

LBE
STATEMENT
OF ACCOUNTS
2006/07

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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 59 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.

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.

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.

1.5 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 has transferred responsibility for the management of its Housing Stock to Ealing Homes Limited, an arms length management company, wholly owned by the Authority. In 2006/2007 the turnover of Ealing Homes Limited amounted to £19.5M (including internal recharges of £1.2M).

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.

1.6 The Balance Sheet which shows the Council's assets and liabilities.

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

1.9 The Cash Flow Statement This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

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

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

1.12 A Statement on the System of Internal Control 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.

EXPLANATORY FOREWORD

Foreword to the accounts by the responsible finance officer

During the financial year ended 31 March 2007 Ealing's financial position has been further stabilised and the second year of a more businesslike approach to financial controls meant that:

- The general fund balance as at 31 March 2007 stands at £12.1M 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 £0.084M or 0.03%.
- Further legacy issues have been dealt with in particular in the on-street parking account and the Response ICT Asset Impairment Review, the former of which has required a prior year adjustment to unearmarked reserves at 31st March 2006.

The Chief Executive and 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 2007/08 before the financial year had even begun. Further work will be required over the next two years 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 processes of planning and control to produce these statements has worked extremely well except primarily in the area of the Parking Places Reserve Account (PPRA) which has caused the need for a significant prior year adjustment of £6,028K to be made.

Improvements to controls will be developed through the new financial system, Agresso, and whilst there have been 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 2006/07 underspend to make sure the £12M target has been achieved this year, and has a positive direction of travel for its reserves in future years. 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.

Focus on Council tax collection in 2006/07 has yielded an in year collection of 96.1%. This is the highest ever level of collection for Ealing and places 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 debtor collection will continue to be a key focus in 2007/08 to drive further value for the residents of the Borough.

The London Borough of Ealing has experienced significant turbulence yet improved during 2006/07. It has retained its 3 star Comprehensive Performance Assessment status having been a 1 star authority only a few years ago.

EXPLANATORY FOREWORD

Foreword to the accounts by the responsible finance officer cont...

The Borough has fundamentally refocused its resources to deliver the Council's priorities in particular for cleaner streets, safer communities and value for money to maintain customer focus and service delivery as a primary driver.

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 will be needed 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 need further developing to mitigate against the risks of these projects. A new Executive Director is leading on tackling this project.

The Council's Pension Fund net assets increased by £38.3M during the year to a value of £561.4M, an increase of 7.3%. The Fund also continued its financial recovery in respect of its funding level. The Council's actuary approximates the assets to liabilities ratio at 80% at 31 March 2007 pending the outcome of the formal actuarial review. This is a 3% increase from the 31 March 2006 level and 12% since the last formal actuarial review at 31 March 2004.

The collection fund has recorded a modest surplus of £0.028M giving a balance of £0.456M at the year end.

The Housing Reserve Account (HRA) has a balance of £7.2M at the end of the financial year. During 2005/06 the Council ALMO, 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 £46.3M was used in 2006/07. There remain a number of significant issues to be solved during 2007/08 and beyond, for example South Acton Estate regeneration scheme and Drayton Bridge Road Estate 20 year leasing scheme. A review of the HRA is being undertaken during 2007/08 and the 2007/08 budget has been set at a level which should require no further use of the HRA balances. Any further significant estate developments will require substantial risk analysis and contingency consideration during the options development stage. New ideas will be needed to ensure this account remains balanced.

The Council's Parking Places Reserve Account has had a material overstatement of income. A prior year adjustment has been made for this in the General Fund. I have significant concerns about the delivery of the 2007/08 budget for the PPRA account.

In summary the accounts present an authority in reasonable and improving financial health. However, 2008/09 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 spending review (CSRO7), 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 Finance and Business Support

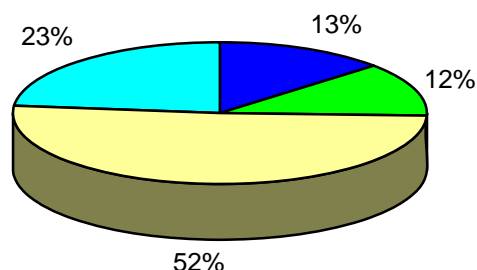
EXPLANATORY FOREWORD

2.1 Revenue Expenditure and Services Provided

2.1.1 Revenue Funding

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

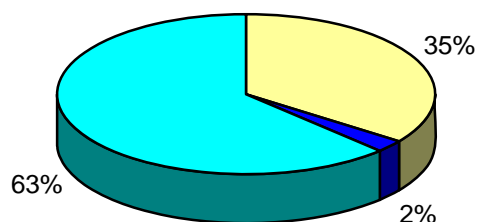
	£M	%
█ Rents and Other Income	203	23
█ Government Grants	446	52
█ Council Tax	115	13
█ NNDR (Business Rates)	108	12
	<u>872</u>	



2.1.2 Revenue Expenditure

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

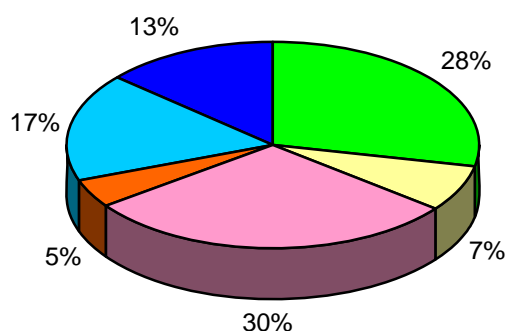
	£M	%
█ Running Expenses	546	63
█ Employees	305	35
█ Capital Financing Charges	21	2
	<u>872</u>	



2.1.3 Services Provided

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

	£M	%
█ Housing	247	28
█ Education	257	29
█ Social Services	149	17
█ Corporate Services	117	14
█ Cultural and Environmental	62	7
█ Highways, Roads and Transport	40	5
	<u>872</u>	



EXPLANATORY FOREWORD

2.1.4 2006/2007 Budget and Actual Comparison

The main components of the general fund budget (excluding the HRA) for 2006/2007 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	232,217	220,646	(11,571)
Impact of prior year adjustment	-	6,028	6,028
Adjusted balance	232,217	226,674	(5,543)
Income from Government Grant and Local Taxpayers	(233,734)	(233,734)	-
Increase in General Fund Balance for the Year	(1,517)	(7,060)	(5,543)

2.2 Housing Revenue Account

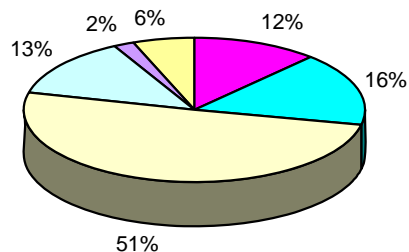
The Housing Revenue Account Deficit of £2.8M for 2006/2007 is greater than the budget deficit of £2.2M by £0.6M. This decreases the accumulated balances from £10.0M at 1 April 2006 to £7.2M at 31 March 2007.

2.3 Capital Expenditure

Capital expenditure for 2006/07 was £107.7M. The capital expenditure by service and its financing is shown below -

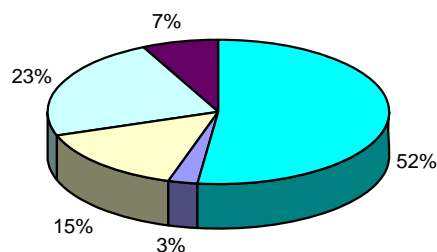
Service Expenditure

	£M	%
Housing & Environmental Health	54.4	51
Education	17.6	16
Corporate	14.2	13
Environment & Customer Services	13.0	12
Social Services	2.3	2
Private Finance Initiative Projects	6.2	6
	107.7	



Financed by

	£M	%
Supported Borrowing	55.8	52
Capital Receipts	24.8	23
Capital Grants & Other	16.1	15
Unsupported Borrowing	3.2	3
Revenue	7.8	7
	107.7	



EXPLANATORY FOREWORD

3. Collection Fund

3.1 The collection fund had a surplus of £0.028M for the year. The surplus brought forward from 2005/06 was £0.428M and therefore there is now a surplus of £0.456M at 31 March 2007.

4. External Funding

4.1 The Council has continued to seek out and obtain external funding from a variety of sources in 2006/2007 as well as implementing programmes that are a result of successful bids in previous years. Total new funding attracted this year was in excess of £2.0M, some of which will be used in future years. In addition, the council received £75k from the Home Office Directors Fund for support in reducing A.S.B.O and vehicle crime.

4.2 As part of the Safer Communities Initiative, the Government Office of London allocated £0.6M to the Council in 2006/2007 (£0.6M in 2005/2006) to tackle issues such as drugs abuse, anti-social behaviour and domestic violence and benefited from an allocation from the Police's Command Fund of £405k towards safety initiatives.

4.3 The Children's Fund allocation for 2006/2007 was £835k out of a total grant of £3.3M over three years to deal with issues such as child poverty rates.

4.4 The Neighbourhood Renewal Funding from Central Government in 2006/2007 was £1.3M. The objective of this grant is to "improve outcomes in deprived areas".

4.5 Various grants totalling £0.665M contributed to the Council's Waste and Recycling Service for 2006/07.

4.6 The Northala Fields project started work on site in August 2004 and is due for completion in 2007. The capital value of this project is £5.5m of which £3.3M had been spent to 31 March 2007. The project is being funded by income generated by the importation of inert waste into the site. The total income received to 31 March 2007 is £6.2M, (including interest of £0.1M).

4.7 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. £46.3M of this funding was used in 2006/07. The whole of this funding is to bring the Council's Housing stock up to the "decent homes standard."

4.8 The Council received funding of £7.6M from the Government under the Local Government Business Growth Incentive (LABGI) scheme in 2006/07. 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 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006 (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 2007. 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 which 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 fixed asset restatement account, usable capital receipts and capital financing account are not available for revenue purposes.

5. Government Grants and Contributions (Revenue)

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 Education and Skills (DfES). The pension cost charged to the accounts is the contribution rate set by the DfES 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 2006. 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.

STATEMENT OF ACCOUNTING POLICIES

9. Intangible Fixed Assets

These represent expenditure which has been properly capitalised but which does not result in, or remain matched with, tangible fixed assets. These have been completely written down in 2006/2007.

10. 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

The effect of the initial valuation of fixed assets has been transferred to the fixed asset restatement account. Subsequent revaluations of fixed assets take place at five yearly intervals, although material changes to asset valuations including reductions in value due to impairment will be included in the interim period, as they occur.

The Council undertakes a review of fixed assets each year. Where there is reason to believe the value of a particular asset or asset has changed materially the valuation is adjusted accordingly.

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 Financing 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.

STATEMENT OF ACCOUNTING POLICIES

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 19 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.

13. Investments

Investments are shown at the original cost price. Interest arising during the year on external investments is accrued in the accounts.

14. 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.

15. Interests in Companies and Other Entities

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

16. Private Finance Initiative (PFI)

Government Grants received in respect of PFI schemes are credited to an earmarked PFI reserve to fund future expenditure under the PFI contracts.

