Individual School Budget £000	Total £000
Original Grant Allocation To Schools Budget for 2007/08	21,977	163,046	185,023
Adjustment to Finalised Grant allocation	(564)	564	-
DSG Receivable in Year	21,413	163,610	185,023
Actual Expenditure for the year	21,964	161,935	183,899
(Over)/Underspend for the year	(551)	1,675	1,124
Planned top up funding of ISB from council resources	-	-	-
Use of School Balances Brought Forward	-	-	-
(Over)/underspend from prior year	1,074	13,962	15,036
Total School Balances Carried Forward	523	15,637	16,160

9a. Local Area Agreement (LAA)

The LAA between the Council, Partnership for Ealing and HM Government is to further improve the services to local people in the London Borough of Ealing.

The Partners (Partnership for Ealing): Ealing Council, Ealing Police, Ealing Hospital, Ealing PCT, Ealing Schools, West London Learning & Skills Council, Thames Valley University, Hammersmith & West London College, West London Business, Ealing Chamber of Commerce, Jobcentre Plus, Ealing Homes, Dominion Housing Group and Ealing Community Network.

Ealing is the accountable body and the grant received by the council and the LAA in 2007/08 is as follows:

- Total grants received under the LAA was £5,117k
- Amount of LAA grant received by the authority (before disbursements) was £5,117k.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

10. Pension Costs - Officers

10.1 As part of the employment terms and conditions of its officers and other employees the Council operates a local government final salary pension scheme. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments, that needs to be disclosed at the time that employees earn their future entitlement.

10.2 The Council scheme is a defined benefit statutory scheme in which the Council and employees pay contributions into a fund, calculated at a level intended to balance the future pensions liabilities with investment assets.

10.3 The Authority's contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The review under which the contributions were required was based on the position as at 31 March 2007. Under Pension Fund Regulations contribution rates are set to meet the overall liabilities of the Fund.

10.4 The cost of retirement benefits are recognised 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 that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement on the General Fund Balance (SMGFB). The following transactions have been made in the Income and Expenditure Account and the SMGFB in the year.

	31 March 2007 £000	31 March 2008 £000
Income and Expenditure Account		
Net cost of services :		
Current service cost	21,349	18,335
Past service costs / curtailment costs	1,048	5,011
Net Operating Expenditure :		
Interest on pension liabilities	35,254	38,950
Expected return on assets	(29,218)	(33,380)
Net Charge to the Income and Expenditure Account	<u>28,433</u>	<u>28,916</u>
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(28,433)	(28,916)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	22,373	22,146

10.5 The Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. For those approved prior to 1 April 2000 the Council continues to make the payments directly from revenue. These amounted to £1.4M in 2007/08 (£1.4M in 2006/07) representing 1.3% (1.3% in 2006/07) of pensionable pay. These payments have an outstanding capital liability of £24M (£25M in 2006/07).

10. Pension Costs - Officers (continued)

10.6 Added year benefits approved after 1 April 2000 were dealt with by augmentation to pensions and met through the pension fund. No further such payments are planned and none have been made in 2007/08 or 2006/07. The capital payment was met by the General Fund over the following 5 years by contributions from the service departments paid into the Compensation for Loss of Office Reserve. This is still continuing in respect of payments made in earlier years.

10.7 Note 31 in notes to the balance sheet contains details of the assumptions made in estimating the figures included in this note.

11. Pension Costs - Teachers

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

In 2007/08 the Council paid £11.9M (2006/07 - £11.0M) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 14.1% (2006/07 - 13.5%) of teachers pensionable pay for the year. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2007/08 these amounted to £1.72M, (2006/07 - £1.50M) representing 2.0% (2006/07 - 2.0%) of pensionable pay.

12. Related Party Transactions

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

12.2 Significant transactions with Government Departments, Precepting, Levying and joint arrangements with other bodies and local authorities and the Council's Pension Fund are shown and declared in the financial statements.

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

i) The Director of Finance (Regeneration & Housing) acted as the Mortlake Crematorium Board's Treasurer for the year to 31 March 2008 and the Board has £500,000 (2006/2007 £425,000) 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.

12.4 During 2007/2008 the following Councillors were Directors of Ealing Homes Limited:

- Councillors Bell, Gallagher, Reen, Kumar and Ashok Kapoor until May 2007
- Councillors Yerolemou, Pagan, Young, Bell, and Gallagher from June 2007

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

12. Related Party Transactions (continued)

12.5 Ealing has one section 75 agreement to pool funding of £1.65M in 2007/08 with Ealing PCT. One Ealing member is also an associate director of Ealing PCT.

12.6 All Officers and Councillors submitted their returns.

13. 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:-

2006/2007 £000		2007/2008 £000
801	Staff Recruitment	624
1,165	Advertising	1,058
145	Marketing, Communications & Web Services	423
868	Printing	958
<u>2,979</u>		<u>3,063</u>

14. 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.

2006/2007 Total Costs £000		2007/2008 Total Costs £000
1,357	Community Equipment	1,648
<u>1,357</u>	Total Cost	<u>1,648</u>
	Funding :	
976	Ealing Council	1,010
381	Ealing Primary Care Trust	638
<u>1,357</u>	Total Funding	<u>1,648</u>

15. 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 :

15.1 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.

15.1 Ealing Schools' PFI (continued)

The contract is for 27 years. The value of the unitary charge was £4,322k in 2007/08 (2006/07 £4,119k).

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 2007/08 was £6,035k , (2006/07 £608k).

15.2 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 2007/08 was £4,301k (2006/07 £3,944k).

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.

15.3 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 in addition to a £25M government grant.

During the year, 3,565 existing columns were removed and 4,096 columns were installed

The value of the Unitary charge in 2007/08 was £2,036k (2006/07 £2,259k).

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

16. 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:

2006/2007	Financial Liabilities Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total
	£000s	£000s	£000s
Interest expense	26,036	-	26,036
Losses on derecognition	-	-	-
Impairment losses	-	-	-
Interest payable and similar charges	26,036	-	26,036
Interest income	-	6,415	6,415
Gains on derecognition	-	-	-
Interest and investment income	-	6,415	6,415
Net gain/(loss) for the year	26,036	6,415	32,451

New accounting policies have been adopted in 2007/08 in relation to Financial Instruments which do not apply to prior year comparators. Please see note 38 in the notes to the Balance Sheet for more details.

2007/2008	Financial Liabilities Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total
	£000s	£000s	£000s
Interest expense	30,659	-	30,659
Losses on derecognition	-	-	-
Impairment losses	-	-	-
Interest payable and similar charges	30,659	-	30,659
Interest income	-	11,721	11,721
Gains on derecognition	-	-	-
Interest and investment income	-	11,721	11,721
Net gain/(loss) for the year	30,659	11,721	42,380

NOTES TO THE BALANCE SHEET

17. Fixed Assets

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

	Balance at 1 April 2007 £000	Additions £000	Disposals £000	Revaluation £000	Impairment/ Transfer £000	Other Additions £000	Depreciation £000	Balance at 31 March 2008 £000
<u>Operational assets</u>								
- Council dwellings	917,122	59,495	(5,399)	42,253	(46,543)		(10,717)	956,211
- Other land & buildings	370,098	21,118	(14,075)	20,187	(10,127)	1,166	(6,979)	381,388
- Vehicles, plant & Equipment	20,543	8,901					(7,866)	21,578
- Infrastructure assets	59,380	12,821					(4,431)	67,770
- Community assets	166	2,379						2,545
<u>Non-operational assets</u>								
- Surplus Assets	15,969	-	(388)	402	(92)	241		16,132
- Asset Under Construction	-	764						764
- Deferred Asset (PFI)	9,910	6,179						16,089
	<u>1,393,188</u>	<u>111,657</u>	<u>(19,862)</u>	<u>62,842</u>	<u>(56,762)</u>	<u>1,407</u>	<u>(29,993)</u>	<u>1,462,477</u>

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

	2007/2008 £000
Supported Borrowing	54,028
Unsupported Borrowing	17,523
Revenue Contributions	7,809
Capital Receipts	14,287
Capital Grants and other	22,533
Major repairs reserve	5,237
	<u>121,417</u>

	2007/2008 £000
<u>Fixed Assets</u>	111,657
<u>Deferred Charges :</u>	
Other	6,043
Improvement Grants	3,687
Housing grants to tenants	30
	<u>121,417</u>

