

CONTENTS

	PAGE
Foreword	2
Statement on the System of Internal Control	8
Statement of Responsibilities	15
Report of the Auditors	16
Statement of Accounting Principles	18
Consolidated Revenue Account	21
Housing Revenue Account	30
Consolidated Balance Sheet	34
Statement of Total Movements in Reserves	48
Collection Fund	50
Cash Flow Statement	52
Group Accounts	54
Pension Fund	58

1. Accounting Statements

1.1 The statements produced under the CIPFA/LASAAC Code of Practice on Local Authority Accounting are:-

1.2 The Statement of Responsibilities for the Statement of Accounts

1.3 The Statement of Accounting Principles which shows the accounting policies adopted in compiling the accounting statements.

1.4 The Consolidated Revenue Account (CRA) which shows the income and expenditure of the Council's services under nationally agreed service descriptions to facilitate comparisons between local authorities in accordance with the best value accounting code of practice. The CRA also shows the funding sources of the resulting net expenditure from the Government and Local Taxpayers.

1.5 The 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 2005/2006 the turnover of Ealing Homes Limited amounted to £16.9M (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 Consolidated Balance Sheet which shows the Council's assets and liabilities.

1.7 The Statement of Total Movements in Reserves which brings together all the gains and losses in the year separating the movements between revenue and capital reserves.

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 which summarises the Council's inflows and outflows of cash arising from transactions with third parties.

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

FOREWORD

Foreword to the accounts by the responsible finance officer

During the financial year ended 31 March 2006 Ealing's financial position has been further stabilised and the development of a more businesslike approach to financial controls meant that:

- The general fund balance as at 31 March 2006 stands at £10.5m 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 of £0.8M or 0.2%.

None of this is down to luck. The new 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. In addition the Council began monitoring its savings for 2006/7 before the financial year had even begun. Further work will be required over the next two years to bring the unearmarked reserves closer to £20m, the deemed necessary balances required by a Council of this size.

The processes of planning and control to produce these statements has worked extremely well.

Improvements to controls will be developed through the new financial system, Agresso, and whilst I expect 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 £1.7m to its unearmarked reserves this year and is one of a handful of London Boroughs to increase its reserves in an election budget. This is testimony to the maturity of all Councillors in Ealing. In addition earmarked reserves were too low. I have ensured that the Council has strengthened its position in a number of key risk areas, for example building dilapidations and the renewals of key replacement items such as computers.

Focus on Council tax collection in 2005/6 has yielded an in year collection of 95.6%. This is 1.8% more than 2004/5 and the highest ever level of collection for Ealing. It places the Borough 10th best out of 32 London Boroughs and the City of London. Cash debtor collection will be a key focus in 2006/7 to drive further value for the residents of the Borough.

The London Borough of Ealing has experienced significant turbulence yet improved during 2005/6. It has a new Chief Executive and Corporate Board and has regained its 3 star Comprehensive Performance Assessment status having been a 1 star authority primarily due to its Social Services.

FOREWORD

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

The Borough has fundamentally refocused the Response Programme to maintain customer management and service as a primary driver but the savings programmes to fund this project have been stopped given their uncertainty in terms of delivery following a review by KPMG.

The Council's financial position still has significant areas to tackle. 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 such as Public Finance Initiative (PFI) and Building Schools for the Future (BSF). Borrowing is already very high and limitations are strongly against pushing borrowing much higher without realistic and deliverable commensurate departmental savings. Indeed borrowing repayment plans need development. The Council has experienced difficulties in handling major regeneration projects such as South Acton Housing Estates regeneration scheme and proper project management techniques need developing to mitigate against the risks of these projects.

The Council's pension fund assets increased by £105m during the year, reflecting better market investment performance. Under FRS 17 the assets to liabilities ratio calculates to 68%. This is an improvement from 63% of 2004/5. However, there is still much to do in this area and the pension fund will continue to require regular review annually in the Council's Budget setting process.

The collection fund has recorded a modest surplus of £0.428m at the year end for the first time in a number of years.