17. Capital Receipts

The disposal of fixed assets creates capital receipts. Under the Local Government Act 2003 the Council must pay 75% of capital receipts from the sale of Council Houses to the 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.

18. Depreciation

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

Buildings (Where appropriate)	5-49 Years
Infrastructure	10-40 Years
Computers, 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.

STATEMENT OF ACCOUNTING POLICIES

19. 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 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.

20. Foundation Schools

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

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

21. Prior Year Adjustment

The prior period adjustment has been entered in accordance with the requirements of FRS 3, as a result of the correction of a fundamental error which had a major impact on the validity of the accounting statements.

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account (I&E):

- (1) capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- (2) credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- (3) gains and losses on the disposal of fixed assets are recognised in the I&E Account.

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 Finance & Business Support.

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 Council transferred responsibility for the management of its Housing to Ealing Homes Limited an arms length management company, wholly owned by the Council. The Council 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 42 to 46. 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 Finance & Business Support

As the Executive Director of Finance & Business Support 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 2007.

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 Finance & Business Support

I certify that the accounts set out on pages 2 to 54 present fairly the financial position of the London Borough of Ealing as at 31 March 2007 and its income and expenditure for the year then ended, and that the accounts set out on pages 56 to 59 present fairly the net assets of the London Borough of Ealing Pension Fund as at 31 March 2007 and its income and expenditure for the year then ended.

Richard Ennis
Executive Director of Finance & Business Support
26 June 2007

5. Certificate of the Chairman of the meeting

I confirm that these accounts were approved by the Regulatory Committee at its meeting held on 28 June 2007. Signed by Councillor Ian Potts, Chairman of the meeting approving the accounts.

Councillor Ian Potts
28 June 2007

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the Members of the London Borough of Ealing

Opinion on the financial statements

We have audited the financial statements and pension fund accounts of the London Borough of Ealing and its Group for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, and the related notes. The Pension Fund accounts comprise the Pension Fund, and the related notes. These financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to the London Borough of Ealing, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the London Borough of Ealing, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Ealing, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements, and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

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

the financial transactions of its 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.

We review whether the Statement on Internal Control reflects compliance with CIPFA's guidance The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003 published in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority and its Group as at 31 March 2007 and its income and expenditure for the year then ended; and

The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

KPMG LLP
Chartered Accountants London
5 October 2007

CORE
FINANCIAL
STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

2005/2006 Net Expenditure £000		2006/2007		
		Gross Expenditure £000	Income £000	Net Expenditure £000
13,517 *	Central Services to the Public	103,001	91,597	11,404
42,050	Cultural, environmental and planning services	62,417	15,326	47,091
167,907	Education services	256,797	233,169	23,628
13,638	Highways, roads and transport services	39,505	27,034	12,471
6,028	Prior year adjustment to Highways, roads & transport services (note 9)	-	-	-
(6,393)	Local authority housing (HRA)	45,055	53,184	(8,129)
10,504	Other housing services	202,153	191,900	10,253
102,663	Social services	148,682	38,557	110,125
5,027	Corporate and democratic core	8,784	915	7,869
(18,319) *	Non distributed costs	5,953	19	5,934
336,622	Net Cost of Services	872,347	651,701	220,646
(4,037)	Gain or loss on disposal of fixed assets			(19,629)
8,090	Levies (note 5)			6,840
(6)	Contribution from Housing Act Advances (note 3)			(14)
(5,016)	Interest and Investment Income			(5,737)
21,768	Interest Payable and similar charges			26,015
3,803	Contribution of Housing Capital Receipts to Government Pool			4,861
9,048	Pension Interest Cost and expected return on pension assets			6,211
6,180	Exceptional items - Former Response Programme (note 15)			8,500
376,452	Net Operating Expenditure			247,693
(112,045)	Demand on the Collection Fund			(115,504)
(178,602)	Revenue Support Grant			(20,901)
(3,280)	Other non-specific grants			(9,866)
(101,645)	Contribution from non-domestic rate pool			(107,357)
(19,120)	(Surplus) / Deficit for the year			(5,935)

* Re-classification of £8.9m of service expenditure from non-distributed costs to Central Services

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.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/2006 £000		2006/2007 £000
(19,120)	Surplus for the year on the Income and Expenditure Account	(5,935)
20,916	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the (Note A) year.	11,043
<u>1,796</u>	Decrease in General Fund Balance for the Year	<u>5,108</u>
<u>(19,004)</u>	General Fund Balance brought forward	<u>(17,208)</u>
<u>(17,208)</u>	General Fund Balance carried forward	<u>(12,100)</u>
(12,737)	Amount of General Fund Balance held by schools under local management schemes - see note 8	-
<u>(4,471)</u>	Amount of General Fund Balance generally available for new expenditure	<u>(12,100)</u>
<u>(17,208)</u>		<u>(12,100)</u>

The **Statement of Total Recognised Gains and Losses** brings together all the gains and losses of the council for the year 2006/07 and shows the aggregate increase in its net worth.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005/2006 £000		2006/2007 £000
(19,120)	(Surplus) / deficit for the year on the Income and Expenditure Account	(5,935)
146,321	(Surplus) / deficit arising on revaluation of fixed assets	24,940
3,877	Actuarial (gains)/losses on pension fund assets and liabilities.	(33,743)
<u>(4,872)</u>	Other (gains) / losses	<u>(813)</u>
<u>126,206</u>	Total recognised (gains) / losses for the year	<u>(15,551)</u>

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Note A

Reconciling Items for the Statement of Movement on the General Fund

2005/2006 £000		2006/2007 £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>	
1,227	Amortisation of Loan Premium	1,179
(10,181)	Depreciation and Impairment of fixed assets	(28,091)
7,138	Government Grants Deferred amortisation	8,374
(4,179)	Write down of deferred charges to be financed from capital resources	(4,360)
4,037	Net gain on sale of fixed assets	19,629
(17,139)	Net Charges made for retirement benefits in accordance with FRS 17	(28,433)
<u>(19,097)</u>		<u>(31,702)</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>	
7,963	Statutory Provision for repayment of debt	9,760
3,906	Capital expenditure charged in-year to the GF	7,773
(678)	PFI appropriation contribution	(2,790)
(3,803)	Transfer from usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(4,861)
21,856	Employer's Contribution payable to the pension fund	22,373
<u>29,244</u>		<u>32,255</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>	
(1,883)	HRA balance	(2,777)
(394)	Contribution from other balances (Northala Fields project)	-
13,046	Contribution to / (from) specific reserves	13,267
<u>10,769</u>		<u>10,490</u>
20,916	Net amount to be debited to the General Fund balance for the year	11,043

BALANCE SHEET

2006	BALANCE SHEET as at 31 March 2007	See Note	2007	
£000			£000	£000
1,385,949	Operational Assets	(1)	1,383,278	
6,218	Intangible Fixed Assets	(2)	-	
3,731	Deferred Asset		9,910	
<u>1,395,898</u>	Total Fixed Assets			1,393,188
34,791	Deferred Consideration			67,506
47	Long Term Investments	(3)		47
812	Mortgagors	(4)		703
231	Other Long Term Debtors	(5)		211
<u>1,431,779</u>	Total Long Term Assets			<u>1,461,655</u>
	Current Assets			
647	Stock & Works in Progress	(6)	1,311	
87,704	Short Term Investments	(3)	143,751	
77,882	Debtors	(7)	66,444	
(6,028)	Prior year adjustment to Debtors		-	
-	Cash at Bank and in hand		4,570	
<u>160,205</u>				216,076
	Current Liabilities			
(102,524)	Creditors	(8)	(133,482)	
(6,135)	Short Term Loans	(9)	(7,924)	
(1,562)	Cash and Bank Overdrawn		-	
<u>(110,221)</u>				<u>(141,406)</u>
<u>1,481,763</u>	Total Assets Less Current Liabilities			<u>1,536,325</u>
(392,149)	Long Term Loans	(10)		(449,646)
(86,738)	Government Grants-Deferred			(94,421)
(8,885)	Provisions	(11)		(10,399)
(232,281)	Pension scheme liability	(17)		(204,598)
<u>761,710</u>	Total Assets less Liabilities			<u>777,261</u>
	Financing:			
588,519	Fixed Asset Restatement Account	(12)		528,121
315,310	Capital Financing Account	(13)		349,912
12,241	Usable Capital Receipts and Grants	(14)		6,539
636	Deferred Capital Receipts	(15)		524
(232,281)	Pensions Reserve			(204,598)
82,885	Reserves and Balances	(16)		96,307
(6,028)	Prior year adjustment to Reserves & Balances			-
428	Collection Fund	(see page 47)		456
<u>761,710</u>	Total net worth			<u>777,261</u>

CASH FLOW STATEMENT

2005/2006 £000		2006/2007 £000 £000	
	Revenue Activities		
	Cash Outflows		
236,145	Cash paid to and on behalf of employees	251,282	
283,661	Other operating cash payments	275,252	
28,561	Precepts paid	32,653	
103,842	Housing Benefit paid	142,724	
4,637	Capital Receipts Pool payments	4,861	
93,588	Non-domestic rates paid to National Pool	110,245	
<u>750,434</u>			817,017
	Cash Inflows		
(20,983)	Rents (after rebates)	(22,095)	
(119,246)	Council Tax	(123,401)	
(101,645)	Non-domestic rate receipts from National Pool	(107,357)	
(98,278)	Local non-domestic rate receipts	(107,461)	
(181,882)	Revenue Support Grant	(28,503)	
(163,720)	DWP grants for rebates	(177,934)	
(67,903)	Other government grants	(221,235)	
(51,225)	Cash received for goods and services	(114,129)	
<u>(804,882)</u>			<u>(902,115)</u>
(54,448)	Net Cash Inflow from Revenue Activities		(85,098)
	Servicing of Finance		
21,768	Interest paid	23,394	
(2,005)	Interest received	(7,169)	16,225
<u>(34,685)</u>			<u>(68,873)</u>
	Capital Activities		
	Cash Outflows		
104,869	Purchase of fixed assets	89,536	
5,101	Purchase of Intangible Fixed Assets	5,166	
2,631	Purchase of deferred assets		
<u>112,601</u>			94,702
	Cash Inflows		
(7,333)	Sale of fixed assets	(22,870)	
(25,475)	Capital grants received	(12,322)	
<u>(32,808)</u>			<u>(35,192)</u>
45,108	Net Cash Inflow before Financing		(9,363)
	Management of Liquid Resources		
3,190	Net increase / (decrease) in short term deposits		57,479
	Financing		
	Cash outflows		
125,453	Repayments of amounts borrowed	219,933	
	Cash inflows		
(69,166)	New loans raised	(52,458)	
(100,903)	New short term loans	(221,723)	(54,248)
<u>3,682</u>	(Increase) / decrease in cash		<u>(6,132)</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 2005/2006	Remuneration Band	Number of Employees 2006/2007
156	£50,000 - £59,999	181
61	£60,000 - £69,999	62
17	£70,000 - £79,999	17
16	£80,000 - £89,999	10
7	£90,000 - £99,999	12
1	£100,000 - £109,999	4
2	£110,000 - £119,999	-
4	£120,000 - £129,999	2
1	£130,000 - £139,999	-
-	£140,000 - £149,999	3
-	£190,000 - £199,999	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 2005/2006 £000	Trading Accounts	Gross Expenditure 2006/2007 £000	Income 2006/2007 £000	Net Expenditure 2006/2007 £000
(9)	Building Control - Chargeable	1,078	1,228	(150)
382	Building Control - Non Chargeable	478	29	449
373		1,556	1,257	299
(1,657)	Off Street Car Parking	691	1,531	(840)
144	Trade Refuse	1,353	1,236	117

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.