NOTES TO THE BALANCE SHEET

17.3 The main items of capital expenditure by departments during the year were:-

	2007/08 £000
Housing & Environmental Health	
Disabled Facilities Grants	2,727
Other Grants	960
Regeneration and Community Development	
Burglary & Gating Project	447
Streets Environment	
Borough Road Improvements	2,956
Highways Improvements	2,084
Local Safety Schemes	1,207
New Waste Collection System	1,830
Cultural Services	
NGCP - Northala Field	1,649
Libraries for 21st Century	2,691
Corporate Resources	
Improving Customer Access ICT	1,029
Continuing Support for ICT	1,764
Social Services - Adults	
Michael Flanders - Renovations	487
Social Services - Children & Families	
CWD Trust Refurbishment - Carmellite House	392
Integrated Children's Services - IT	269
Education	
Grange Primary School rebuilding	3,086
Ellen Wilkinson - Sports Hall with Drama Facilities	1,517
Drayton Manor High - Additional Classrooms	1,503
New Greenfield's Children's Centre	1,071
Perivale Primary - New School	1,081
New Mandeville Special School	3,879
Schools NDS Devolved Capital	2,911

17.4 The numbers of major fixed assets are:-

	2007	2008
Council Dwellings	13,816	13,605
Town Halls	3	3
Offices	3	2
Depots and Workshops	3	3
Off-Street Car Parks	18	18
Public Conveniences	13	13
Swimming Baths (including School Baths)	7	5
Schools	73	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	3	3
- Day Centres	2	2

NOTES TO THE BALANCE SHEET

17.5 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 2008. 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.

	2008/2009 £000	2009/2010 £000	2010/2011 £000	Total £000
Schools Services	29,258	8,408	-	37,666
Adult Services	445	210	100	755
Children's Services	503	60	60	623
Street Environment	15,680	1,259	-	16,939
Cultural Services	19,905	2,966	980	23,851
Customer Services	20	-	-	20
Corporate Resources	4,711	250	250	5,211
Housing (General Fund)	4,608	2,250	1,850	8,708
Housing (HRA)	46,454	62,385	36,994	145,833
Property & Regeneration	6,174	6,199	972	13,345
Safer Communities	2,156	-	-	2,156
Built Environment	677	1,127	745	2,549
Council Wide	2,480	640	640	3,760
Total	133,071	85,754	42,591	261,416

17.6 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.

Erinaceous Public Sector Consultancy* are the external contractors who inspected and revalued all the council's property assets for 2007/08. All property assets are revalued as part of a five year rolling programme. Revaluations have taken place in 2007/2008 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 2008

(*During April 2008 Erinaceous Public Sector Consultancy ceased trading and since this date the Council's revaluations have been undertaken by Lambert Hampton Smith.)

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.

NOTES TO THE BALANCE SHEET

17.6 Fixed Asset Valuation (continued)

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 19 on page 13). Impairment was considered when reviewing the value of assets but no adjustment was required on the Council's assets.

18. Long Term Debtors: Mortgages

These are debts secured by mortgage and due after one year

Council House Sales
Housing Associations
Individuals

31 March 2007 £000	31 March 2008 £000
589	441
87	85
27	25
<u>703</u>	<u>551</u>

19. Long Term Debtors: Other

These are debtors which fall due after one year.

Deferred Capital Receipt
Car Loans to Employees
Other

31 March 2007 £000	31 March 2008 £000
-	2,015
160	101
51	68
<u>211</u>	<u>2,184</u>

20. Works in Progress

Works in progress largely comprise works such as the creation of industrial crossings, repair of vehicular damage to street furniture and roadways, repairs to private properties under public health notices and the cleaning of blocked drains, which are recharged to individuals and public and private concerns.

NOTES TO THE BALANCE SHEET

21. Debtors

	31 March 2007		31 March 2008	
	£000	£000	£000	£000
Government Departments	22,992		12,796	
Other Public Authorities	7		7	
Payments in Advance	45		702	
NNDR	10,189		7,445	
Council Tax	18,300		18,679	
Rent Arrears (including Housing Benefit overpayments)	4,255		5,620	
Housing Association Grant Due	1,785		2,281	
Sundry Debtors	<u>54,326</u>	111,899	<u>61,833</u>	109,363
Less provision for bad and doubtful debts		<u>(45,455)</u>		<u>(47,007)</u>
		<u>66,444</u>		<u>62,356</u>

22. Creditors

	31 March 2007	31 March 2008
	£000	£000
HM Revenue & Customs	5,072	5,035
Other Government Departments	8,090	10,657
Other Public Authorities	301	1,042
Deferred Income	28,418	23,643
Receipts in Advance	-	748
Council Tax Payers	4,537	2,641
NNDR	5,678	5,139
Housing:		
Rents	3,195	3,564
Mortgages	597	318
Ealing Homes	1,062	1,585
Sundry Creditors	76,532	64,854
	<u>133,482</u>	<u>119,226</u>

NOTES TO THE BALANCE SHEET

23. Provisions

	Balance at 1 April 2007 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2008 £000
Total Provisions	10,399	11,794	7,170	15,023

The value of provisions includes the items mentioned below, and 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 2007/08 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 has 8 stepped Lenders Option and Borrowers Option (LOBO) loans with a value of £79.7M as at 31 March 2008 and has accounted for interest in 2007/08 on these loans in accordance with SORP 2007 based on interest averaged over the likely period of the loans instead of the actual lower interest rate payable . This provision was made last year to reflect the adjustments that was potentially required to effect this transaction. However, regulations now allow for reversal of the impact of this treatment which will not impact on the general fund balance. The provision has now been transferred into a reserve.

4. The Council bought the leaseholds of certain properties during the 1960s as part of slum clearances. 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.

5. 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 has now been made, but a provision is being held to cover the cost of refurbishing and returning the machinery in its original state.

6. The Council has received a number of contractual claims from two of its maintenance contractors, who primarily carry out housing responsive repairs work. The claims mainly relating 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 proceeding have not been issued, the Council is actively negotiating with the contractors to try and resolve these matters, and provision has been made to allow for the maximum payments that the Council's considered might be required to resolve these claims.

NOTES TO THE BALANCE SHEET

24. Revaluation Reserve

The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £528m on the FARA at 31 March 2007 has been transferred to the Capital Financing Account which has been renamed Capital Adjustment Account. The Revaluation Reserve has been created with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore, only shows revaluation gains accumulated since 1 April 2007.

2007 £000		2008 £000
-	Balance at 1 April	-
-	Revaluation of fixed assets	62,842
-	Addition of previously unrecognised assets	1,407
-	Disposal of revalued fixed assets	(9,343)
-	Balance at 31 March	54,906

25. 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.

2007 £000		2008 £000
315,310	Balance at 1 April 2007	878,033
(8,500)	Impairment of Fixed Assets	(56,762)
-	Disposal of Fixed Assets	(10,519)
9,760	Minimum revenue provision	10,077
(19,590)	Depreciation	(19,277)
8,369	Amortisation of government grants-deferred	9,850
-	De-Minimus Capital Expenditure	(531)
24,845	Applied capital receipts	14,287
(5,039)	Loan Premium	5,039
1,594	Direct revenue financing	1,630
(10,565)	Contribution from major repairs reserve	(5,480)
32,715	Private Finance Initiative - Deferred Consideration	(63)
6,179	Private Finance Initiative - Creation of Deferred Asset	6,179
(5,166)	Write down of deferred charges	(9,227)
528,121	Transfer of Fixed Asset Restatement Account balance	-
878,033	Balance at 31 March 2008	823,236

NOTES TO THE BALANCE SHEET

26. Financial Instruments Adjustment Account

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

	2007/08 £000
Balance at 1 April 2007	-
Effective Interest Rate Adjustment	1,706
HRA Item 8 debit adjustment	3,872
Balance at 31 March 2008	<u>5,578</u>

27. 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.

	2007 £000	2008 £000
Balance at 1 April 2007	1,972	1,873
Received in year	24,746	12,897
Applied during year	(24,845)	(14,287)
Balance at 31 March 2008	<u>1,873</u>	<u>483</u>

28. 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 relate to the sale of 22-24 Uxbridge Road, due in 2010.