The Housing Reserve Account (HRA) has a balance of £10m. During 2005/6 the Council ALMO received a 2 star rating for its services and this will release £207m of investment funding over the period 2005/6 to 2010/11. There are a number of significant issues to be solved during 2006/7 and beyond, for example South Acton Estate regeneration scheme and Drayton Bridge Road Estate leasing scheme. Over the next few years it is critical that a medium term financial strategy is developed for the HRA that secures its future. 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 will require stringent monitoring during 2006/7 and the income received is under pressure due to the reducing number of penalty charge notices and bus lanes tickets issued. New ideas will be needed to reduce expenditure or increase income and will have to be agreed during 2006/7.

In summary the accounts present an authority in reasonable and improving financial health. However, 2007/8 will require further budget savings to continue this positive direction of travel. The Council still faces a series of significant financial risks but is actively managing these to ensure that the financial recovery of Ealing is not jeopardised.

Richard Ennis
Executive Director of Finance and Business Support

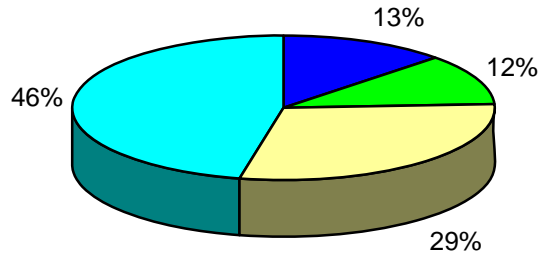
FOREWORD

2.1 Revenue Expenditure and Services Provided

2.1.1 Revenue Funding

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

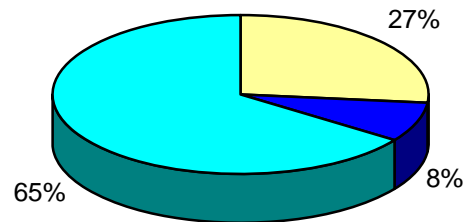
■ Rents and Other Income	£410M	46%
■ Government Grants	£258M	29%
■ Council Tax	£112M	13%
■ NNDR (Business Rates)	£102M	12%
	<u>£882M</u>	



2.1.2 Revenue Expenditure

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

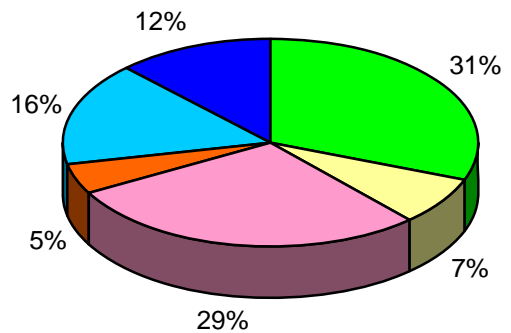
■ Running Expenses	£575M	65%
■ Employees	£236M	27%
■ Capital Financing Charges	£71M	8%
	<u>£882M</u>	



2.1.3 Services Provided

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

■ Housing	£273M	31%
■ Education	£253M	29%
■ Social Services	£143M	16%
■ Corporate Services	£109M	12%
■ Cultural and Environmental	£64M	7%
■ Highways, Roads and Transport	£40M	5%
	<u>£882M</u>	



FOREWORD

2.1.4 2005/2006 Budget and Actual Comparison

The main components of the general fund budget (excluding the HRA) for 2005/2006 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	390,967	388,060	(2,907)
Income from Gov't Grant and Local Taxpayers	(391,967)	(392,292)	(325)
Consolidated Revenue Account - Surplus	(1,000)	(4,232)	(3,232)

2.1.5 General Fund Balances

During the year the net increase of £4.2M in the general fund balances was made up as follows :

	£000
Increase in Schools balances	2,566
Increase in Other Services balances	1,666
	4,232

2.2 Housing Revenue Account

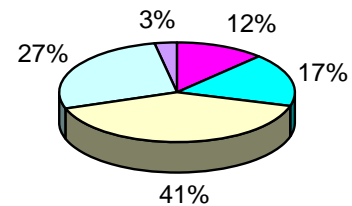
The Housing Revenue Account Deficit of £1.9M for 2005/2006 is less than the budget deficit of £2.6M by £0.7M. This decreases the accumulated balances from £11.9M at 1 April 2005 to £10M at 31 March 2006.