2005/2006 £000		2006/2007 £000
	INCOME	
2	Interest charged to mortgagors	11
42	Fees and charges	28
<u>44</u>		<u>39</u>
	EXPENDITURE	
16	Interest on loans	13
22	Management expenses	12
<u>38</u>		<u>25</u>
<u>6</u>	Appropriation to/(from) consolidated revenue account	<u>14</u>

4 Members Allowances

The total of allowances paid to the members of the Council was £991,800 in 2006/2007 (£856,800 in 2005/2006).

5 Levies

2005/2006 £000		2006/2007 £000
302	London Pension Fund Authority	308
327	Lee Valley Park	336
208	National Rivers Authority	131
7,044	West Waste Authority	5,869
209	Coroners Services	196
<u>8,090</u>		<u>6,840</u>

6. Audit Costs

In 2006/2007 the Council incurred the following fees relating to external audit and inspection :

2005/2006 £000		2006/2007 £000
433	Fees payable to the Audit Commission appointed auditor	358
83	Fees payable to the Audit Commission in respect of statutory inspection	193
138	Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns	150
<u>654</u>		<u>701</u>

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

7 Contribution to / (from) Specific Reserves

2005/2006 £000		2006/2007 £000
(500)	Contribution from Parking Place Reserve	(188)
-	Contribution to Police Com. Support Officers Reserve	1,000
(925)	Contribution from Contractors Reserve	-
300	Contribution to Business Improvement Reserve	200
-	Contribution to Business Risk Reserve	2,000
-	Contribution to 2007/08 Budget Reserve	2,313
-	Contribution to By-elections Reserve	50
1,908	Contribution to Compensation for loss of office Reserve	2,467
-	Contribution to Ealing Civic Improvement Reserve	1,640
848	Contribution to / (from) Education Standards Fund	(1,722)
-	Contribution to Government Grant Claim Reserve	1,000
700	Contribution to Health & Safety Inspection Reserve	-
2,600	Contribution to / (from) Improving Customer Access Reserve	(2,600)
1,950	Contribution to / (from) LA Business Growth Initiative Reserve	(1,950)
6	Contribution to Lessees Refunds Reserve	48
-	Contribution to Line by Line Reserve	2,000
500	Contribution to / (from) Manifesto Delivery Reserve	(500)
3,579	Contribution to PFI Reserve	7,739
1,000	Contribution to Property Dilapidation Reserve	-
500	Contribution to / (from) Property Maintenance Reserve	(230)
695	Contribution to Repairs & Renewals Reserve	-
(115)	Contribution from Education New Opportunity Funding	-
<u>13,046</u>		<u>13,267</u>

8. Delegated Schools Budget

The funding of schools delegated budgets changed from the Local Education Authority (LEA) to the dedicated schools grant (DSG) on 1 April 2006.

The balances carried forward are now shown as a creditor in the accounts and the balance at 31 March 2007 was £13,963k.

From 1 April 2006 the dedicated schools grant is allocated to schools direct rather than through the revenue support grant.

9. Prior Year Adjustment - Parking Income

In February 2007 investigations revealed that the income relating to the Parking Revenue Account was overstated in 2005/06 due to errors in the calculation of the income accrual.

The Parking Places Reserve Account must be made good from the General Fund, as required by the S55 (2) of the Road Traffic regulation act 1984

In preparing the accrual for 2006/07, only income that can be recognised as recoverable is accrued for.

The parking debtor and the General Fund balance have therefore, been reduced by £6M, from £7.2M to £1.2M as at the end of 2005/06. The General Fund balance as at 31 March 2006 was originally shown as £10.5M and this has therefore been reduced to £4.5M.

All relevant adjustments have been carried out in the Income & Expenditure account, Balance Sheet and the Cash Flow.

The General Fund balance at 31 March 2007 is £12.1M as per the original target.

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 2004. 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 2006 £000	31 March 2007 £000
Income and Expenditure Account		
Net cost of services :		
Current service cost	18,373	21,349
Past service costs / curtailment costs	(10,283)	1,048
Net Operating Expenditure :		
Interest on pension liabilities	34,143	35,254
Expected return on assets	(25,095)	(29,218)
Net Charge to the Income and Expenditure Account	<u>17,138</u>	<u>28,433</u>
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(17,138)	(28,433)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	21,855	22,373

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 2006/2007 (£1.4M in 2005/2006) representing 1.3% (1.4% in 2005/2006) of pensionable pay. These payments have an outstanding capital liability of £25M (£24M in 2005/2006).

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 therefore no capital payment was made in 2006/07 (£0.384M in 2005/06). 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.

10.7 Note 17 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 2006/2007 the Council paid £7.5M (2005/2006 - £7.0M) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 13.5% (2005/2006 - 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 2006/2007 these amounted to £1.50M, (2005/2006 - £1.58M) representing 2.0% (2005/2006 – 2.20%) 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 Assistant Director of Finance (Housing & Projects) acted as the Mortlake Crematorium's Board's Treasurer for the year to 31 March 2007 and the Board has £425,000 (2005/2006 £300,000) 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 records of their interests are shown in publicly available records.

12.4 During 2006/07 the following Councillors were Directors of Ealing Homes Limited:

- Councillors Bagha, Bond, Potts and Gavin until May 2006
- Councillors Bell, Gallagher, Reen, Kumar and Ashok Kapoor from June 2006

12.5 Ealing has two section 31 agreements to pool funding of £1.35M in 2006/07 with Ealing PCT. One Ealing member is also a non executive director of Ealing PCT.

12.6 The Council has an interest in Locata (Housing Services) Ltd, which is limited by guarantee, which deals with certain housing lettings on behalf of the Council. Five other local authorities and nine housing associations also have an interest. The cost of the Council's turnover with Locata Ltd in 2006/07 was £97K (£106K in 2005/06). During 2006/07 an officer of the Council, Ieuan ap Rees, was the chair of the board of Locata (Housing Services) Ltd on a non remunerative basis. The Managing Director of Ealing Homes is also on the board as an independent director.

12.7 All Councillors and officers submitted their returns.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

13 Analysis of Surplus Carried Forward

2005/2006 £000		2006/2007 £000
12,737	Schools balances not available for use by the Council (see note 8)	-
4,471 *	General revenue balances	12,100
17,208		12,100

(* Restated 2005/06 - Please refer to note 9)

14 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:-

2005/2006 £000		2006/2007 £000
880	Staff Recruitment	801
688	Employees	145
607	Advertising	1,165
890	Printing, etc.	868
3,065		2,979

15. Former Response Programme

During 2006/07 the Council commissioned a valuation of the assets associated with the former response programme. As a result of the valuation an impairment of £8,500K to the value of the assets concerned was required and this charge is recorded as an exceptional item in the accounts.

The expenditure in 2005/06 represented the non recurring revenue costs associated with the development of the former response programme that was not attributable to current service delivery or activity.

The Council has now fundamentally refocused the systems developed under the programme to maintain the standard of customer services.

16 Pooled fund memorandum account for Ealing Community Equipment Services

Ealing Council and Ealing Primary Care Trust entered into a formal Section 31 pooled budget arrangement for Community Equipment Services with effect from 1 November 2003. Ealing Council is the lead for the arrangement.

2005/2006 Total Costs £000		2006/2007 Total Costs £000
1,587	Community Equipment	1,357
1,587	Total Cost	1,357
	Funding :	
1,018	Ealing Council	976
569	Ealing Primary Care Trust	381
1,587	Total Funding	1,357

17 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 :

17.1 Ealing Schools' PFI

In December 2002 the Council entered into a design, build, finance and operate contract with Ealing Schools' Partnership Ltd for the provision of school buildings and services for Brentside High, Downe Manor Primary, Gifford Primary and Ravenor Primary.

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

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 was £608k in 2006/07.

17.2 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 2006/07 was £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 of August 2006. Elm Lodge has a capacity of 75 beds. Two further homes will be opened in February 2008.

17.3 Street Lighting PFI

The project involves the renewal and upgrading of street lighting across Ealing and EDF 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 will include 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.

The value of the Unitary charge in 2006/07 was £2,259k.

NOTES TO THE BALANCE SHEET

1. Fixed Assets

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

	Balance at 1 April 2006 £000	Additions £000	Disposals £000	Revaluation £000	Impairment/ Transfer/ PFI £000	Depreciation £000	Balance at 31 March 2007 £000
<u>Operational assets</u>							
- Council dwellings	823,718	47,756	(3,642)	59,857		(10,567)	917,122
- Other land & buildings	461,392	24,922	(4,627)	(82,108)	(23,790)	(5,691)	370,098
- Vehicles, plant & Equipment	27,203	11,611			(8,500)	(9,771)	20,543
- Infrastructure assets	54,765	9,168		(424)		(4,129)	59,380
- Community assets	707	2,928		(3,469)			166
<u>Non-operational assets</u>							
- Surplus Assets	18,164		(1,509)	1,204	(1,890)		15,969
- Deferred Asset (PFI)	3,731	6,179					9,910
	1,389,680	102,564	(9,778)	(24,940)	(34,180)	(30,158)	1,393,188

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

	£000		£000
Supported Borrowing	55,824	Fixed Assets	102,564
Unsupported Borrowing	3,232		
Revenue Contributions	7,774	Grants to Housing Associations	18
Capital Receipts	24,845	Improvement Grants	4,848
Capital Grants and other	15,124	Housing grants to tenants	300
Planning Gain	931		
	107,730		107,730

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

	£000
Housing & Environmental Health	
Disabled Facilities Grants	3,716
Other Grants	1,132
Empty Property	328
Regeneration and Community Development	
Park Royal Partnership	398
Target hardening scheme (formerly gating scheme)	120
Streets Environment	
Local Safety Schemes	1,246
Highways Improvements	1,000
Cultural Services	
NGCP - Northala Field	1,582
Parks Minor Capital Works	769
Improving Customer Access	
Buildings	5,060
Improving Customer Access ICT	3,967
Business Support	
Continuing Support for ICT	1,710
ICT BAU	1,336
Social Services - Adults	
Replacement IT System	371
Adults Personal Social Services SCE(R)	116
Social Services - Children & Families	
Replacement IT System	361
Integrated Childrens Services - IT	299
Family Support Services	257
Education	
Grange Primary School rebuilding	3,397
Schools NDS Devolved Capital	2,672
New Pupil Referral Unit	1,366
Modernisation 2006/8 - Primary Sector	1,100

NOTES TO THE BALANCE SHEET

1.4 The numbers of major fixed assets are:-

	2006	2007
Council Dwellings	13,881	13,816
Town Halls	3	3
Offices	3	3
Depots and Workshops	3	3
Off-Street Car Parks	19	18
Public Conveniences	15	13
Swimming Baths (including School Baths)	7	7
Schools	78	73
Libraries	12	12
Museums	1	1
Parks and Recreation Grounds	837ha	837ha
Cemeteries	5	5
Social Services Adults- Residential Homes/Hostels	13	12
- Day Centres	9	9
Social Services C&F - Residential Homes/Hostels	-	3
- Day Centres	-	2

1.5 Capital Commitments

The capital commitments in the table below have been entered into by the Council at 31 March 2007 or represent approved future capital spending programmes. These commitments include:-

- i) Schemes which have already commenced and have incurred expenditure to 31 March 2007. 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.