29. Major Repairs Reserve

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

	Balance at 1 April 2007 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2008 £000
HRA Major Repairs Reserve	<u>21,746</u>	<u>10,717</u>	<u>5,237</u>	<u>27,226</u>

30. General Fund

	2007 £000	2008 £000
Balance at 1 April 2007	17,208	12,100
(Decrease) / Increase in General Fund Balance for the Year	(5,108)	2,053
Balance at 31 March 2008	<u>12,100</u>	<u>14,153</u>

NOTES TO THE BALANCE SHEET

31. Other Balances and Reserves

Reserves :

	Balance at 1 April 2007 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2008 £000
Building Schools for the Future	-	1,136	-	1,136
Business Improvement Reserve	500	920	-	1,420
Business Risk Reserve	2,000	2,500	-	4,500
By-elections Reserve	50	50	25	75
Capitalisation Reserve	-	1,500	-	1,500
Compensation for loss of office Reserve	7,523	3,616	3,463	7,676
Ealing Civic Improvement Reserve	1,640	-	143	1,497
Elections Reserve	-	118	-	118
Government Grant Claim Reserve	1,000	-	-	1,000
Health & Safety Inspection Reserve	700	500	61	1,139
Interest Rate Equalisation Reserve	-	1,343	-	1,343
Lessees Refunds Reserve	200	169	-	369
Line by Line Reserve	2,000	1,650	2,000	1,650
Property Projects Reserve	-	5,000	-	5,000
Police Com. Support Officers Reserve	1,000	-	-	1,000
Property Dilapidation Reserve	1,000	-	32	968
Property Maintenance Reserve	270	-	80	190
Repairs & Renewals Reserve	695	500	-	1,195
Schools Central Exp. Reserve (DSG)	-	523	-	523
Transport / Legal Reserve	2,313	805	2,300	818
Local Govt. Business Growth Incentive Grant	-	3,882	-	3,882
Sub-total Ear-marked Reserves	20,891	24,212	8,104	36,999
Education PFI Reserve	9,809	8,028	5,785	12,052
Older Person's PFI Reserve	5,257	2,911	-	8,168
Street Lighting PFI Reserve	1,986	2,037	1,161	2,862
Individual Schools Budget Balances	-	15,637	-	15,637
Sub-total Other Reserves	17,052	28,613	6,946	38,719
Revenue Balances				
Housing Revenue Account	7,235		5,698	1,537
Lessees Central Heating Account	362		124	238
Education Balances	1,140	91		1,231
Control Accounts	949		996	(47)
Sub-total Revenue Balances	9,686	91	6,818	2,959
Other Balances				
Hull-Grundy Bequest Fund	211	11	16	206
Northala Fields	2,945	292	2,730	507
Other Funds	732	362	60	1,034
Sub-total Other Balances	3,888	665	2,806	1,747
Total Reserves & Other Balances	51,517	53,581	24,674	80,424

31. Other Balances and Reserves (continued)

Reserves :

Contributions to revenue reserves have been made for expenditure planned or likely to arise in future accounting periods and where it is considered appropriate to provide some resources in advance, for e.g. Property Dilapidation, Property Maintenance, Business Improvement, By-Elections, Business Risks, and Repairs and renewals etc.

The Line by Line reserve was created in 2006/07 as a result of a line by line review of service budgets which has been used for the 2007/08 budget. A further line by line review of service budgets has been carried out in 2007/08 and used for the 2008/09 budget.

The Ealing Civic Improvement Reserve has been set up as a one off fund primarily for improvements in the borough.

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.

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.

The Lessees refunds reserve covers possible losses in service charges income resulting from disputes in the level of service provided.

The Property Projects Reserve has been created to cover the costs of major capital project in 2008/09 and future years.

Capitalisation Reserve has been set aside to meet expenditure on ICT that cannot be capitalised.

Interest Equalisation Reserve, to protect the Council against any adverse variations in interest rate movement.

The Individual Schools Budget Reserve has been set up to contain all the schools balances, (see note 9)

Other Balances:

The Council administers a number of funds related to specific services. All funds are invested and the income accrues to the funds.

32. Pension Scheme Liability

As part of the terms and conditions of its employees the Council operates a local government final salary pension scheme. This is a statutory defined benefit scheme in which the Authority and its employees pay contributions into a fund in which the liabilities for future pensions are estimated to balance to the investment assets. The last formal full actuarial valuation of the pension fund took place at 31 March 2007 with the next triennial valuation due to take place in 2010.

NOTES TO THE BALANCE SHEET

32. Pension Scheme Liability (Continued)

The formal triennial actuarial valuation for the pension fund has been updated to 31 March 2007 by a qualified actuary using a set of assumptions consistent with those required under FRS 17.

As at 31 March 2008 the difference between the fair value of the attributable scheme assets £492M (2007 - £516M) and the present value of the scheme's liabilities £794M (2007 - £721M) was a deficit of £302M (2007 - £205M) which will be addressed through the next actuarial review in 2010.

There were no material prepaid or accrued pensions contributions at 31 March 2008. It must also be noted that the values are shown at a particular point in time and can vary considerably over the long term.

The liabilities represent the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the Council as recorded in the balance sheet as a result of the overall deficit in the fund as shown above.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy because the deficit on the fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 dependant on assumptions about mortality rates, salary levels etc. The fund has been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1 April 2007. The main assumptions used in their calculations are as follows:

	2006/2007 £M	2006/2007 %	2007/2008 £M	2007/2008 %
The main assumptions used in the calculation are as follows:				
Price Increases		3.1		3.6
Salary Increases		4.9		5.4
Pension Increases		3.1		3.6
Discount Rate		5.4		6.1

Assets are valued at fair value as follows:				
Equities	387.3	75.0	362.9	73.7
Government Bonds	113.6	22.0	-	0.0
Other Bonds	-	-	116.7	23.7
Cash/Liquid Assets	10.3	2.0	12.8	2.6
Other	5.1	1.0	-	-
	516.3	100.0	492.4	100.0
Expected rate of return for each class of asset:				
Equities		7.5		7.5
Government Bonds		4.7		N/A
Other Bonds		5.4		6.1
Property		6.5		N/A
Cash/Liquid Assets		5.3		5.3
Other		5.3		N/A

NOTES TO THE BALANCE SHEET

32. Pension Scheme Liability (Continued)

The Teachers Pension Scheme is a defined benefit scheme administered by the Teachers Pension Agency (TPA). 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. These benefits are fully accrued in the pensions liability shown in note 11 to the Income and Expenditure Account. At 31 March 2008 the pension contributions due to the scheme in respect of the March 2008 salaries were £0.576M.

33. Analysis of Net Assets Employed

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

	2007 £000	2008 £000
General Fund	25,273	(31,217)
Housing Revenue Account	736,275	730,220
Balance at 31 March	<u>761,548</u>	<u>699,003</u>

34. Capital Expenditure – Operating Leases

The Council holds various assets under operating leases. In 2007/08 the Council entered into nine new operating leases for 30 vehicles in total. The rental paid during the year amounted to £125,468 (2006/07 £100,958). Undischarged obligations under operating leases at 31 March 2008 amounted to £572,163 (2007 £194,598), a breakdown of the commitment in years is shown below.

	2007 £000	2008 £000
Commitment to Expire:		
Within 1 year	-	-
Within 2 to 5 years	195	572
Over 5 years	-	-
Total	<u>195</u>	<u>572</u>

35. 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 £47,642 (2007: £44,462) with revenue balances of £11,880 (2007: £13,734).

36. 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.

37. 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. This company is a controlled company under the Local Government and Housing Act 1989. The turnover in 2007/08 was £1,076K (£1,118K in 2006/07) and the net assets held were £163K (£110K in 2006/07).

The Council's contribution to Locata Ltd in 2007/08 was £106K (£97K in 2006/07).

The Council is liable to contribute to debts and liabilities of the organisation if it was wound up, 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.companies-house.gov.uk

38. Financial Instruments

INTRODUCTION – CHANGE OF ACCOUNTING POLICY IN 2007/08

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 2007, 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 UK Accounting Standards for financial instruments - FRS25, 26 and 29.

This has caused major changes 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 have been 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.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2007/08, to be valued on an amortised costs basis using the effective interest rate (EIR) method.

However, it should be noted that figures for 31 March 2007 which appear in these disclosure notes are shown unaltered from those which were published in the accounts for 2006/07 i.e. they have not been restated to amortised cost etc. Consequently, the figures for 31 March 2007 and 31 March 2008 are not properly comparable as they have been produced on two different basis. This is a one off problem which will not occur in the accounts for future years when two years' figures will be properly comparable.

38. Financial Instruments (continued)

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.

Guidance from CIPFA states that as fair value valuations were not calculated as at 31 March 2007, the column for fair value as at 31 March 2007 in these disclosure notes cannot be filled in and so no figures appear.

For the very same reasons, no figures appear under 'Gains and losses on financial instruments' for 2006/07.