2.3 Capital Expenditure

Capital expenditure for 2005/06 was £105.2M. The capital expenditure by service and its financing is shown below -

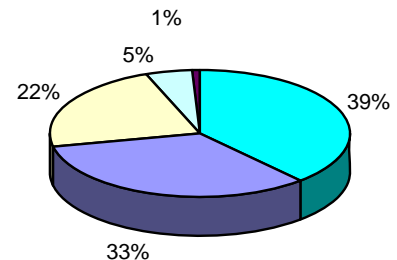
Service Expenditure

Housing	£42.3M	41%
Corporate	£28.5M	27%
Education	£18.3M	17%
Environment	£12.8M	12%
Social Services	£3.3M	3%
	£105.2M	



Financed by

Supported Borrowing	£40.3M	39%
Unsupported Borrowing	£35.1M	33%
Capital Grants	£23.6M	22%
Capital Receipts	£5.4M	5%
Revenue	£0.8M	1%
	105.2M	



FOREWORD

3. Collection Fund

3.1 The collection fund had a surplus of £0.704M for the year which has cleared the deficit brought forward. There is now a surplus of £0.428M at 31 March 2006.

4. External Funding

4.1 The Council has continued to seek out and obtain external funding from a variety of sources in 2005/2006 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 £200M.

4.2 As part of the Safer Communities Initiative, the Government Office of London allocated £0.6M to the Council in 2005/2006 (£1.1M in 2004/2005) 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 £0.2m towards safety initiatives.

4.3 The Children's Fund allocation for 2005/2006 was £921k 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 2005/2006 was £0.9M. The objective of this grant is to "improve outcomes in deprived areas".

4.5 Various grants totalling £0.8M contributed to the Council's Waste and Recycling Service for 2005/06.

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 £1.3M had been spent to 31 March 2006. The project is being funded by income generated by the importation of inert waste into the site. The total income received to 31 March 2006 is £3.3M.

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. £64m of this funding covers the years 2005/06 and 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 £2.4M from the Government under the Local Government Business Growth Incentive (LABGI) scheme in 2005/06. The scheme operates as an unringfenced grant and there are no restrictions on the council as to its use.

1. Scope of responsibility

Ealing Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is 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 the 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 2006 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:

The Council produces a strategic review document, approved by Cabinet, which represents the first stage of the annual business planning cycle. This document outlines the corporate priorities that are monitored through the Council's performance management framework.

The Council's Constitution is consistent with the principles of good corporate governance and is accessible to staff. It sets out clear terms of reference for Cabinet and all sub committees and clear schemes of delegation from members to senior managers. It also sets out how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

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.

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.

3. The Internal Control Environment Cont...

The internal audit service operates a risk-based approach to its work. This involves the use of risk assessments when developing the audit plan, identification of risks at the commencement of each project, evaluation of controls in place to mitigate these, and the agreement of improvement plans.

Ealing Homes, an arms length management organisation (ALMO) manages housing on behalf of the Council and is responsible for delivery of clearly defined aspects of the Council's housing agenda. An independent board of directors runs the ALMO, with the Council being the only guarantor.

The Executive Director of Finance and Business Support, as the Section 151 officer and the Head of Legal Services, as the monitoring officer 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. While awareness is raised with new starters at corporate induction, more work needs to be done to cascade awareness of role specific and general legislation and the implications of non-compliance to existing staff below senior management.

The Council's community engagement and consultation framework ensures that the views of the community inform Council objectives and priorities. The findings from the Council's consultation with stakeholders on priorities and objectives have been used to inform the 2006/07 Corporate Plan and the development of the Community Strategy 2006/16.

Ealing Council's Corporate Plan sets out Ealing's strategic direction for the next four years. Each year the council updates the plan and sets plans for the future. During 2005/06 plans for 2006/07 and beyond were set out showing how the council is moving forward on achieving Ealing's vision- Success through diversity. The plan sets out six strategic goals in order to achieve the vision and contribute to delivering Ealing's community strategy. The plan is intended to show staff, councilors and partner organisations how the council will deliver and improve its services.

3. The Internal Control Environment Cont...

Priorities and objectives are aligned to principal statutory obligations and the Corporate Plan incorporates some elements of the 3 year financial strategy. The Council has taken a number of steps to improve its approach to budget setting and financial reporting. The Star Chamber process for the 2005-06 budget setting improved the link between service planning and budgets, and the financial information review mechanism, with the introduction of the Finance Monitor, has improved the quality and consistency of finance monitoring and reporting across the Council. Furthermore, the savings identified for delivery in 2006/07 were already being tracked for achievability before the financial year commenced in April 2006.