	2007/2008	2008/2009	2009/2010	Total
	£000	£000	£000	£000
Schools Services	33,721	14,734	5,123	53,578
Adult Services	1,647	-	-	1,647
Childrens Services	1,460	-	-	1,460
Built Environment	452	677	677	1,806
Street Environment	8,330	2,772	834	11,936
Cultural Services	12,564	10,417	2,615	25,596
Customer Services	210	-	-	210
Improving Customer Access	1,030	-	-	1,030
Business Support	6,747	3,422	637	10,806
Strategy & Development	377	-	-	377
Housing (General Fund)	5,400	1,362	1,250	8,012
Regeneration and Community Development	2,822	1,980	-	4,802
Southall Property Strategy	675	4,600	-	5,275
Ealing Civic Improvement Fund	5,000	-	-	5,000
Minor Capital	173	-	-	173
Total	80,608	39,964	11,136	131,708

1.6 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 inspect and revalue all the council's property assets. All property assets are revalued as part of a five year rolling programme. Revaluations have taken place in 2006/07 comprising a mixed portfolio of operational and non-operational property including

- care homes
- leisure properties
- community centres
- youth centres and playcentres
- other miscellaneous assets

The assets were revalued as at 31st December 2006

Assets with a value of less than £10,000 are considered to be below the de-minimus level and are not recorded on the asset register.

Building related plant and machinery are included in the valuation of the operational buildings.

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

The Council adopted FRS15 in 2001/02 which requires that all properties are subject to depreciation charges except where specifically exempt, i.e. non-depreciable land and assets with a useful life of over 50 years (see also accounting policy 11 on page 19). Impairment was considered when reviewing the value of assets but no adjustment was required on the Council's assets with the exception of the Response assets (see note 1.7 below).

1.7 Impairment of Former Response Assets

The value of the assets recorded in the accounts relating to the former response programme at 31 March 2006 was £19.9M. KPMG, the Council's external auditors, recommended an impairment review of these assets to be carried out.

Deloitte carried out an independent review in early 2007. The purpose of this review was to assess the recoverable amount of the Response assets for the purposes of assessing a reasonable carrying value of those assets in the Council's Statement of Accounts.

The valuation basis used was that of "Value in Use". This measures the cost of those assets that are being used, less depreciation, to reflect the age and condition of the asset and any functional obsolescence. Under this basis there was a nil value for those Response assets that are no longer (or were never) in use. Therefore, only those assets of use to the Council will be recorded in the accounts.

As a result of the review, an impairment of £8.5M has been made in respect of the former Response Programme Assets.

NOTES TO THE BALANCE SHEET

2. Intangible Fixed Assets

	Balance at 31 March 2006 £000	Expenditure £000	Amounts Discharged £000	Balance at 31 March 2007 £000
Grants to Housing Associations	-	18	18	-
Improvement grants to tenants	-	4,848	4,848	-
Housing grants to tenants	-	300	300	-
Loan Restructuring Premium	6,218	-	6,218	-
	<u>6,218</u>	<u>5,166</u>	<u>11,384</u>	<u>-</u>

3. Investments

	31 March 2006 £000	31 March 2007 £000
Long Term: Maintenance of graves in perpetuity	2	2
Education trust funds	45	45
	<u>47</u>	<u>47</u>
Short Term: Temporary lending at cost	87,693	143,740
Education trust funds	11	11
	<u>87,704</u>	<u>143,751</u>

4. Long Term Debtors: Mortgagors

These are debts secured by mortgage and due after one year

	31 March 2006 £000	31 March 2007 £000
Council House Sales	694	589
Housing Associations	89	87
Individuals	29	27
	<u>812</u>	<u>703</u>

5. Long Term Debtors: Other

These are debtors which fall due after one year.

	31 March 2006 £000	31 March 2007 £000
Car Loans to Employees	181	160
Other	50	51
	<u>231</u>	<u>211</u>

NOTES TO THE BALANCE SHEET

6. 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.

7. Debtors

	31 March 2006		31 March 2007	
	£000	£000	£000	£000
Government Departments	18,541		22,992	
Other Public Authorities	2,590		7	
Payments in Advance	45		45	
NNDR	9,306		10,189	
Council Tax	14,410		18,300	
Rent Arrears (including Housing Benefit overpayments)	5,376		4,255	
Housing Association Arrears	-		-	
Housing Association Grant Due	1,352		1,785	
Sundry Debtors	<u>63,131</u>	114,751	<u>54,326</u>	111,899
Less provision for bad and doubtful debts		<u>(36,869)</u>		<u>(45,455)</u>
		<u>77,882</u>		<u>66,444</u>

8. Creditors

	31 March 2006	31 March 2007
	£000	£000
Inland Revenue	4,740	5,072
Other Government Departments	12,373	8,090
Other Public Authorities	2,813	301
Deferred Income	6,908	28,418
Council Tax Payers	2,233	4,537
NNDR	6,358	5,678
Housing:		
Rents	2,752	3,195
Mortgages	613	597
Ealing Homes	1,926	1,062
Sundry Creditors	61,808	76,532
	<u>102,524</u>	<u>133,482</u>

NOTES TO THE BALANCE SHEET

9. Short Term Loans

Temporary Loans
Public Works Loan Board repayable in less than one year

31 March 2006 £000	31 March 2007 £000
300	5,424
5,835	2,500
<u>6,135</u>	<u>7,924</u>

10. Long Term Loans

Analysis of Loans by Type

Range of interest
rates payable
%

Market Loans
Public Works Loan Board

3.18 - 4.75
4.05 - 10.2

31 March 2006 £000	31 March 2007 £000
83,000	78,000
309,149	371,646
<u>392,149</u>	<u>449,646</u>

Analysis of Loans by Maturity
Amounts falling due:

Between 1 and 2 years
Between 2 and 5 years
Between 5 and 10 years
More than 10 years

31 March 2006 £000	31 March 2007 £000
2,500	-
-	-
35,750	75,396
353,899	374,250
<u>392,149</u>	<u>449,646</u>

NOTES TO THE BALANCE SHEET

11. Provisions	Balance at 1 April 2006 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2007 £000
Claims and self insurance	5,931	610	208	6,333
Section 117 - Mental Health Act 1983	1,400	-	166	1,234
SEN Allowance	330		330	-
LOBO Interest	349	1,621		1,970
Long Lease Property Compensation	875		249	626
Printing	-	236		236
	<u>8,885</u>	<u>2,467</u>	<u>953</u>	<u>10,399</u>

The claims and self insurance provision 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.

The S117 provision 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.

The Special Educational Needs (SEN) provision related to an outstanding Employment Tribunal case that, if lost, could have resulted in back pay of SEN allowances for staff in mainstream schools supporting children with SEN Statements. This claim was settled during 2006/07.

The Council has 8 stepped Lenders Option and Borrowers Option (LOBO) loans with a value of £62M as at 31 March 2007 and has accounted for interest in 2006/07 on these loans in accordance with Financial Reporting Standard 4 "Capital Instruments" based on interest averaged over the likely period of the loans instead of the actual lower interest rate payable. This provision reflects the adjustments required to effect this transaction and the impact of this treatment will be neutral to the accounts over the average life used (approx. 5 years).

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.

The Printing provision has been made for revenue and tax printing costs, related to the financial years 2003/04 (from June), 2004/05, 2005/06 and 2006/07. The supplier of the printing facilities has not provided full billing during this period and Council is currently responding to a request for settlement of proposed charges.

NOTES TO THE BALANCE SHEET

12. Fixed Asset Restatement Account

2006 £000		2007 £000
756,742	Balance at 1 April	588,519
(146,321)	Revaluation and restatement of fixed assets	(24,940)
(21,902)	Disposal of fixed assets	(35,458)
<u>588,519</u>	Balance at 31 March	<u>528,121</u>

The system of capital accounting introduced from 1 April 1994 requires the establishment of the fixed asset restatement account. The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The reserve is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

13. Capital Financing Account

The capital financing account was established on 1 April 1994 under the new accounting regulations. It includes the amounts set aside from revenue resources or capital receipts and grants 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.

2006 £000		2007 £000
300,195	Balance at 1 April 2006	315,310
-	Impairment of Fixed Assets	(8,500)
7,963	Minimum revenue provision	9,760
(10,181)	Depreciation	(19,590)
7,138	Amortisation of government grants-deferred	8,369
-	Reserved capital receipts	-
5,356	Applied capital receipts	24,845
-	Loan Premium	(5,039)
1,275	Direct revenue financing	1,594
-	Other financing	-
(10,773)	Contribution from major repairs reserve	(10,565)
16,807	Private Finance Initiative - Deferred Consideration	32,715
2,631	Private Finance Initiative - Creation of Deferred Asset	6,179
(5,101)	Write down of deferred charges	(5,166)
<u>315,310</u>	Balance at 31 March 2007	<u>349,912</u>

NOTES TO THE BALANCE SHEET

14. Usable Capital Receipts and Grants

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

	Capital Receipts £000	Grants and Other £000	Total £000
Balance at 1 April 2006	1,972	10,269	12,241
Received in year	24,746	10,452	35,198
Appropriation to Income and Expenditure Account	-	-	-
Applied during year	(24,845)	(16,055)	(40,900)
Transfer to capital financing account (see note 13 above)	-	-	-
Balance at 31 March 2007	<u>1,873</u>	<u>4,666</u>	<u>6,539</u>

15. 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.