Compliance

This authority has complied with the following: -

1. it has adopted the 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

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below. We have not calculated fair values as at 31 March 2007.

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.

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 064/08.
- 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.

NOTES TO THE BALANCE SHEET

38. Financial Instruments (continued)

- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

	31/03/2008	
	Carrying Amount £000	Fair Value £000
Financial Liabilities	525,115	567,016

The fair value is higher than the carrying amount because the authority'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. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31/03/2008	
	Carrying Amount £000	Fair Value £000
Loans & Receivables (Council Investments)	191,960	194,152

The fair value is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.

39. Financial Instruments balances

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".

	Long-Term		Current	
	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000
Financial liabilities at amortised cost	449,649	524,613	7,925	502
Financial liabilities at fair value through profit and loss		-		-
Total borrowings	<u>449,649</u>	<u>524,613</u>	<u>7,925</u>	<u>502</u>
Loans and receivables		4,502	143,751	187,458
Available-for-sale financial assets		-		-
Unquoted equity investment at cost		-		-
Total investments	<u>-</u>	<u>4,502</u>	<u>143,751</u>	<u>187,458</u>

NOTES TO THE BALANCE SHEET

40. Nature and extent of risks arising from financial instruments

The authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Credit risk

Credit 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. 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. The Council also has a policy of limiting deposits with institutions to a maximum of £12m and a limit on the maximum size of one transaction in placing a deposit of £5m. However larger amounts are placed in AAA rated Money Market Funds.

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 reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The maturity analysis of Treasury Investments is as follows:

Treasury Investments	£000
Less than three months	148,600
Three to six months	13,600
Six months to one year	23,000
More than one year	4,500
	<u>189,700</u>

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 meet 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.

NOTES TO THE BALANCE SHEET

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

Liquidity risk (continued)

The Council's policy is to ensure that not more than 15% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of financial liabilities is as follows:

	£000		£000
Less than one year	502	PWLB	436,646
Between one and two years	-	Market Loans	78,000
Between two and five years	5,000	Temporary Borrowing	500
More than five years	509,646	Other	2
	515,148		515,148

Market risk

Interest rate risk

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

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

- Decreases in interest rates will effect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will effect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account. However, the authority does not have any variable rate borrowings.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL. The Council does not have any available for sale assets that will impact on the STRGL.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and will therefore, impact on General Fund Balances.

The authority has a number of strategies for managing interest rate risk. The current policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. However at present the authority does not hold any variable rate loans. 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.

NOTES TO THE BALANCE SHEET

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

Market risk (continued)

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 on a monthly basis during the year. This allows for any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is to be fixed or variable.

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	(510)
Increase in interest receivable on variable rate investments	2,030
Increase in government grant receivable for financing costs	38
Increase in income shown in the I&E Account	<u>1,558</u>
HRA share of overall impact	<u>682</u>
Decrease in fair value of fixed rate investment assets	-
Impact on STRGL	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	71,063
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	428

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

Price risk

The authority does not generally invest in equity shares and does not have any available for sale assets and thus has no exposure to price risk.

Foreign exchange risk

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

NOTES TO CASH FLOW STATEMENT

41. Other Government Grants

2006/2007 £000		2007/2008 £000
6,286	Children's Social Services	1,869
12,911	Education - Sixth Form Grant	13,324
155,408	Dedicated Schools Grant	185,023
27,442	Standards Fund	33,711
1,472	Asylum Seekers	-
17,716	Other Grants	51,179
<u>221,235</u>		<u>285,106</u>

42. Reconciliation of operating Surplus/(Deficit) to the activities net cash flow

2006/2007 £000		2007/2008 £000
(6,887)	Total operating surplus / (deficit)	(4,674)
	Non cash transactions :	
9,760	Minimum revenue provision	10,077
6,218	Amortisation of Loans	-
-	Deferred Charges	(9,227)
-	De minimus capital expenditure	(531)
1,594	Revenue contributions to capital outlay	1,630
-	Financial Instruments Adjustment	1,167
-	Long term investments written down	45
2,505	Funding from other balances	771
13,295	Contribution to /(from) reserves	37,775
	Accruals items :	
(664)	(Increase) / decrease in stock and work in progress	1,311
9,876	(Increase) / decrease in debtors	9,132
33,176	Increase in creditors and provisions	15,212
	Items classified elsewhere	
16,225	Servicing of finance	20,496
<u>85,098</u>	Net cash inflow from revenue activities	<u>83,184</u>

43. Analysis of liquid resources and financing

Liquid Resources:
 Temporary Investments
 Financing:
 Short term loans
 Long term loans

Balance at 1 April 2007 £000	Movement in year £000	Balance at 31 March 2008 £000
143,751	41,449	185,200
(7,924)	7,422	(502)
<u>(449,646)</u>	<u>(65,000)</u>	<u>(514,646)</u>
<u>(457,570)</u>	<u>(57,578)</u>	<u>(515,148)</u>

44. Reconciliation of cash flow to net debt

	Balance at 1 April 2007 £000	Cash inflow £000	Cash outflow £000	Balance at 31 March 2008 £000
Long term loans	(449,646)	(65,000)		(514,646)
Short term loans	(7,924)		7,422	(502)
Total loans	<u>(457,570)</u>	<u>(65,000)</u>	<u>7,422</u>	<u>(515,148)</u>
Cash inflow / (outflow) from increase in liquid resources	143,798	(829,193)	875,142	189,747
Increase in cash balance	4,570	-	(2,370)	2,200
Total movement in net debt	<u>(309,202)</u>	<u>(894,193)</u>	<u>880,194</u>	<u>(323,201)</u>

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.

2006/2007 £000		2007/2008 £000
	Income	
50,890	Dwelling Rents	54,549
1,254	Non Dwelling Rents and other income	1,233
6,232	Charges for services and facilities(central heating etc)	7,255
9,211	Housing Revenue Account subsidy receivable including MRA - note 5	8,125
67,587	Total Income	71,162
	Expenditure	
14,506	Repairs and Maintenance	18,421
27,370	Supervision and management	28,986
6,976	Rent, rates, taxes and other charges	6,494
10,565	Depreciation and impairment of fixed assets - note 8	57,260
300	Amortisation of deferred charges	30
(455)	Amortisation of Government Grants Deferred	(851)
20	Debt Management Costs	25
175	Increase in bad debt provision	218
59,457	Total Expenditure	110,583
(8,130)	Net Cost of HRA Services per Authority Income and Expenditure Account	39,421
118	HRA services share of Corporate and Democratic Core	-
6	HRA share of other amounts in the whole authority Net Cost of services but not allocated to specific services(past service costs/depreciation)	90
(8,006)	Net Cost of HRA Services	39,511
(3,514)	(Gain)or loss on sale of HRA fixed assets	-
9,915	Interests payable and similar charges	12,560
6,218	Amortisation of loan premiums and discounts - note 9	-
(1,038)	Interest and investment income	(1,662)
115	Pension Interests cost and expected return on pension assets(FRS 17)	112
3,690	(Surplus) or deficit for the year on HRA services	50,521

HOUSING REVENUE ACCOUNT

Statement of Movement on the HRA Balance

2006/2007 £000		2007/2008 £000
3,690	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	50,521
(913)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(44,823)
<u>2,777</u>	(Increase) or decrease in Housing Revenue Account Balance	<u>5,698</u>
(10,012)	Housing Revenue Account surplus brought forward	(7,235)
<u>(7,235)</u>	Housing Revenue Account surplus carried forward	<u>(1,537)</u>

Note to Statement of Movement on the HRA Balance

2006/2007 £000		2007/2008 £000
Items included in the HRA Income & Expenditure Account but excluded from the movement on HRA Balance for the year		
(5,039)	Difference between amounts charged to Income and expenditure for amortisation of premiums and discount and the charge for the year determined in accordance with statute	-
-	Financial Instruments Adjustment - HRA	(748)
-	Impairment of Fixed Assets	(46,543)
(300)	Amortisation of deferred charges	(30)
457	Amortisation of Government Grants deferred	851
3,514	Gain or loss on sale of HRA fixed assets	-
(121)	Net charges made for retirement benefits in accordance with FRS 17.(Pension interest cost and past service cost)	(202)
Items not included in the HRA Income & Expenditure Account but included in the movement on HRA Balance for the year		
-	Premium & Discount Amortisation	1,167
340	Employer's contributions payable to Pension Fund and retirement benefits payable direct to pensioners	360
184	Contribution to CFLO Reserve	153
52	Contribution to Lessees Reserve	169
<u>(913)</u>	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	<u>(44,823)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Rent Arrears and Provision for Doubtful Debts

a) Rent Arrears

2006/2007 £000		2007/2008 £000
4,255	Council Managed Properties	4,851
1,197	Housing Association Managed Properties (net)	1,967
804	Temporary Accommodation (net)	842
<u>6,256</u>	Total	<u>7,660</u>

b) Provision for Doubtful Debts

2006/2007 £000		2007/2008 £000
6,485	Brought forward provision	6,007
(653)	Write-offs charged to provision	(357)
175	Increase in provision for 2006/07	218
<u>6,007</u>	Carried forward provision	<u>5,868</u>