A review of corporate governance in line with CIPFA/SOLACE guidance was undertaken and an action plan and position statement compiled. Corporate Board, comprising the Council's most senior officers, reviews the position statement periodically. 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 also available to all staff via the intranet. Senior managers are also asked to brief staff on key plans and strategies periodically. The extent to which this specific information is cascaded has not been measured, however 61% of staff in a recent staff survey indicated they are kept well enough informed about what is happening at the Council.

During 2005/06 the performance management arrangements at the Council have been subject to considerable review and restructuring. This resulted from the need to formalise arrangements, to develop a clear strategy with both long and short-term objectives and set up a monitoring regime that captured actions and progress from within the services and at executive level to help improve performance indicators and service. A key development has been the introduction of the Performance Monitor, which provides a corporate overview of Performance Indicators and service delivery across the Council.

The scope to more clearly link objectives to measurable outcomes, link activity and finance data and integrating more clearly risk assessment into service plans is being addressed.

Significant progress continues to be made in improving the Council's Procurement approach, processes and capability with the introduction of the Contract Review Board, which acts as the senior officer group for overseeing contract award and management across the organisation.

Staff and members' awareness of controls and risk management has been increasing over the last two years. A revised Risk Management Policy and Strategy was approved by Cabinet in October 2005. 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. Corporate Board addresses risk management as part of their standing agenda and Operational risk registers are in place for all directorates and departments.

3. The Internal Control Environment Cont...

An action plan to fully embed risk management has been developed in line with the new CPA requirement and this will be progressed with a view to having risk management further embedded during 2006/07.

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.

Letters of Representation from Service Heads and senior officers for the year ended 31 March 2006 stated that they are aware of their responsibilities and had complied with the Council's policies and procedures. Exceptions or problems noted in relation to risk management and internal control have identified control weakness which have been addressed in relation to the systems of internal control over the leaseholder service charge system. These were not deemed to be indicative of significant control weaknesses.

Business Continuity Plans for critical services are being compiled with a view to completion by mid 2006. The council also has robust and regularly tested emergency planning arrangements in place.

Insurance policies are in place to cover the Council's key financial risks and kept under regular review.

Business planning guidelines require departments to undertake a risk analysis as part of the annual planning process. The Council's success in managing risks to the achievement of its objectives is managed through the performance management framework and regular monitoring reports.

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 Departmental Management Teams, Corporate Board and Cabinet.

3. The Internal Control Environment Cont...

The Council has a performance management framework and a performance review team that provides support and guidance to departments. The performance management system is driven by the annual strategic review document, which identifies initiatives to support corporate priorities.

These priorities are cascaded through key strategic objectives, departmental service plans, and individual employee objectives and appraisals. The 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. Corrective action is agreed and monitored where necessary to keep performance on track.

4 . Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. 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.

The 2005/6 audit plan was based on a three-year audit needs assessment approved by Cabinet; modifications have been made to the original plan to reflect changing risk priorities, organisational changes and the results of previous audit reviews.

The recent constituted Audit Board meets quarterly and seek 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. 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 departmental and strategic risk registers.

4 . Review of Effectiveness Cont...

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.

The Council's annual Performance Plan details how the Council is delivering services. Key performance indicators are published in the Plan, and 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 Benefit Fraud Inspectorate, the Audit Commission, OFSTED and the Commission for Social Care Inspection.

The Council's Comprehensive Performance Assessment carried out by the Audit Commission overall score for 2005 improved and the council was rated as "improving adequately and demonstrating a 3 star overall performance".

A number of Governance Boards composing senior officers across the Authority meet on a regular basis and review progress on performance management, finance, audit, risk management, change and procurement.

The Performance & Audit Panel, a panel of the Overview and Scrutiny Committee reviews audits plans and arrangements, the joint audit and inspection letter and internal audit activity reports and recommendations. The Panel also reviews the effectiveness of the system of internal control having due regard to the Annual Internal Audit report for 2005/6.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by Corporate Board, the Performance and Audit Panel, and a plan to address weaknesses and ensure continuous improvement of the system is in place. This plan will address the following significant issues identified as a result of the work of Internal and External Audit.