16. Reserves and Balances

Summary

	31 March 2006 £000	31 March 2007 £000
16.1 Revenue Balances	28,673	21,786
16.2 Reserves	35,855	59,687
16.3 Other Balances	<u>12,329</u>	<u>14,834</u>
	<u>76,857</u>	<u>96,307</u>

16.1 Revenue Balances

	31 March 2006 £000	31 March 2007 £000
General Revenue Balances	4,471	12,100
Locally Managed Schools Balances	12,737	-
Housing Revenue Account	10,012	7,235
Lessees Central Heating Account	409	362
Education Balances	743	1,140
Control Accounts	<u>301</u>	<u>949</u>
	<u>28,673</u>	<u>21,786</u>

NOTES TO THE BALANCE SHEET

16.2 Reserves

	Balance at 1 April 2006 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2007 £000
Business Improvement Reserve	300	200		500
By-elections Reserve	-	50		50
Business Risk Reserve	-	2,000		2,000
2007/08 Budget Reserve	-	2,313		2,313
Compensation for loss of office Reserve	5,056	3,655	1,188	7,523
Ealing Civic Improvement Reserve	-	1,640		1,640
Education Standards Fund Contribution	1,722	-	1,722	-
Government Grant Claim Reserve	-	1,000		1,000
Health & Safety Inspection Reserve	700			700
Improving Customer Access Reserve	2,600		2,600	-
L A Business Growth Incentive Reserve	1,950		1,950	-
Lessees Refunds Reserve	152	48		200
Line by Line Reserve	-	2,000		2,000
Manifesto Delivery Reserve	500		500	-
Parking Places Reserve	188		188	-
Police Com. Support Officers Reserve	-	1,000		1,000
Property Dilapidation Reserve	1,000			1,000
Property Maintenance Reserve	500	153	383	270
Repairs & Renewals Reserve	695			695
Education PFI Reserve	6,617	6,364	3,172	9,809
Older Person's PFI Reserve	2,493	2,764		5,257
Street Lighting PFI Reserve	203	1,783		1,986
Sub total - general fund reserves	24,676	24,970	11,703	37,943
HRA Major Repairs Reserve	11,179	10,565		21,744
	35,855	35,535	11,703	59,687

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 has been created in 2006/07 as a result of a line by line review of service budgets which will be used for the 2007/08 budget.

The 2007/08 Budget Reserve, Line by Line Reserve and the Police Community Support Officers Reserve includes amounts approved by Cabinet as part of the 2007/08 budget strategy.

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 education reserve was set up to allow for the carry forward of the L.E.A's contribution towards standards fund grants.

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 parking places reserve receives the annual surpluses remaining on the street parking account. It is used to finance expenditure permitted by Section 55 of the Road Traffic Regulation Act 1984.

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

NOTES TO THE BALANCE SHEET

16.3 Other Balances

The Council administers a number of funds related to specific services. All funds are invested and the income accrues to the funds. The major transactions in the year relate to the developers contributions received under section 106 of the Town and Country Planning Act 1990 (Partnership Agreements) to be used to benefit the community in future years.

	Balance at 1 April 2006 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2007 £000
Ex-London Transport Sports Ground	12	1	-	13
Partnership Agreements	9,539	3,296	1,969	10,866
Hull-Grundy Bequest Fund	201	27	17	211
Northala Fields	1,751	3,215	2,021	2,945
Other Funds	826	132	159	799
	<u>12,329</u>	<u>6,671</u>	<u>4,166</u>	<u>14,834</u>

17. 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 2004 with a triennial valuation due to take place in 2007.

The formal triennial actuarial valuation for the pension fund is currently being 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 2007 the difference between the fair value of the attributable scheme assets £516M (2006 - £486M) and the present value of the scheme's liabilities £721M (2006 - £718M) was a deficit of £205M (2006 - £232M) will be addressed through the next actuarial review in 2007. There were no material prepaid or accrued pensions contributions at 31 March 2007. 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 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.

NOTES TO THE BALANCE SHEET

17. Pension Scheme Liability (continued)

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 2004. The main assumptions used in their calculations are as follows:

	2005/2006 £M	2005/2006 %	2006/2007 £M	2006/2007 %
The main assumptions used in the calculation are as follows:				
Price Increases		2.9		3.1
Salary Increases		4.7		4.9
Pension Increases		2.9		3.1
Discount Rate		4.9		5.4

Assets are valued at fair value as follows:				
Equities	364.9	75.0	387.3	75.0
Government Bonds	102.2	21	113.6	22.0
Other Bonds	9.7	2	-	-
Cash/Liquid Assets	9.7	2	10.3	2.0
Other	-	-	5.1	1.0
	<u>486.5</u>	<u>100.0</u>	<u>516.3</u>	<u>100.0</u>
Expected rate of return for each class of asset				
Equities		7.0		7.5
Government Bonds		4.3		4.7
Other Bonds		4.9		5.4
Property		0.0		6.5
Cash/Liquid Assets		4.5		5.3
Other		-		5.3

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 15 to the Income and Expenditure Account. At 31 March 2007 the pension contributions due to the scheme in respect of the March 2007 salaries were £0.588M.

NOTES TO THE BALANCE SHEET

18. Analysis of Net Assets Employed

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

	2006 £000	2007 £000
General Fund	81,684 *	82,543
Housing Revenue Account	680,026	694,718
Balance at 31 March	<u>761,710</u>	<u>777,261</u>

(* Restated 2005/06 - Please refer to note 9 in the I & E account.)

19. Capital Expenditure – Operating Leases

The Council holds various assets under operating leases. In 2006/07 there were no new operating leases entered into. The rental paid during the year amounted to £100,958 (2005/2006 £103,589). Undischarged obligations under operating leases at 31 March 2007 amounted to £194,598 (2006 £327,940), a breakdown of the commitment in years is shown below.

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

20. 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 £44,642 (2006: £44,462) with revenue balances of £13,734 (2006: £12,656). The amounts are included in the total net assets of the general fund.

21. 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.

22. Associated Companies

The Council, in partnership with certain other London Boroughs and Housing Associations is operating a joint lettings scheme for housing tenants. A company called Locata (Housing Services) Ltd has been set up for this purpose. This company is a controlled company under the Local Government and Housing Act 1989. The turnover in 2006/07 was £1,118K (£892K in 2005/06) and the net assets held were £110K (£116K in 2005/06).

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

23. Contingent Liability

In March 2006 the Council entered into a series of agreements with Ealing Family Housing Association, now Catalyst Communities Housing Association to begin another phase of the regeneration of the South Acton neighbourhood.

Under the terms of these agreements the Council has undertaken to carry out a number of functions which should be funded from receipts for land being transferred or contributions. However, in view of the long-term nature of some of these payments and a degree of uncertainty about further costs, the Council will be setting aside up to £5m of capital receipts to cover any future otherwise unfunded costs.

NOTES TO CASH FLOW STATEMENT

1. Other Government Grants

2005/2006 £000		2006/2007 £000
1,572	Children's Social Services	6,286
12,244	Education - Sixth Form Grant	12,911
17,459	Standards Fund	174,055
926	Asylum Seekers	1,472
35,702	Other Grants	26,511
<u>67,903</u>		<u>221,235</u>

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

2005/2006 £000		2006/2007 £000
(3,616) *	Total operating surplus / (deficit)	(6,887)
	Non cash transactions :	
7,963	Minimum revenue provision	9,760
-	Major repairs allowance	-
1,227	Amortisation of Loans	6,218
3,906	Revenue contributions to capital outlay	1,594
1,752	Funding from other balances	2,505
23,819	Contribution to /(from) reserves	13,295
	Accruals items :	
(90)	(Increase) / decrease in stock and work in progress	(664)
(18,497)	(Increase) / decrease in debtors	9,876
18,221	Increase in creditors and provisions	33,176
19,763	Items classified elsewhere	16,225
<u>54,448</u>	Net cash inflow from revenue activities	<u>85,098</u>

(* Restated 2005/06 - Please refer to note 9 in the I & E account.)

3. Analysis of liquid resources and financing

	Balance at 1 April 2006 £000	Movement in year £000	Balance at 31 March 2007 £000
Liquid Resources:			
Temporary Investments	87,704	56,047	143,751
Financing:			
Short term loans	(6,135)	(1,789)	(7,924)
Long term loans	(392,149)	(57,497)	(449,646)
	<u>(398,284)</u>	<u>(59,286)</u>	<u>(457,570)</u>

4. Reconciliation of cash flow to net debt

	Balance at 1 April 2006 £000	Cash inflow £000	Cash outflow £000	Balance at 31 March 2007 £000
Long term loans	(392,149)		(57,497)	(449,646)
Short term loans	(6,135)	(1,789)		(7,924)
Total loans	<u>(398,284)</u>	<u>(1,789)</u>	<u>(57,497)</u>	<u>(457,570)</u>
Cash inflow / (outflow) from increase in liquid resources	87,751	624,690	(568,643)	143,798
Increase in cash balance	(1,562)	-	6,132	4,570
Total movement in net debt	<u>(312,095)</u>	<u>622,901</u>	<u>(620,008)</u>	<u>(309,202)</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.

2005/06 £000		2006/2007 £000
	Income	
52,916	Dwelling Rents	54,430
1,215	Non Dwelling Rents and other income	1,254
1,054	Charges for services and facilities(central heating etc)	1,007
1,573	Contribution towards expenditure(service charges to leaseholders)	1,685
8,222	Housing Revenue Account subsidy receivable including MRA - note 5	9,211
64,980	Total Income	67,587
	Expenditure	
14,366	Repairs and Maintenance	14,506
25,881	Supervision and management	27,370
6,826	Rent, rates, taxes and other charges	6,976
10,773	Depreciation and impairment of fixed assets - note 8	10,565
-	Amortisation of deferred charges	300
-	Amortisation of Government Grants Deferred	(455)
24	Debt Management Costs	20
270	Increase in bad debt provision	175
175	Item 10 - transfer to General Fund re Housing Benefit	-
58,315	Total Expenditure	59,457
(6,665)	Net Cost of HRA Services per Authority Income and Expenditure Account	(8,130)
50	HRA services share of Corporate and Democratic Core	118
	HRA share of other amounts in the whole authority Net Cost of services but not allocated to specific services(past service costs/depreciation)	6
(6,615)	Net Cost of HRA Services	(8,006)
(3,588)	(Gain)or loss on sale of HRA fixed assets	(3,514)
7,418	Interests payable and similar charges	9,915
1,227	Amortisation of loan premiums and discounts - note 9	6,218
(659)	Interest and investment income	(1,038)
	Pension Interests cost and expected return on pension assets(FRS 17)	115
(2,217)	(Surplus) or deficit for the year on HRA services	3,690

HOUSING REVENUE ACCOUNT

Statement of Movement on the HRA Balance

2005/2006 £000		2006/2007 £000
(2,217)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	3,690
4,100	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(913)
1,883	(Increase) or decrease in Housing Revenue Account Balance	2,777
(11,895)	Housing Revenue Account surplus brought forward	(10,012)
(10,012)	Housing Revenue Account surplus carried forward	(7,235)

Note to Statement of Movement on the HRA Balance

2005/2006 £000		2006/2007 £000
Items included in the HRA Income & Expenditure Account but excluded from the movement on HRA Balance for the year		
	Difference between amounts charged to Income and expenditure for amortisation of premiums and discount and the charge for the year determined in accordance with statute note 9	(5,039)
-	Amortisation of deferred charges	(300)
	Amortisation of Government Grants deferred	457
3,588	Gain or loss on sale of HRA fixed assets	3,514
	Net charges made for retirement benefits in accordance with FRS 17.(Pension interest cost and past service cost)	(121)
Items not included in the HRA Income & Expenditure Account but included in the movement on HRA Balance for the year		
335	Employer's contributions payable to Pension Fund and retirement benefits payable direct to pensioners	340
157	Contribution to CFLO Reserve	184
20	Contribution to Lessees Reserve	52
4,100	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(913)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Rent Arrears and Provision for Doubtful Debts

a) Rent Arrears

2005/2006 £000		2006/2007 £000
5,376	Council Managed Properties	4,255
744	Housing Association Managed Properties (net)	1,197
303	Temporary Accommodation (net)	804
<u>6,423</u>	Total	<u>6,256</u>

b) Provision for Doubtful Debts

2005/2006 £000		2006/2007 £000
6,821	Brought forward provision	6,485
(606)	Write-offs charged to provision	(653)
270	Increase in provision for 2006/07	175
<u>6,485</u>	Carried forward provision	<u>6,007</u>