2. Number of Dwellings within the HRA

2006/2007		2007/2008
1,839	Low Rise Flats (In blocks up to 2 storeys)	1,831
5,977	Medium Rise Flats (In blocks of 3, 4 or 5 storeys)	5,820
2,834	High Rise Flats (In blocks of 6 or more storeys)	2,831
3,014	Houses and Bungalows	2,974
152	Shared Dwellings	149
<u>13,816</u>	Total	<u>13,605</u>

3. Balance Sheet Values of HRA Assets

31 March 2007 £000		31 March 2008 £000
917,122	Council Dwellings(Operational)	956,211
2,312	Other land & buildings(Operational)	2,312
5,742	Other assets(Non-Operational)	5,742
<u>925,176</u>	Total	<u>964,265</u>

The vacant possession value of dwellings within the HRA as 1st April 2007 is £2.406M. 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.

NOTES TO THE HOUSING REVENUE ACCOUNT

4. Housing Major Repairs Reserve

2006/2007 £000		2007/2008 £000
11,179	Balance on Major Repairs Reserve at 1 April	21,746
10,567	Transfer to Major Repairs Reserve	10,717
-	MRA Used on Capital Projects	(5,237)
<u>21,746</u>	Balance on Major Repairs Reserve at 31 March	<u>27,226</u>

5. HRA Subsidy Received

2006/2007 £000		2007/2008 £000	Prior Year Adjustment £000	Total Subsidy Received £000
26,522	Management and maintenance	26,996		26,996
14,458	Charges for capital	16,052		16,052
6,575	Other reckonable expenditure	6,555		6,555
113	Admissible & other allowance	382	69	451
(49,004)	Notional rents	(52,616)		(52,616)
(42)	Interest on receipts	(33)		(33)
<u>(1,378)</u>	Housing Element	<u>(2,664)</u>	<u>69</u>	<u>(2,595)</u>
10,565	Major repairs allowance	10,717		10,717
24	Defective Housing Grants	3		3
<u>9,211</u>	Total HRA subsidy for the year	<u>8,056</u>	<u>69</u>	<u>8,125</u>

6. HRA Capital Receipts

From April 2004 all local authorities are required to pay the Secretary of State a proportion of the capital receipt generated by the disposal of a housing asset (75% for a dwelling, 50% for other assets) They retain the useable part of the receipt for any capital purpose.

2006/2007		2007/2008
Receipts £000	Paid to CLG £000	Receipts £000 Paid to CLG £000
63	-	340 -
7,156	4,715	5,399 3,996
154	116	176 132
<u>7,373</u>	<u>4,831</u>	<u>5,915</u> <u>4,128</u>
	Land	
	Council Dwellings	
	Other	
	Total	

NOTES TO THE HOUSING REVENUE ACCOUNT

7. HRA Capital expenditure and Financing

2006/2007 £000		2007/2008 £000
48,056	Total Capital Expenditure	59,771
	<u>Financing:</u>	
45,687	Borrowing	53,534
2,369	Capital Receipts	467
-	Major Repairs Allowance	5,237
-	Capital Grants	533
<u>48,056</u>		<u>59,771</u>

8. Depreciation and Impairment Charge

2006/2007 £000		2007/2008 £000
10,565	Council Dwellings(Operational) - Depreciation	10,717
-	Council Dwellings(Operational) - Impairment	46,543
<u>10,565</u>		<u>57,260</u>

The HRA depreciation is equivalent to the Major Repairs Allowance; the impairment reflects the social housing adjustment to the capital expenditure on council dwellings.

9. Amortisation of Loan Premium

2006/2007 £000		2007/2008 £000
6,218	Loan Premium	1,167
<u>(5,039)</u>	Adjustment on Statement of Movement on HRA	-
<u>1,179</u>	Net Charge in the HRA	<u>1,167</u>

COLLECTION FUND ACCOUNT

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2008

2006/2007 £000		2007/2008 £000
INCOME		
124,375	Income from Council Tax Payers (note 2)	130,883
26,532	Council Tax Benefits	27,068
107,498	Income from NNDR	112,347
<u>258,405</u>		<u>270,298</u>
EXPENDITURE		
115,504	Precepts: London Borough of Ealing	117,761
32,653	: Greater London Authority	34,403
2,722	Provision for uncollectible amounts	2,251
Business Rates		
107,004	Payment to the national pool (note 3)	111,842
494	Cost of collection	505
<u>258,377</u>		<u>266,762</u>
428	Fund surplus brought forward	456
28	Surplus for year	3,536
<u>456</u>	Fund surplus at 31 March	<u>3,992</u>
Analysis of Surplus :		
355	Ealing Council	3,112
101	GLA	880
<u>456</u>		<u>3,992</u>

NOTES TO THE COLLECTION FUND ACCOUNT

1. General

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).

2. Council Tax

The Council Tax is a banded capital value based property tax with a 25% discount for single adult households. In 2007/2008 the Council set a tax of £1,344.10 on the standard (Band D) dwelling (2006/2007 £1,309.42). The calculation of the Council Tax base is shown below.

	Estimated	Actual	Actual
	Number of Properties	Number of Properties	Band D Equivalents
Band			
A	1,717	3,824	2,549
B	8,463	14,863	11,560
C	22,508	31,141	27,681
D	35,552	39,064	39,064
E	22,805	16,894	20,648
F	12,036	6,171	8,914
G	9,667	3,744	6,240
H	1,534	429	858
Council Tax Base	<u>114,282</u>	<u>116,130</u>	<u>117,514</u>

2007 £000	
150,907	Income from Council Tax:-
(26,532)	Council Tax Income
<u>124,375</u>	Less Council Tax Benefits Due from Taxpayers

2008 £000
157,951
(27,068)
<u>130,883</u>

3. Income from NNDR

The Council collects non-domestic rates which are based on local rateable values multiplied by a uniform national rate of 44.4 pence (43.3 pence in 2006/07). The total local rateable value shown below includes adjustments in respect of previous years as a result of valuation decisions made in 2007/08. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. The analysis of the amounts shown in the accounts is set out below :-

2007 £000	
127,793	Non-domestic charges raised - £293.7M * 44.4p
(1,366)	Add / (deduct) allowances and other adjustments :
(10,682)	Transitional Relief
(6,250)	Empty and Void Relief
(1,780)	Charitable Relief
(711)	Provision for uncollectible amounts
<u>107,004</u>	Cost of collection and interest
	Contribution to NNDR national pool

2008 £000
130,413
(106)
(11,485)
(6,137)
(129)
(714)
<u>111,842</u>

4. Amounts written off in year

The amounts written off as uncollectible during the year were £284K in respect of Council Tax and £806K in respect of NNDR.