5. Significant internal control issues

The Council's monitoring processes have identified a number of significant issues that need to be addressed to ensure the continuous improvement of the system of internal control. In particular there is a need to:

- Review the Council's Constitution, including financial regulations, standing orders and the procurement code, to ensure that it is fit for purpose in supporting the delivery of the e-government agenda and partnership working.

5. Significant internal control issues Cont...

- Continue to strengthen the Council's risk management arrangements through the establishment of the Corporate Risk Management Forum, further developing the strategic risk register and enhancing operational risk registers.

- Ensure that business continuity plans are effective in practice and in line with the Civil Contingencies Act 2004.

- Ensure that weaknesses identified in the key financial systems (Pensions Administration, Creditor payments and Income/Debtors including Housing Rents) are addressed during 2006/07. The Council had developed action plans to ensure that these issues are adequately addressed during 2006/07. Progress will be reported to Corporate Board and the Audit Committee.

To our knowledge, at the year-end, weaknesses identified in these systems had not resulted in a stream of material financial losses, contingencies or uncertainties.

.....
Councillor Jason Stacey
Leader
27 June 2006

.....
Darra Singh
Chief Executive
27 June 2006

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 30 to 33. 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 2006.

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 18 to 61 present fairly the financial position of the London Borough of Ealing as at 31 March 2006 and its income and expenditure for the year then ended and that the accounts set out on pages 56 to 61 present fairly the net assets of the London Borough of Ealing Pension Fund as at 31 March 2006 and its income and expenditure for the year then ended.

Richard Ennis
Executive Director of Finance & Business Support
27 June 2006

5. Certificate of the Leader of the Council

I confirm that these accounts were approved by the Cabinet at its meeting held on 27 June 2006.
Signed by the Leader of the Council, Councillor Jason Stacey, Chair of the meeting approving the accounts.

Councillor Jason Stacey
Leader of the Council
27 June 2006

Audit Certificate

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

Opinion on the financial statements

We have audited the financial statements of the London Borough of Ealing ('the Authority') and Ealing Homes ('the Group') for the year ended 31 March 2008, which comprised the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Consolidated Revenue Account, the Collection Fund, the Pension Fund, the Housing Revenue Account and the related notes. These financial statements 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 auditors' 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 in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 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 present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

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 on 2 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.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgements 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.

Audit Certificate

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 2005, the financial position of the Authority and the Group as at 31 March 2006 and their income and expenditure for the year then ended.

KPMG LLP

KPMG LLP
Chartered Accountants
London
24 November 2006

STATEMENT OF ACCOUNTING PRINCIPLES

1. General

The form and general principles adopted in compiling these accounts are as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its code of practice on Local Authority Accounting and its Statement of Recommended Practice in Great Britain which is recognised by statute as representing proper accounting practice.

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 2006. 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. 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) Assets Under Construction - The work associated with the former response programme is shown as asset under construction and is included in the balance sheet at historical cost.
- (iv) 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 are planned 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.

6. 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 written down in 2005/2006 with the exception of the HRA loan restructuring premium which is to be written off over the life of the original HRA loans.

STATEMENT OF ACCOUNTING PRINCIPLES

7. 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.

8. Capital Charges

The capital charges made to revenue accounts equate to the sum of depreciation (where appropriate) plus a notional interest charged at 3.5% for operational and non operational assets carried at current value (excluding HRA Assets) and 4.95% for Infrastructure assets and Community assets carried at historical cost. The charges are based on their balance sheet amounts at the beginning of the year.

External interest payable and the provision for depreciation are charged to the asset management revenue account which is credited with the capital charges debited to services. Capital charges therefore, have no net impact on the amounts required to be raised from local taxation and government grants.

9. Investments

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

10. 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 ODPM. 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.

11. 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 and 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.

For the former Response Programme all works at present are treated as assets under construction and depreciation charges will be applied when the assets are brought into use.

12. Central Department and Administrative Costs

All costs are charged out to services except those properly charged to unapportioned overheads in accordance with the Best Value Accounting Code of Practice.

STATEMENT OF ACCOUNTING PRINCIPLES

13. Government Grants

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.

14. Leasing

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.

15. Pension Provision

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.

16. 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.

Due to the uncertainty surrounding their relationship with the Council and the consequent accounting treatment, the consolidated revenue 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.

17. Private Finance Initiatives (PFI)

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

18. Group Accounts

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.