2 Number of Dwellings within the HRA

2005/2006		2006/2007
1,860	Low Rise Flats (In blocks up to 2 storeys)	1,839
6,006	Medium Rise Flats (In blocks of 3, 4 or 5 storeys)	5,977
2,839	High Rise Flats (In blocks of 6 or more storeys)	2,834
3,029	Houses and Bungalows	3,014
147	Shared Dwellings	152
<u>13,881</u>	Total	<u>13,816</u>

3 Balance Sheet Values of HRA Assets

31 March 2006 £000		31 March 2007 £000
823,718	Council Dwellings(Operational)	917,122
2,520	Other land & buildings(Operational)	2,312
5,095	Other assets(Non-Operational)	5,742
<u>831,333</u>	Total	<u>925,176</u>

The vacant possession value of dwellings within the HRA as 1st April 2006 is £2,167M. 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

2005/2006 £000			2006/2007 £000	
406		Balance on Major Repairs Reserve at 1 April	11,179	
10,773		Transfer to Major Repairs Reserve	10,565	
-		Transfer from Major Repairs Reserve	-	
-		MRA Used on Capital Projects	-	
<u>11,179</u>		Balance on Major Repairs Reserve at 31 March	<u>21,744</u>	

5 HRA Subsidy Received

2005/06 £000			2006/2007 £000	Prior Year Adjustment £000	Total Subsidy Received £000
25,303		Management and maintenance	26,522	-	26,522
11,768		Charges for capital	14,458	-	14,458
6,388		Other reckonable expenditure	6,575	-	6,575
227		Admissible & other allowance	113	-	113
(46,199)		Notional rents	(49,004)	-	(49,004)
(53)		Interest on receipts	(42)	-	(42)
<u>(2,566)</u>		Housing Element	<u>(1,378)</u>	<u>-</u>	<u>(1,378)</u>
10,773		Major repairs allowance	10,565	-	10,565
15		Defective Housing Grants	9	15	24
<u>8,222</u>		Total HRA subsidy for the year	<u>9,196</u>	<u>15</u>	<u>9,211</u>

6 HRA Capital Expenditure and Receipts

2005/2006			2006/2007	
Receipts £000	Expenditure £000		Receipts £000	Expenditure £000
4,935	-	Land	63	-
6,008	36,924	Council Dwellings	7,156	47,756
-	930	Other	-	300
<u>10,943</u>	<u>37,854</u>	Total	<u>7,219</u>	<u>48,056</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

7 Capital expenditure financing

2005/2006 £000		2006/2007 £000
28,170	Borrowing	45,687
4,199	Capital Receipts	2,369
5,485	Capital Grants	-
<u>37,854</u>		<u>48,056</u>

8 Depreciation Charge

2005/2006 £000		2006/2007 £000
10,707	Council Dwellings(Operational)	10,565
-	Other Land and Buildings(Operational)	-
66	Other Assets (Non-Operational)	-
<u>10,773</u>		<u>10,565</u>

The total charge for depreciation is £10.565M is covered by the major repairs allowance of £10.565M
 Depreciation not covered by the MRA has been reversed out of the income and expenditure to avoid impact on the HRA balance

9 Amortisation Loan Premium

2005/2006 £000		2006/2007 £000
1,227	Loan Premium	6,218
-	Adjustment on Statement of Movement on HRA	(5,039)
<u>1,227</u>	Net Charge in the HRA	<u>1,179</u>

COLLECTION FUND ACCOUNT

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2007

2005/2006 £000		2006/2007 £000
INCOME		
118,498	Income from Council Tax Payers (note 2)	124,375
24,559	Council Tax Benefits	26,532
94,479	Income from NNDR	107,498
<u>237,536</u>		<u>258,405</u>
EXPENDITURE		
112,045	Precepts: London Borough of Ealing	115,504
28,560	: Greater London Authority	32,653
1,748	Provision for uncollectible amounts	2,722
Business Rate		
93,983	Payment to the national pool (note 3)	107,004
496	Cost of collection	494
<u>236,832</u>		<u>258,377</u>
(276)	Fund surplus / (deficit) at 1 April	428
704	Surplus for year	28
<u>428</u>	Fund surplus at 31 March	<u>456</u>

NOTES TO THE COLLECTION FUND ACCOUNT

NOTES TO THE ACCOUNTS

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 2006/2007 the Council set a tax of £1,309.42 on the standard (Band D) dwelling (2005/2006 £1,250.62). The calculation of the Council Tax base is shown below.

Band	Estimated	Actual	Actual
	Number of Properties	Number of Properties	Band D Equivalents
A	2,018	2,597	1,731
B	10,111	10,974	8,535
C	24,652	25,536	22,699
D	36,549	35,851	35,851
E	19,222	18,816	22,997
F	8,392	8,403	12,138
G	6,090	5,849	9,749
H	809	774	1,547
Council Tax Base	<u>107,843</u>	<u>108,800</u>	<u>115,247</u>

2006 £000
143,057
(24,559)
<u>118,498</u>

Income from Council Tax:-
Council Tax Income
Less Council Tax Benefits
Due from Taxpayers

2007 £000
150,907
(26,532)
<u>124,375</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 43.3 pence (42.2 pence in 2005/06). The total local rateable value shown below includes adjustments in respect of previous years as a result of valuation decisions made in 2006/07. 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:-

2006 £000
119,137
(4,476)
(10,948)
(5,338)
(3,754)
(638)
<u>93,983</u>

Non-domestic charges raised - £295.1M * 43.3p
Add / (deduct) allowances and other adjustments:
Transitional Relief
Empty and Void Relief
Charitable Relief
Provision for uncollectible amounts
Cost of collection and interest
Contribution to NNDR national pool

2007 £000
127,793
(1,366)
(10,682)
(6,250)
(1,780)
(711)
<u>107,004</u>

4. Amounts written off in year

The amounts written off as uncollectible during the year were £146K in respect of Council Tax and £307K in respect of NNDR.

GROUP ACCOUNTS

Group Accounts

The 2006 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 in 2005-06 and 2006-07 for 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 2005/06 £'000		Gross Expenditure 2006/07 £'000	Gross Income 2006/07 £'000	Group Net 2006/07 £'000
318,962	* Ealing Council	853,033	649,679	203,354
17,231	Ealing Homes Ltd.	17,874	232	17,642
336,193	Net Cost of Services	870,907	649,911	220,996
(4,037)	(Gain) or loss on disposal of fixed assets		19,629	(19,629)
(6)	Contribution from Housing Act Advances Account		14	(14)
3,803	Amounts payable to Housing Capital Receipts Pool	4,861		4,861
8,090	Levies	6,840		6,840
22,383	Interest payable	26,637		26,637
(5,001)	Interest and Investment Income		5,737	(5,737)
9,048	Pension interest costs & expected return on pension	6,211		6,211
6,180	Exceptional Items	8,500		8,500
-	Taxation of group entities	-	-	-
376,653	Net Expenditure	923,956	675,291	248,665
(112,045)	Income from Collection Fund		115,504	(115,504)
(181,882)	Government Grants		30,767	(30,767)
(101,645)	Distribution from non-domestic rate pool		107,357	(107,357)
(18,919)	Net General Fund (Surplus) / Deficit	923,956	928,919	(4,963)

(* Restated 2005/06 - Please refer to note 9 in the I & E account.)

GROUP ACCOUNTS

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

2005/2006 £000		2006/2007 £000
(19,120)	(Surplus) / deficit Ealing Council's Income and Expenditure Account for the year	(5,935)
<u>(69,004)</u>	Adjustment for transactions with other group entities	<u>(17,292)</u>
(88,124)		(23,227)
69,205	▪ Subsidiaries	18,264
<u>(18,919)</u>		<u>(4,963)</u>

Group Statement of Total Recognised Gains and Losses

2005/2006 £000		2006/2007 £000
(18,919)	Surplus/(deficit) for the year on the Income and Expenditure Account	(4,963)
146,321	(Surplus) / deficit on revaluation of fixed assets	24,940
5,807	Actuarial (gains)/losses on pension fund assets and liabilities.	(35,115)
(5,233)	Other (gains) and losses	(1,388)
<u>127,976</u>	Total recognised (gains) and losses for the year	<u>(16,526)</u>

GROUP BALANCE SHEET

Group 2005/06 £'000		Ealing Council 2006/07 £'000	Ealing Homes 2006/07 £'000	Group 2006/07 £'000
		10,531	Intangible Assets	
6,218	- Goodwill		9,739	9,739
	- Loan Restructuring Premium	-		-
	Tangible fixed Assets			
	Operational			
823,718	- Council Dwellings	907,861		907,861
461,392	- Other Land & Buildings	370,098		370,098
27,203	- Vehicles, Plant & Equipment	29,804		29,804
54,765	- Infrastructure Assets	59,380		59,380
707	- Community Assets	166		166
	Non Operational			
18,164	- Surplus Assets	15,969		15,969
3,731	- Deferred Asset	9,910		9,910
1,406,429	Total Fixed Assets	1,393,188	9,739	1,402,927
34,791	Deferred Consideration	67,506		67,506
47	Long Term Investments	47		47
1,043	Long Term Debtors	914		914
1,442,310	Total Long Term Assets	1,461,655	9,739	1,471,394
	Current Assets :			
647	Stock & WIP	1,311		1,311
88,227	Short Term Investments	143,751	-	143,751
68,785 *	Debtors	60,569	3,112	63,681
3,274	Cash at Bank	4,570	1,045	5,615
1,603,243	Total Assets	1,671,856	13,896	1,685,752
	Current Liabilities :			
(102,503)	Creditors	(126,045)	(3,903)	(129,948)
(6,135)	Short Term Loans	(7,925)		(7,925)
(1,562)	Cash and Bank Overdrawn			-
1,493,043	Total Assets less Current Liabilities	1,537,886	9,993	1,547,879
(392,149)	Long Term Loans	(449,646)		(449,646)
(86,739)	Government Grants-Deferred	(94,421)		(94,421)
(8,885)	Provisions	(10,399)		(10,399)
(246,224)	Pension Liabilities	(204,598)	(13,243)	(217,841)
759,046	Total Assets less Liabilities	778,822	(3,250)	775,572
588,519	Fixed Asset Restatement Account	533,580		528,121
315,310	Capital Financing Account	344,453		349,912
12,241	Usable Capital Receipts and Grants	6,539		6,539
636	Deferred Capital Receipts	524		524
(232,281)	Pensions Reserve	(204,598)		(204,598)
74,193 *	Reserves and Balances	97,868	(3,250)	94,618
428	Collection Fund	456		456
759,046	Total Net Worth	778,822	(3,250)	775,572

(* Restated 2005/06 - Please refer to note 9 in the I & E account.)