GROUP ACCOUNTS

Group Accounts

The 2007 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

Group 2006/2007 £'000		Gross Expenditure 2007/2008 £'000	Gross Income 2007/2008 £'000	Group Net 2007/2008 £'000
203,354	Ealing Council	949,392	716,320	233,072
17,642	Ealing Homes Ltd.	27,437	562	26,875
220,996	Net Cost of Services	976,829	716,882	259,947
(19,629)	(Gain) or loss on disposal of fixed assets	-	-	-
(14)	Contribution from Housing Act Advances Account		7	(7)
4,861	Amounts payable to Housing Capital Receipts Pool	4,128		4,128
6,840	Levies	7,380		7,380
26,637	Interest payable	33,667		33,667
(5,737)	Interest and Investment Income		13,545	(13,545)
6,211	Pension interest costs & expected return on pension	5,700		5,700
8,500	Exceptional Items			-
248,665	Net Expenditure	1,027,704	730,434	297,270
(115,504)	Income from Collection Fund		117,761	(117,761)
(30,767)	Government Grants		24,240	(24,240)
(107,357)	Distribution from non-domestic rate pool		112,446	(112,446)
(4,963)	Net General Fund (Surplus) / Deficit	1,027,704	984,881	42,823

GROUP ACCOUNTS

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

2006/2007 £000		2007/2008 £000
(5,935)	(Surplus) / deficit Ealing Council's Income and Expenditure Account for the year	32,493
(17,292)	Adjustment for transactions with other group entities	(17,024)
<u>(23,227)</u>		<u>15,469</u>
18,264	Subsidiaries	27,354
<u>(4,963)</u>		<u>42,823</u>

Group Statement of Total Recognised Gains and Losses

2006/2007 £000		2007/2008 £000
(4,963)	Surplus/(deficit) for the year on the Income and Expenditure Account	42,823
24,940	(Surplus) / deficit on revaluation of fixed assets	(64,249)
(35,115)	Actuarial (gains)/losses on pension fund assets and liabilities.	93,889
(22)	Movement on Collection Fund attributable to the authority	(2,757)
(1,376)	Other (gains) and losses	(2,666)
<u>(16,536)</u>	Total recognised (gains) and losses for the year	<u>67,040</u>

GROUP BALANCE SHEET

Group 2006/2007 £'000		Ealing Council 2007/2008 £'000	Ealing Homes 2007/2008 £'000	Group 2007/2008 £'000
	Tangible fixed Assets			
	Operational			
907,861	- Council Dwellings	956,211		956,211
370,098	- Other Land & Buildings	381,388		381,388
29,804	- Vehicles, Plant & Equipment	21,578	184	21,762
59,380	- Infrastructure Assets	67,770		67,770
166	- Community Assets	2,545		2,545
	Non Operational			
15,969	- Surplus Assets	16,132		16,132
-	- Assets Under Construction	764		764
9,910	- Deferred Asset	16,089		16,089
1,393,188	Total Fixed Assets	1,462,477	184	1,462,661
67,506	Deferred Consideration	67,443		67,443
47	Long Term Investments	4,502		4,502
914	Long Term Debtors	2,735		2,735
1,461,655	Total Long Term Assets	1,537,157	184	1,537,341
	Current Assets :			
1,311	Stock & WIP	0		0
143,751	Short Term Investments	187,458		187,458
66,695	Debtors	60,468	(26)	60,442
5,615	Cash at Bank	2,200	3,169	5,369
1,679,027	Total Assets	1,787,283	3,327	1,790,610
	Current Liabilities :			
(133,063)	Creditors	(114,670)	(3,725)	(118,395)
(7,924)	Short Term Loans	(502)		(502)
1,538,040	Total Assets less Current Liabilities	1,672,111	(398)	1,671,713
(449,646)	Long Term Loans	(524,613)		(524,613)
(110,033)	Government Grants-Deferred	(129,449)		(129,449)
(10,399)	Provisions	(15,023)		(15,023)
(217,841)	Pension Liabilities	(301,355)	(18,192)	(319,547)
750,121	Total Assets less Liabilities	701,671	(18,590)	683,081
-	Revaluation Reserve	54,906		54,906
878,033	Capital Adjustment Account	823,237		823,237
-	Financial Instruments Adjustment Account	(5,578)		(5,578)
1,873	Usable Capital Receipts	483		483
524	Deferred Capital Receipts	2,395		2,395
(217,841)	Pensions Reserve	(301,355)	(18,192)	(319,547)
21,744	Major Repairs Reserve	27,226		27,226
12,100	General Fund Balances	14,153		14,153
53,333	Reserves and Balances	83,092	(398)	82,694
355	Collection Fund	3,112		3,112
750,121	Total Net Worth	701,671	(18,590)	683,081

GROUP CASH FLOW STATEMENT

Group Cash Flow Statement

Group 2006/2007 £'000		Council 2007/2008 £'000	EH 2007/2008 £'000	Group 2007/2008 £'000
(84,257)	Net Cash Inflow / Outflow from Revenue Activities	(75,924)	(183)	(76,107)
	Returns on Investments and Servicing of Finance:			
	<u>Cash outflows</u>			
23,690	- Interest paid	32,303		32,303
	<u>Cash inflows</u>			
(7,169)	- Interest received	(11,807)	(152)	(11,959)
	Capital Expenditure and Financial Investment:			
	<u>Cash outflows</u>			
89,536	Purchase of fixed assets	112,215	277	112,492
5,166	Purchase of Intangible Fixed Assets			0
	Purchase of long term investments	4,500		4,500
	<u>Cash inflows</u>			
(22,870)	Sale of fixed assets	(12,897)		(12,897)
(12,322)	Capital grants received	(29,892)		(29,892)
	Net cash inflow/outflow before financing			
	<u>Management of Liquid Resources</u>			
54,113	<u>Net increase/(decrease) in short-term deposits</u>	41,449	(2,066)	39,383
	Financing			
	<u>Cash outflows</u>			
219,933	Repayments of amounts borrowed	118,488		118,488
	<u>Cash inflows</u>			
(52,458)	New loans raised	(65,000)		(65,000)
(221,723)	New short-term loans	(111,065)		(111,065)
(8,361)	Net (Increase)/decrease in cash	2,370	(2,124)	246

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.

Ealing Homes' accounts have been audited, but as at 30 September 2008, an audit opinion has not yet been issued .

2. Ealing Homes Ltd.

In September 2004 Ealing Homes Ltd. took over the management of the Council's Housing Stock. In 2007/08 the turnover of Ealing Homes was £19.770M and net liabilities were valued at £6.926M 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.

GROUP ACCOUNTS NOTES

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:

Total 2006/2007 £'000		Council 2007/2008 £'000	EH 2007/2008 £'000	Total 2007/2008 £'000
63,681	Sundry Debtors	60,468	-26	60,442
129,948	Sundry Creditors	114,670	3,725	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 Goodwill in the Ealing Homes accounts represent the recognition of the shortfall arising from the FRS 17 pension scheme deficit. This is being amortised over 20 years - this being the average remaining service lives of the employees who are members of the pension scheme.

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

Total 2006/2007 £'000		Council 2007/2008 £'000	EH 2007/2008 £'000	Total 2007/2008 £'000
Pension Costs				
(20,086)	Current Service Cost	(18,335)	(1,140)	(19,475)
372	Past Service Gain	(4,478)	(600)	(5,078)
747	Settlements/Curtailments	(533)	(35)	(568)
(18,967)	Total Operating Gain/(Loss)	(23,346)	(1,775)	(25,121)
Pension Liability				
523,144	Market Value of Assets	492,411	8,391	500,802
(740,985)	Liabilities	(793,766)	(26,583)	(820,349)
(217,841)	Total Net Pension Liability	(301,355)	(18,192)	(319,547)

PENSION
FUND

PENSION FUND ACCOUNTS – ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

Introduction

1. The London Borough of Ealing Pension Fund is operated under regulations made by the Department of Communities and Local Government under Section 7 of the Superannuation Act 1972.
2. The number of contributing members of the Fund as at 31 March 2008 was 6,286 (6,703 at 31 March 2007) whilst the number of pensioners, widows and dependants was 5,730 (5,701 at 31 March 2007). The Council is the administering authority of the scheme and has the major share of contributors and pensioners. There are now 15 scheduled bodies and 6 admitted bodies. All these contribute to the Fund. In 2007/08 Featherstone High joined the scheme.

Employers in the Fund as at 31st March 2008 are:

Scheduled Bodies

Brentside High
Cardinal Wiseman
Dormers Wells Infant
Dormers Wells Junior
Dormers Wells High
Drayton Manor High
Ellen Wilkinson
Greenford High
Northolt High
St Annes
Thames Valley University
West London Academy
Woodend Infant
Woodend Junior
Featherstone High

Admitted Bodies

Ealing Community Transport
Servite
Superclean
Erinaceous
Greeneich Leisure
MITIE/Scolarest

3. All investments are managed by external fund managers and in 2007/08 Lazard Asset Management Ltd, RCM (UK) Ltd and Royal London Asset Management Ltd took over full control of the investments on 24th April 2007 from the previous managers, Fidelity and UBS (see note 14).

Accounting Policies

4. The pension fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting for Great Britain issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in line with Chapter 2 of the Pensions SORP "Recommended Accounting Practice". The fund accounts are not consolidated with the accounts of the authority.
5. 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.

Accounting Policies (continued)

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

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

8. 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.

9. 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. All other UK investments are valued on the basis of middle 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 mid 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 2008.

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.

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 2007/08. A general contribution of £0.8M was credited to the Pension Fund from the General Fund in 2007/08.

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 2007/2008 there were 56 early retirements under this new rule (27 in 2006/2007) and the sum credited to the Pension Fund is £2.9M (£1.3M in 2006/2007).