THE CONSOLIDATED REVENUE ACCOUNT

2004/2005 Net Expenditure £000		2005/2006		
		Gross Expenditure £000	Income £000	Net Expenditure £000
6,253	Central services to the public	37,484	32,889	4,595
46,523	Cultural, environmental and planning services	64,673	18,555	46,118
170,276	Education services	252,283	70,111	182,172
18,916	Highways, roads and transport services	40,538	21,990	18,548
37,656	Housing services (note 1)	273,057	238,268	34,789
97,150	Social services	141,406	38,012	103,394
7,405	Corporate and democratic core	5,584	557	5,027
(7,130)	Non distributed costs	59,243	65,920	(6,677)
<u>377,049</u>	Net Service Expenditure	<u>874,268</u>	<u>486,302</u>	<u>387,966</u>
8,481	Levies (note 13)			8,090
38	Contribution to Housing Act Advances (note 7)			(6)
(35,632)	Asset Management Revenue Account (note 8)			(35,619)
(4,827)	Interest and Investment Income			(5,001)
1,386	Amortisation of Loan Premium			1,227
(12)	London Residuary Body Surplus			-
12,193	Contribution of Housing Capital Receipts to Government Pool			3,803
30,543	Interest on Pensions Liabilities			34,143
(26,065)	Expected return on Pensions Assets			(25,095)
1,773	Exceptional items - Response Programme (note 20)			6,180
<u>364,927</u>	Net Operating Expenditure			<u>375,688</u>
(2,650)	HRA surplus / (deficit) transferred to balances			(1,883)
(627)	Contribution from other balances (note 4)			(394)
(12,193)	Transfer from usable Capital Receipts equal to Housing Pooled Capital Receipts			(3,803)
6,186	Cont. to/ (from) specific reserves (note 11)			13,046
-	Other non specific government grants			(3,280)
(2,410)	Cont. to/(from) Capital Financing Account (note12)			3,969
8,779	Contribution to / (from) pension reserve			4,717
<u>362,012</u>	Total Net General Fund Expenditure			<u>388,060</u>
	Income from Gov't Grant and Local Taxpayers			
106,684	Local Council Tax			112,045
177,708	Revenue Support Grant			178,602
86,156	Contribution from non-domestic rate pool			101,645
<u>370,548</u>	Total Income			<u>392,292</u>
<u>8,536</u>	Surplus for year			<u>4,232</u>
	GENERAL FUND NET REVENUE ACCOUNT			
10,468	Balance brought forward			19,004
8,536	Surplus for year			4,232
<u>19,004</u>	Balance carried forward (note 18)			<u>23,236</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 Housing Revenue Services

The Consolidated Revenue Account shows the full cost of housing services. The total cost is summarised as follows:

2004/2005 Net Expenditure £000		2005/2006		
		Gross Expenditure £000	Income £000	Net Expenditure £000
13,294	General Fund Housing Services	184,752	173,288	11,464
24,362	Housing Revenue Account (HRA)	88,305	64,980	23,325
<u>37,656</u>	Total Housing Services	<u>273,057</u>	<u>238,268</u>	<u>34,789</u>

2 Excess of Depreciation and Deferred Charges over the Minimum Revenue Provision

The authority is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt. The method of calculating the provision is also defined by statute. The provision is offset by the amount charged to the service revenue accounts as a depreciation charge for fixed assets related to that service. The balance is transferred to the capital financing account.

2004/2005 £000		2005/2006 £000
5,409	Non-housing provision - 4% of capital financing requirement	7,963
(9,644)	Less amount charged as depreciation	(10,181)
<u>(4,235)</u>	Excess transferred to capital financing account	<u>(2,218)</u>
(4,560)	Less amount charged to fund deferred charges	(3,903)
(82)	Less amount repaid by Thames Valley University	(276)
<u>(8,877)</u>	Net transfer to Capital financing account	<u>(6,397)</u>

3 Section 137 Expenditure

Section 137(3) of the Local Government Act 1972 (as amended) gives a local authority a limited power to incur expenditure for the benefit of people in its area on activities or projects by members donations to the funds of charitable or not-for-profit organisations in its area.

There was no expenditure under these powers in 2004/05 or 2005/06.