GROUP ACCOUNTS

Group Cash Flow Statement

Group 2005/06 £'000		Council 2006/07 £'000	EH 2006/07 £'000	Group 2006/07 £'000
(54,984)	Net Cash Inflow / Outflow from Revenue Activities	(85,098)	841	(84,257)
	Returns on Investments and Servicing of Finance:			
	<u>Cash outflows</u>			
22,091	- Interest paid	23,394	296	23,690
	<u>Cash inflows</u>			
(2,005)	- Interest received	(7,169)		(7,169)
	Capital Expenditure and Financial Investment:			
	<u>Cash outflows</u>			
104,869	Purchase of fixed assets	89,536		89,536
5,101	Purchase of Intangible Fixed Assets	5,166		5,166
2,631	Purchase of deferred assets	-		-
	<u>Cash inflows</u>			
(7,333)	Sale of fixed assets	(22,870)		(22,870)
(25,475)	Capital grants received	(12,322)		(12,322)
	Net cash inflow/outflow before financing			
	<u>Management of Liquid Resources</u>			
6,533	<u>Net increase/(decrease) in short-term deposits</u>	57,479	(3,366)	54,113
	Financing			
	<u>Cash outflows</u>			
125,453	Repayments of amounts borrowed	219,933		219,933
	<u>Cash inflows</u>			
(69,166)	New loans raised	(52,458)		(52,458)
(100,903)	New short-term loans	(221,723)		(221,723)
6,812	Net (Increase)/decrease in cash	(6,132)	(2,229)	(8,361)

Notes and Disclosures

1. The Group Accounts for Ealing Council include the interest in Ealing Homes Ltd. A company in which the Council controls 100% of the voting rights.

2. Ealing Homes Ltd.

On the 8th September 2004 Ealing Homes Ltd. took over the management of the Council's Housing Stock. In 2006/07 the turnover of Ealing Homes was £19.546m and net liabilities were valued at £1.689m 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 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 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 2005/06 £'000		Council 2006/07 £'000	EHL 2006/07 £'000	Total 2006/07 £'000
75,136	Sundry Debtors	60,569	3,112	63,681
104,751	Sundry Creditors	126,045	3,903	129,948

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 form 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 2005/06 £'000		Council 2006/07 £'000	EH 2006/07 £'000	Total 2006/07 £'000
	Pension Costs			
(19,419)	Current Service Cost	(21,349)	1,263	(20,086)
10,764	Past Service Gain	301	71	372
-	Settlements/Curtailments	747	-	747
(8,655)	Total Operating Gain/(Loss)	(20,301)	1,334	(18,967)
	Pension Liability			
491,301	Market Value of Assets	516,460	6,684	523,144
(737,525)	Liabilities	(721,058)	(19,927)	(740,985)
(246,224)	Total Net Pension Liability	(204,598)	(13,243)	(217,841)

PENSION
FUND

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 Office of the Deputy Prime Minister under Section 7 of the Superannuation Act 1972.
2. The number of contributing members of the Fund as at 31 March 2007 was 6,703 (6,628 at 31 March 2006) whilst the number of pensioners, widows and dependants was 5,701 (5,670 at 31 March 2006). The Council is the administering authority of the scheme and has the major share of contributors and pensioners. There are now 14 scheduled bodies including Thames Valley University and 6 admitted bodies. All these contribute to the Fund. In 2006/07 St Gregory school departed from the scheduled bodies.
3. The Fund Managers in 2006/07 were Fidelity Pensions Management and UBS Global Asset Management.

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). 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.
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 2007.
 - 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.
 - v) The units held in the London Enterprise Venture Fund are valued in accordance with the guidelines for the valuation & disclosure of venture capital portfolios issued by the British Venture Capital Association.
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 is being credited with a one-off capital sum each year to cover the cost of these additional years. In addition to this £0.8M is being credited to the Pension Fund from the General Fund in 2006/07.

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 2006/07 there were 27 early retirements under this new rule (26 in 2005/06) and the sum credited to the Pension Fund is £1.3M (£1.6M in 2005/06).

PENSION FUND

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 2004. It showed an excess of liabilities over assets of £172.9M. 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 2004. Assets amounted to £373.7M representing 68% of the Fund's accrued (past service) liabilities of £546.6M .

12. The contribution required from the Council and other bodies was 19.2% of pensionable salary during 2006/07 (18.7% in 2005/06), 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	6.10%	6.50%
Earnings Growth	4.55%	4.25%
Price Inflation	2.80%	2.50%

Fund Management and Administration

14. The Fund investment management arrangements were reviewed in May 2003. The Panel has set Fidelity Pensions Management and UBS Global Asset Management the target of outperforming a benchmark (the Ealing Benchmark) by 1.5% per annum over the long term with a formal review at 31 December 2006. In addition, over any one twelve month period, the managers must not fall more than 4% below this benchmark.

15. The Fund's investments as at 31st March 2007 continue to be primarily managed by Fidelity Pensions Management and UBS Global Asset Management, acting under the direction of the Pension Fund Panel. The Market Value of the investments managed by each fund manager at 31st March 2007 was £270M (2005/06 - £254M) and £280M (2005/06 - £263) 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 £101M (2005/06 - £111M) and purchases £112M (2005/6 - £169M).

18. The contributions receivable from the other bodies were £4.1M (2005/06 - £3.9M) and the total from the administering authority and the outside bodies were £29.6M (2005/06 - £27.3M). 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 Trustees of the Fund on 2 Feb 2005. The SIP currently being reviewed and presented for approval by the Pension Fund Panel on the 14th June 2007. The SIP is published on Ealing web site and is available to any interested party.

PENSION FUND REVENUE ACCOUNT

2005/2006 £000		2006/2007 £000
	INCOME	
	Contributions Receivable:	
20,688	Employers' Contributions	22,205
7,226	Employees' Contributions	7,370
7,576	Transfer Values Received	3,392
1,564	Other Income (note 10)	2,348
37,054		35,315
	EXPENDITURE	
	Benefits Payable:	
18,899	Retirement Pensions	19,755
3,342	Retirement Grants	3,940
725	Death Grants	(163)
	Payment to and on account of leavers:	
6,917	Transfer Values Paid	6,496
66	Refunds of Contributions and Interest	204
	Administration and other expenses:	
866	Administrative expenses	711
30,815		30,943
6,239	Net increase from dealings with members	4,372
	Returns on investments	
8,449	Investment Income	10,797
91,355	Change in market value of investments (realised and unrealised)	24,078
(1,088)	Investment management expenses	(988)
98,716	Net returns on investments	33,887
104,955	Net increase in the fund during the year	38,259
418,191	Net assets of the scheme at 1 April	523,146
523,146	Net assets of the scheme at 31 March	561,405

PENSION FUND NET ASSETS STATEMENT

2006 £000		2007 £000
	INVESTMENTS AT MARKET VALUE	
	Fixed Interest Securities	
-	UK Government	-
109,927	Other UK	118,772
8,059	Foreign	21,123
	Listed Equities	
232,213	UK	239,983
54,900	North America	65,611
58,022	Europe	56,883
19,065	Japan	12,901
15,272	Pacific	14,286
14,316	Emerging Markets	12,894
	Other Investments	
-	Venture Capital	-
	Cash Deposits	
4,821	Money Market Instruments	7,413
<u>516,595</u>	Total Investments	<u>549,866</u>
	CURRENT ASSETS AND LIABILITIES	
	Debtors	
1,921	Dividends Due	2,007
270	Unsettled Sales	881
	Creditors	
(971)	Unsettled Purchases	(34)
<u>1,220</u>		<u>2,854</u>
<u>517,815</u>	TOTAL ASSETS (Under External Management)	<u>552,720</u>
	Debtors	
322	Cash in Hand	253
5,809	Creditors	9,037
(800)		(605)
<u>5,331</u>	TOTAL NET ASSETS	<u>8,685</u>
<u>523,146</u>		<u>561,405</u>

STATEMENT
OF INTERNAL
CONTROL

EALING COUNCIL

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL 2006/07

1. Scope of responsibility

Ealing Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of the Council's policies 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.

The system of internal control has been in place at the Council for the year ended 31 March 2007 and up to the date of approval of the statement of accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. The Internal Control Environment

The key elements of the internal control environment are described below:

Establishing and monitoring the achievement of the authority's objectives

The Council's Corporate Plan is a 4-year rolling plan, which is updated annually. The Plan sets out in detail what the Council has achieved in the past year and its priorities for improving performance and delivering its vision. The priorities set out in the Plan are broadly the same as those in Ealing's 10-year Community Strategy, which has been agreed with a range of key public sector agencies, voluntary and business sector partners.

The priorities are promoted in all council publications. As a result, there is a widely shared clarity and agreement between partners, councillors and staff about the direction in which the Council aims to take the borough. A review of resources has also moved funding away from activities which were not priorities to support key areas.

Roles and responsibilities are clearly defined for partners and resources are allocated, reviewed and revised in line with priorities, especially through a Local Strategic Partnership. More work is needed to increase partners' awareness of each others' contributions and their ability to assess whether there are any gaps or overlaps and to fully utilise the resources of some partners, particularly amongst the voluntary organizations.

The Plan drives the Council's financial plans, service business plans, team plans and ultimately the objectives set for staff.

Service business plans define the most important actions necessary to deliver the Council's main priorities and are sufficiently detailed to enable stakeholders to understand planned achievements. They contain information on ownership, milestones, timescales and resources and varying levels of detail regarding actions and targets. The plans are linked to corporate objectives, and are accessible to key staff via the Council's performance management system.

Performance management and the reporting of performance management

The Council has a performance management framework and a performance review team that provides support and guidance to departments. Corporate Board, Cabinet and Overview and Scrutiny Committees all receive regular reports covering progress against corporate priorities, financial performance, service performance and achievement of key best value performance indicators. A monthly performance newsletter brings together key information on indicators, targets, trend analysis and actions taken to address areas of concern.

Performance management is integrated with financial and service management.

3. Internal Control Environment - Continued

Identifying, assessing and managing the risks to the authority's objectives

Staff and members' awareness of controls and risk management has been increasing over the last three years. The Corporate Risk Management Forum comprising senior officers across the Council was revamped and meets on a periodic basis to review progress on the Council's risk management agenda.

The Risk Management Policy and Strategy and Guidelines approved by Cabinet in 2005 were reviewed in late 2006.

The Strategic Risk Register with explicit linkages to corporate objectives is updated quarterly and regular information on principal risks and issues provided to key officers, Cabinet and sub-committees. The Corporate Leadership Team comprised of senior officers, addresses risk management as part of their standing agenda.

Operational risk registers are also in place for all directorates. These are regularly reviewed by senior officers and action is taken to address the risks identified. There has been training for both officers and members, and partnership risks are being identified. Specialist risk management software is now in place and members are more involved in the process through the Audit Committee.

Business planning guidelines require departments to undertake a risk analysis as part of the annual planning process. Risks to the achievement of objectives are managed through the performance management framework and regular monitoring reports.