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. It showed an excess of liabilities over assets of £205M. This excess will be addressed by increases in the employers contributions. 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 .

PENSION FUND

Actuarial Valuation (continued)

12. The contribution required from the Council and other bodies was 19.6% of pensionable salary during 2007/2008 (19.2% in 2006/2007), 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 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 2008 were 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 2008 was £218M , £188M and £136M respectively.

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

17. Investment transactions for the Fund amounted to: sales £324M (2006/07 - £101M) and purchases £368M (2006/07 - £112M).

18. The contributions receivable from the other bodies were £4.6M (2006/07 - £4.1M) and the total from the administering authority and the outside bodies were £31.9M (2006/07 - £29.6M). All benefits payable were administered by London Borough of Ealing.

FRS 8

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

Statement of Investment Principles (SIP)

20. 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

2006/2007 £000		2007/2008 £000
	INCOME	
	Contributions Receivable:	
	Contributions	
	From Employers.	
22,205	-normal	24,207
800	-deficit funding	800
	From members	
7,370	-normal	7,722
3,392	Transfer Values Received	7,046
1,548	Other Income (note 10)	3,392
<u>35,315</u>		<u>43,167</u>
	EXPENDITURE	
	Benefits Payable:	
19,755	Retirement Pensions	21,621
3,940	Retirement Grants	5,851
(163)	Death Grants	296
	Payment to and on account of leavers:	
6,496	Transfer Values Paid	3,974
204	Refunds of Contributions and Interest	82
	Administration and other expenses:	
711	Administrative expenses	640
<u>30,943</u>		<u>32,464</u>
<u>4,372</u>	Net increase from dealings with members	<u>10,703</u>
	Returns on investments	
10,797	Investment Income	18,461
24,078	Change in market value of investments (realised and unrealised)	(33,932)
(988)	Investment management expenses	(2,127)
<u>33,887</u>	Net returns on investments	<u>(17,598)</u>
38,259	Net increase in the fund during the year	(6,895)
523,146	Net assets of the scheme at 1 April	561,405
<u>561,405</u>	Net assets of the scheme at 31 March	<u>554,510</u>

PENSION FUND NET ASSETS STATEMENT

2007 £000		2008 £000
	INVESTMENTS AT MARKET VALUE	
	Fixed Interest Securities	
-	UK Corporate Bonds	136,781
118,772	Other UK	-
21,123	Foreign	-
	Listed Equities	
239,983	UK	234,288
65,611	North America	72,220
56,883	Europe	44,660
12,901	Japan	17,840
14,286	Pacific	18,541
12,894	Emerging Markets	14,198
	Other Investments	
-	Venture Capital	-
	Cash Deposits	
7,413	Money Market Instruments	5,742
<u>549,866</u>	Total Investments	<u>544,270</u>
	CURRENT ASSETS AND LIABILITIES	
	Debtors	
2,007	Dividends Due	5,076
881	Unsettled Sales	1,199
	Creditors	
(34)	Unsettled Purchases	(5,287)
<u>2,854</u>		<u>988</u>
<u>552,720</u>	TOTAL ASSETS (Under External Management)	<u>545,258</u>
253	Debtors	355
9,037	Cash in Hand	9,612
(605)	Creditors	(715)
<u>8,685</u>		<u>9,252</u>
<u>561,405</u>	TOTAL NET ASSETS	<u>554,510</u>

ANNUAL
GOVERNANCE
STATEMENT
APPENDIX A

Annual Governance Statement 2007/2008

1. Scope of responsibility

- 1.1 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. Ealing Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Ealing Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions that includes arrangements for the management of risk.
- 1.3 Ealing Council has a robust corporate governance framework consistent with the principles of the 2007 CIPFA/SOLACE guidance "Delivering Good Governance in Local Government".
- 1.4 The Annual Governance Statement explains how Ealing Council has complied with the guidance in meeting the requirements of Regulation 4 of the Accounts and Audit Regulations 2006.

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 Ealing Council 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 2008 and up to the date of approval of the statement of accounts.

3. The governance framework

Ealing Council has the following arrangements regarding the key systems and processes comprising the authority's governance framework:

3.1

The Constitution sets out the Council's approach to Corporate Governance.

3.2 Ealing Council, working with strategic partners and local communities has set out six priorities which aim to:

- 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 organization focused on the needs of its communities.

The priorities form the basis of the Corporate Plan and Business Plans and provide the focus for the improvements that are being made in all areas of the Council. 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.

Equality and Diversity is a key element of the Corporate Plan; priority actions included publishing the Council's Comprehensive Equality Scheme and action plan, which sets out how the Council will meet its statutory obligations set out under a range of equality legislation. In addition to this, the Council has made good progress against the Equalities Standard for Local Government, achieving level 3 of the standard, as well as all departments having developed equality and diversity action plans, which have been 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 and the Council uses a Corporate Equality Board, chaired by the Chief Executive, and departmental Equality Groups to oversee the delivery of equality related activities.

3.3 Policy and decision making is via a Cabinet Structure with Cabinet Member portfolios. There are seven Area committees. These committees discuss and propose local issues to the Cabinet e.g. traffic and parking schemes, consider car park charges and agree road traffic orders. There are also public forum items when members of the public can raise issues of local concern and discuss these with their councillors.

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.

The council has adopted specific Codes of Conduct for councillors involved in planning or licensing decision-making. All relevant councillors receive training in these areas as a precondition of their participation.

Member training and development is in place and there was a comprehensive induction programme for all councillors within the first few weeks of their election to office. All but two of the council's 69 councillors have been trained on the council's Code of Conduct for Councillors.

The Standards Committee has seven members, three of whom are independent of the Council including the chair, in line with best practice and (from 1 April 2008) legislative requirements. The Committee reviews and oversees Member development and the Council's Whistle Blowing Policy. From April 2008 the Standards Committee will increase its independent members to four, to assist it in dealing with the new member conduct procedures set out within the Local Government and Public Involvement in Health Act 2007. The Standards Committee receives annual reports on member conduct and complaints made against members.

There is an active scrutiny function within Ealing, 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.

An Audit Committee provides independent assurance to the Council on risk management and internal control, and the effectiveness of the arrangements the Council has for these matters.

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.

Since its inauguration, the Committee has worked in tandem with the Ealing Council Audit Board ("the Audit Board"). The Audit Board was established in 2005 and comprises senior officers.

The Audit Board meets quarterly and seeks to strengthen the assurance framework of the council. Internal audit provides quarterly progress reports on internal control and fraud risk management to the Audit Board. Officers are held to account by Audit Board through the use of challenge sessions to focus on any areas of weakness or non-compliance.

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.

3.4 Council projects are run in line with a project control framework that defines the mandated control processes that need to be in place. 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 should report into a project board. Large projects will have their own project board, but most large initiatives will 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.

3.5 A Resident's Survey is undertaken every six months, the last in February 2008 including feedback to the authority on resident views and satisfaction. Regular consultation is undertaken with residents to ensure the authority makes decisions based on resident requirements and feedback on general provision and quality of service. As an example, following consultation with 29,000 residents a change was introduced to the refuse and recycling service. Consultation regularly occurs through the Scrutiny function as described above, on-line feedback surveys, and smaller research and consultation groups. Best practice visits are completed and co-optees are invited to attend Committees to provide additional skills and expertise.

3.6 Monitoring of compliance with established policies, procedures, laws and regulations – including risk management. There is a corporate induction programme in place supplemented by various internal training courses with information regarding current policies and procedures held on the intranet. The Council has a strong 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 within their remit.

3.7 The council has an established Risk Management Strategy 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 champion risk management within the Council. The Council has approached embedding of risk management in accordance with best practice guidance as a "top down" process, with a Strategic Risk Register supported by Operational Risk Registers covering all business and service plans.

The Risk Coordination Manager is responsible for officer and Member awareness and providing guidance and training to enhance understanding of how to implement risk management in accordance with responsibility.

Significant work has been undertaken to identify and assess key partners and ensure that robust protocols are in place for partnership working. In addition, the assurance available in terms of their corporate governance arrangements has been reviewed.

3.8 The Improvement Team work 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 review value for money and endeavor 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.

3.9 Corporate assessment (CA) is one element in the overall assessment that leads to a comprehensive performance assessment (CPA) score and category. The purpose of the CA is to assess how well the Council

engages with and leads its communities, delivers community priorities in partnership with others, and ensures continuous improvement across the range of Council activities. In the latest assessment in 2006/07 the Council was given an overall score of 3 out of a possible 4, being assessed as “performing well – consistently above minimum requirements”.