The Council's emergency arrangements have been updated to meet the requirements of the Civil Contingencies Act and there is an annual evaluation of strengths and weaknesses in the arrangements. Also after each accident involving the Council, partners debrief to identify what worked well and what can be improved. Borough wide risk assessment is undertaken and there is a community risk register.

Use of resources, and continuous improvement

The authority continues to produce a range of Best Value and operational performance indicators. These are reported to senior management as well as appropriate member committees for review.

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.

The Council uses information from service users to drive service improvement and some service heads receive information captured by the customer service centre about their business performance.

3. Internal Control Environment - Continued

Residents' views are analysed as part of the Ealing Residents' Survey, the latest of which took place in February 2006. A small scale survey was also carried out in March 2007. A new Residents' Panel has been recruited for more regular consultation and regular consultation is also undertaken with representatives of various communities. These surveys assist the Council in understanding the range of needs of different users of its services. Regular staff surveys are also conducted.

Through a newly established corporate complaints group learning is shared systematically. The Council carries out regular benchmarking and has a clear view of how Ealing performs in comparison to other authorities. The Council routinely compares its performance with national and London averages and councillors and officers take part in peer reviews and corporate assessments in other councils.

Value for money is one of three main priorities of the Council in direct response to resident concern. Value for money is increasingly part of the culture and organisational arrangements such as a business efficiency board and a contracts review board assist with this. There is rigorous challenge of the budget each year through the star chamber process where the Leader, Cabinet member for finance and Chief Executive ensure that appropriate budgets are set. Value for money reviews have had impact in reducing service cost in targeted areas and the Council is also taking action to address other targeted areas where performance has been below average.

Financial management of the authority and the reporting of financial management

The Council's system of internal financial control is based on a system of delegation and accountability and involves regular management and performance information, formal policies encompassing operational activities, and management supervision. The delegated powers and Financial Regulations are regularly reviewed and updated and was last approved by Council in December 2006.

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 of the Council is conducted in accordance with the budget and policy framework rules and financial regulations set out in the constitution. The Council has designated the Executive Director for Finance and Business Support as Chief Financial Officer in accordance with section 151 of the Local Government Act 1972. This post has responsibility for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of decision-making.

The financial management framework includes regular budget monitoring reports to Financial Strategy Group, Departmental Management Teams, Corporate Board and Cabinet.

3. Internal Control Environment - Continued

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 Councillors and officers receive a monthly finance monitoring newsletter. This shows the position for each department and what is being done to address potential overspends.

Facilitation of policy and decision-making

Ealing Council's adopted Constitution is consistent with the principles of good corporate governance. It is highlighted at induction and is accessible to staff via the intranet. It sets out clear terms of reference for Cabinet and all sub committees and clear schemes of delegation from members to senior officers.

Senior managers are delegated the responsibility of developing, maintaining and operating effective control systems and charged with ensuring compliance with policies, procedures, laws and regulations.

Cabinet approved structure charts are in place outlining departmental structures and inter departmental relationships. The charts are accessible to all staff via the intranet. Responsibilities for statutory obligations are formally established and communicated.

The committee section is responsible for the administration and servicing of the Council's major decision-making process and maintenance of the constitution and the Council's forward plan. The section also ensures that the correct procedure for taking decisions is followed and has an increasing role in community involvement.

The major committees administered are the full Council, Cabinet, Overview and Scrutiny committees, Area committees, and Regulatory committees.

The full Council meets nine times a year. At the annual Council meeting in May each year the Council appoints the Mayor and Deputy Mayor and establishes a number of bodies on which councillors sit. Councillors can sit on several of these committees, panels, etc and they agree a programme of meetings indicating when each body is to meet. The Council decides the major policies, sets the level of council tax and considers motions from councillors.

The Cabinet provides political leadership and strategic direction. Each member of the Cabinet has their own particular area of responsibility or portfolio although decisions at Cabinet meetings are taken collectively.

The Overview and Scrutiny committee's responsibilities are to scrutinise individual cabinet proposals before and after they have been implemented. They also review general policies of the Council and propose policy developments. As a result of scrutiny reviews some decisions have been called in and changes have been made by Cabinet.

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.

3. Internal Control Environment - Continued

The council also has a Regulatory Committee which 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.

Councillors generally take a strategic approach and let officers deal with operational issues. They become involved in an appropriate way where, for example, performance is poor in a particular service area. Here they provide challenge and support to officers.

The Council has produced a 'decision-making toolkit' to help ensure that reports to Councillors are focused and timely. All reports to Councillors include an equalities impact assessment.

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. Timeliness of delivery is being addressed. Some senior members were provided early on with support and challenge and IDeA has now been invited to provide mentors for all members to ensure that they fulfil their full potential.

The Standards Committee has seven members, three of whom are independent of the Council including the chair, in line with good practice. The Committee reviews Councillor training and has reviewed the Council's Whistleblowing Policy. The Committee is to be trained in dealing with complaints against Councillors, of which there was only one in the last three years.

Compliance with established policies, procedures, laws and regulations

The Executive Director of Finance and Business Support and the Director of Legal Services are responsible for ensuring that the Council has effective procedures to identify, evaluate, communicate, implement, comply with, and monitor legislative change. Where areas of non-compliance are identified in either mechanism or legislation and brought to the attention of senior management these are taken seriously and effective action taken.

A review of corporate governance in line with CIPFA/SOLACE guidance was undertaken and a position statement compiled. Governance training has been provided for members and senior officers and new starters' awareness of corporate governance raised at corporate induction sessions. Corporate governance information is available to all staff via the intranet. Managers also brief staff on key plans and strategies periodically.

Roles and responsibilities for fighting fraud are set out in the Council's Counter Fraud and Corruption Policy, and a Whistle blowing Policy is in place to encourage and enable people to raise serious concerns within the Council.

4. Review of Effectiveness

Ealing Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The Council's Audit Committee was established in July 2006 to enhance the Authority's governance arrangements. Prior to its establishment, a scrutiny committee, the Performance and Audit Panel, a panel of the Overview and Scrutiny Committee had a remit to ensure effective and timely scrutiny of Council policy, corporate priorities, performance management systems and procedures, budget and financial statements and review the Audit and Investigation Unit activities. The Panel also reviewed the effectiveness of the system of internal control having due regard to the Annual Internal Audit report and Statement of internal Control.

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 also established in November 2005 and comprises senior financial officers whose responsibilities are to: review performance of Internal and External Audit; supervise and review management progress in the implementation of audit recommendations and review counter fraud activities and lessons learnt. The Chairman of the Committee receives copies of the minutes of the Audit Board.

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 periodic basis to review progress on business effectiveness, contract tendering and regeneration and major projects.

Internal audit provides an independent and objective opinion to Council on the control environment by using a risk-based approach to evaluate its effectiveness in achieving corporate objectives and senior managers within the authority have the responsibility for the development of internal controls. Internal Audit operates to the standards of proper internal audit practice as set by the Code of Practice for Internal Audit in Local Government in the UK.

4. Review of Effectiveness- Continued

The 2006/7 audit plan was approved by Performance and Audit Panel, with modifications being made to the original plan to reflect changing risk priorities and organisational changes.

Internal Audit also meets quarterly with senior finance staff to report the outcomes of reviews and internal control issues.

The effectiveness of the system of internal control has been reviewed throughout the year as part of the Council's internal audit coverage. The work of the internal audit function and the tracking of the implementation of significant audit and investigation recommendations inform the review of the effectiveness of the system of internal control. This review is further informed by the executive directors who have responsibility for the development and maintenance of the internal control environment, external auditors' comments, reviews, inspections, documentation including the CIPFA/SOLACE position statement; performance management information; Annual Internal Audit report; Letters of Representation; third party assurances; and the strategic and directorate level risk registers.

The system of internal control at the Council has been showing improvements year on year since 2004/5 with a reducing number of key financial systems reports showing ongoing weaknesses, and a reducing percentage of non-key financial systems reports being issued as limited. Concerns remain in respect of three key financial systems showing ongoing weaknesses (Section 5).

The top themes appearing across limited assurance internal audit reports issued for 2006/7 highlighted the need for stronger:

- a) Contract management and contract tendering compliance (recurring from 2005/6);
- b) Arrangements to address change in staff, responsibilities, departments and roles; and
- c) Governance, policies and procedures for new initiatives.

Letters of Representation from service heads and senior officers for the year ended 31 March 2007, 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 managers of their responsibility to continue addressing the issues noted. These issues fall under the following four headings:

- a) Budgeting, financial information and use of the new financial system;
- b) Contract management and compliant contract tendering;
- c) Ongoing weaknesses in key financial systems; and
- d) Up to date and fit for purpose HR policies and procedures.

4. Review of Effectiveness- Continued

The Executive Director of Finance and Business Support and the Council's Monitoring Officer are responsible for monitoring and reviewing the operation of the constitution and reporting on any changes necessary to maintain and ensure its effectiveness in practice. Wherever opportunities for improving the constitution are identified, changes are recommended to full Council and implemented as soon as possible.

Key performance indicators are evaluated and controlled by management and monitored by both Executive and Scrutiny members. The Council is also subject to a comprehensive external inspection regime undertaken by bodies such as the Health and Safety Executive, Benefit Fraud Inspectorate, the Audit Commission, OFSTED and the Commission for Social Care Inspection. Two major reviews were undertaken during the year, the Corporate Assessment and the Joint Area Review.

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

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL 2006/07

Significant internal control issues

Key Financial Systems weaknesses

a) In February 2007 Pensions Administration was issued with a limited assurance audit opinion for the fifth consecutive year. Pensions Administration is now the focus of comprehensive review and scrutiny by the Pension Fund Panel and significant staff resource is being expended to address the weaknesses identified.

b) Parking Income and Debtors was issued with a limited assurance audit opinion for the second consecutive year. Additionally, at the end of 2006/7 prior year financial adjustments were identified and effected in respect of the Parking Places Reserve Account, necessitating a significant diversion of resources from other areas within the Council. Parking Services is now the focus of ongoing comprehensive review and scrutiny by the new Parking Review Board.

c) Cash Receipting was issued with a limited assurance opinion for 2006/7. It was last issued with a limited opinion in 2004/5. To our knowledge, at the year-end, the weaknesses identified in the Cash Receipting system had not resulted in a stream of material financial losses, contingencies or uncertainties. However weaknesses in the system of controls and the level of non-compliance put the system objectives at risk. The area will be kept under close review by the Director of Corporate Finance.

South Acton Regeneration Project Phase 2

d) The withdrawal in March 2006 of the preferred private development partner for one of the Council's major projects, the South Acton Estate Phase 2 regeneration project, led to significant management time being diverted to address resultant issues surrounding the private development component of the project. At 31 March 2007 the private development component of the project was approximately 1 year behind schedule.

Until a new private development partner is appointed, this remains an area of risk for the Council. The project is being kept under close review by Corporate Board and Cabinet.

Darra Singh
Chief Executive
26 June 2007

Councillor Jason Stacey
Leader
26 June 2007

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any performance improvement observations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission, in all significant respects, London Borough of Ealing made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 21 December 2006. We did not identify any matters to be reported to the authority and did not make any performance improvement observations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

KPMG LLP
Chartered Accountants
London
5 October 2007