The CA report provides a commentary to the findings of the inspection team under themes and highlights what they saw as being either strengths or areas for improvement. Specific areas for improvement identified within the report are delivered through the business plans.

3.10 In May 2007 Ealing’s LSP Executive agreed to pursue the development of a joint Climate Change Strategy for Ealing. Since then the Environment and Climate Change Board (ECCB) have been working with the Carbon Trust on the Local Authority Carbon Management Programme. The Carbon Trust completed an audit of three of the authority’s main buildings and an action plan has been devised to address the issues raised. In addition we are developing a business case model for growth and capital bids to take account of the environmental impact on investment and financial decisions.

3.11 During the year a new Head of Civil Protection was appointed who has conducted a review of continuity and civil protection within the authority. As a result a 10-month programme was established to ensure that Ealing remained abreast of current developments and fulfilled legal requirements. Part of the plan includes new contract clauses from April 2008 to ensure all key partners and contracts for critical services have adequate business continuity plans in place.

3.12 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Procedure Rules form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are explained in reports for approval by full Council.

The Constitution is supported by operational procedures manuals containing information on financial and business procedures and processes to be followed in all areas of the Council.

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.

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

4. Review of effectiveness

Ealing Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors within the authority who have responsibility for the development and maintenance of the governance framework, the Head of Audit and Investigation's annual report, and also by comments made by the external auditors and other review agencies and inspectorates:

4.1 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 LSP's 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.

The Performance Monitor reported 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 that are also regularly reviewed.

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.

4.2 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 four statutory posts as follows:

- 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

The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace guidance and continuously enhances the well-established corporate governance framework.

4.3 An Annual Governance Working Group (AGSWG) has been established consisting of senior officers from multi-disciplines with responsibility for the preparation of the Annual Governance Statement and relevant supporting evidence. The AGSWG have met on a regular basis during the year to ensure compliance with the corporate timetable.

A self-assessment review was undertaken within the Authority based on CIPFA guidance entitled *delivering good governance in local government*. Senior officers and Directors completed the self-assessment with input from Councillors as appropriate.

The Statement has been updated to take account of the self-assessment referred to above, in addition to various iterations of other key assurance documents as they have emerged during the year.

Draft Governance Statements have been submitted by the AGSWG to both the Audit Board and Audit Committee since the third quarter to ensure robust challenge and input from both Officers and Councillors.

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 within Finance, Legal Services and the CLT responsible officer; 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.

4.4 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 Director of Corporate Resources is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2006.

The internal audit provision is managed, independently, by the Head of Audit and Investigation and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around corporate governance, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Executive Directors, Corporate Leadership Team and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor 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 any 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.

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

- A review of Internal Audit conducted by KPMG (reported in June 2007) and the extent to which external audit placed reliance upon Internal Audit in relation to the key financial systems in 2006/07;
- The Use of Resources assessment on internal control;
- A self-assessment of the extent of compliance against the Chartered Institute of Public Finance Accountant (CIPFA) Code of Practice for Internal Audit 2006;
- A self-assessment of the extent of compliance against the Internal Audit Quality Assessment Framework;
- Performance against targets;
- Summaries of customer satisfaction questionnaires; and
- Effectiveness of the Audit Committee.

From the work undertaken by Internal Audit in 2007/08 the Head of Audit & Investigation concluded that:

“Risk management systems have been significantly improved during 2007/08 as strategy has been turned into reality. Risk management is now an integral part of our management processes and has improved the quality of our decision-making.

The system of internal control has continued to show annual improvements since 2004/05. Over this period the number of key financial systems reports showing ongoing weaknesses has reduced with similarly reducing trends in the percentage of non-key financial systems reports issued as limited.

Two key financial systems have been issued with limited assurance opinions (Parking income and debtors and highways maintenance/CONFIRM). Concerns remain in respect of Parking Income because a limited assurance opinion has been issued for the third year in a row.

In addition a significant overpayment occurred during the year due to internal control weaknesses.

A number of potentially significant governance issues are currently under review within Housing and Regeneration. Finance and legal services are assisting the directorate to ensure a speedy resolution so that the exact nature and extent of any problem(s) identified can be quantified and appropriately addressed.

I am able to provide assurance that the risk management systems and internal control environment in place at Ealing Council for the year ended 31 March 2008 fully accorded with proper practice throughout the year with the above exceptions.

Since the issues within Housing and Regeneration are still under review following year-end, I am unable to confirm whether these weaknesses have resulted in financial losses, contingencies or uncertainties in excess of 5% of turnover.”

The top themes appearing across limited assurance internal audit reports issued for 2007/08 highlighted the need for stronger:

- System controls and disaster recovery;

- Financial management;
- Contract management; and
- Performance management.

In addition to the above review, further assurance was provided through the following:

- 4.7 KPMG completed a review of our ICT organisation and management during 2007/08, the report was issued with a satisfactory assurance rating. Good practice was noted in relation to Contract and Service Level Agreements, IT Strategic Planning, Scrutiny Panels and IT Programme Management - in particular the ICT Programme Governance Framework, Compliance and Performance Measurement, Resources and Risk Management. Some areas for further development were noted and management will prepare the necessary action plans to address the issues raised.
- 4.8 In March we won the coveted Children's Services Award at the Local Government Chronicle Awards in London. The Council received the accolade in recognition of its work to make Ealing a great place for every child and young person to grow up by focusing on the needs of its young people, improving attainment and reducing levels of youth offending in the borough.
In November Ealing was also named Council of the Year for Children and Young People's Services at the Children and Young People Now Awards 2007.
- 4.9 The Council, with partners in the Local Strategic Partnership (LSP) has entered into a Local Area Agreement (LAA) with Central Government from April 2007. To ensure the successful delivery of the LAA, quarterly monitoring reports are provided to the Partnership Board detailing LAA performance.
- 4.10 The Council continues to develop and implement an extensive efficiency/value for money programme to improve services and respond to the challenges of the Gershon report and the need to identify significant on-going savings in both the current and future years. This is achieved through robust financial management and budget proposal scrutiny, including on-going line-by-line analysis of individual budgets.
- 4.11 Significant re-organisation of the Council's Directorates began during 2006/2007 and continued into 2007/08 in order to develop an Individuals Directorate combining Adults and Children's Services and a combined Regeneration and Housing Directorate to better equip the Council to deliver vibrant urban communities and improve services for customers. This also involved the transformation of the Community Safety area to enable the strategic development of relevant services.
- 4.12 There is a quarterly review of the Council's emergency arrangements using the Audit Commissions 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.

4.13 Letters of Representation from Executive Directors and Directors for the year ended 31 March 2008 stated that they are aware of their responsibilities and had complied with the Council's policies and procedures. The letter of representation process in no way absolved officers of their responsibility to continue addressing the issues noted.

There were 3 questions on the Letter where the percentage of no answers exceeded the set tolerance level of 10%, Appendix A refers. Action plans are in place to improve the Council's arrangements in these areas and will be kept under review. Additionally the areas identified will be subject to review in six months to determine progress and revision to the action plans as necessary. The Audit Board will monitor progress at their quarterly meetings.

The exceptions highlighted by senior managers can be grouped under the following headings:

- Contract management
- Budget and financial management
- Staff resource
- Data protection
- Business continuity planning

These issues are consistent with the themes identified in the limited assurance reports issued for 2007/08 as outlined above.

The exceptions identified will be kept under review by internal audit until resolution is obtained.

5. Significant governance issues

The following issues are raised due to the potential significance in that the matters could result in a need to seek additional funding for resolution, or result in significant diversion of resources from another aspect of the business:

- Ongoing challenges in the parking revenue account; and
- Un-quantified concerns currently under review within the Housing and Regeneration directorate in relation to governance issues (financial and contract procedural compliance).

6. Certification

Over the coming year Ealing Council will take steps to address weaknesses and ensure continuous improvement of the system to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements and will monitor their implementation and operation as part of our next annual review.

Signed
Chief Executive

Signed
Leader of the Council

Appendix A: Letter of Representation – no answers (exceeded the set tolerance level of 10%)

Question and Area covered	“No” %
Partnership	
1. I have evidence available from key partners / third party sources in relation to their annual governance assurance.	18.5
Health & Safety	
2. Do you have targets set to improve H&S performance and is this measured against the Council's H&S Policy and action plan?	34.6
Business Continuity	
3. Do all staff and partners have access to the current business/service continuity plan covering all critical service areas in order to instigate the plan should the need arise?	18.5