4 Contribution from other balances

2004/2005 £000		2005/2006 £000
280	Partnership Agreements	-
347	PFI Reserve Contribution from Partnership Agreements	-
-	Northala Fields Project	394
<u>627</u>	Contribution to the consolidated revenue account	<u>394</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

5 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 2004/2005	Remuneration Band	Number of Employees 2005/2006
123	£50,000 - £59,999	156
43	£60,000 - £69,999	61
20	£70,000 - £79,999	17
6	£80,000 - £89,999	16
3	£90,000 - £99,999	7
2	£100,000 - £109,999	1
-	£110,000 - £119,999	2
1	£120,000 - £129,999	4
-	£130,000 - £139,999	1
2	£140,000 - £149,999	-
1	£150,000 - £159,100	-
1	£180,000 - £189,100	-

6 Trading Accounts

6.1 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.

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

6.3 Trade Refuse - The Council collects refuse from trade premises and provides disposal of trade refuse at the Greenford Refuse and Recycling Centre.

Net Expenditure 2004/2005 £000	Trading Accounts	Gross Expenditure 2005/2006 £000	Income 2005/2006 £000	Net Expenditure 2005/2006 £000
297	Building Control - Chargeable	1,034	1,043	(9)
506	Building Control - Non Chargeable	447	65	382
803		1,481	1,108	373
(1,061)	Off Street Car Parking	941	2,598	(1,657)
46	Trade Refuse	1,433	1,289	144

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7 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.

2004/2005 £000		2005/2006 £000
	INCOME	
2	Interest charged to mortgagors	2
91	Fees and charges	42
<u>93</u>		<u>44</u>
	EXPENDITURE	
16	Interest on loans	16
115	Management expenses	22
<u>131</u>		<u>38</u>
<u>(38)</u>	Appropriation to/(from) consolidated revenue account	<u>6</u>

8 Transactions on the Asset Management Revenue Account

2004/2005 £000		2005/2006 £000
	INCOME	
31,019	Capital Charges -General Fund	30,785
39,978	-Housing revenue account	40,402
16	-Other	16
5,367	Transfer from government grants-deferred account	7,138
<u>76,380</u>		<u>78,341</u>
	EXPENDITURE	
20,532	Provision for depreciation	20,954
20,216	External Interest Charges	21,768
<u>40,748</u>		<u>42,722</u>
<u>35,632</u>	Surplus to the consolidated revenue account	<u>35,619</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10 Members Allowances

The total of allowances paid to the members of the Council was £856,800 in 2005/2006 (£832,500 in 2004/2005).

11 Contribution to / (from) Specific Reserves

2004/2005 £000		2005/2006 £000
(831)	Contribution from Insurance Reserve	-
-	Contribution from Parking Place Reserve	(500)
358	Contribution to / (from) Contractors Reserve	(925)
-	Contribution to Business Improvement Reserve	300
2,014	Contribution to Compensation for loss of office Reserve	1,908
287	Contribution to Education Standards Fund	848
-	Contribution to Health & Safety Inspection Reserve	700
-	Contribution to Improving Customer Access Reserve	2,600
-	Contribution to LA Business Growth Initiative Reserve	1,950
20	Contribution to Lessees Refunds Reserve	6
-	Contribution to Manifesto Delivery Reserve	500
4,614	Contribution to PFI Reserve	3,579
-	Contribution to Property Dilapidation Reserve	1,000
-	Contribution to Property Maintenance Reserve	500
-	Contribution to Repairs & Renewals Reserve	695
-	Contribution from Education New Opportunity Funding	(115)
(276)	Contribution from Greenford Cemetery Reserve	-
<u>6,186</u>		<u>13,046</u>

12 Contributions to / (from) Capital Financing Account

2004/2005 £000		2005/2006 £000
(8,877)	Excess of depreciation charges over the MRP (note 2)	(6,397)
5,367	Government Grants Deferred	7,138
1,100	Revenue Contributions to Capital Outlay	3,906
-	PFI appropriations cont.	(678)
<u>(2,410)</u>		<u>3,969</u>

13 Levies

2004/2005 £000		2005/2006 £000
295	London Pension Fund Authority	302
312	Lee Valley Park	327
193	National Rivers Authority	208
6,886	West Waste Authority	7,044
611	Greater London Magistrates Court	-
184	Coroners Services	209
<u>8,481</u>		<u>8,090</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

14 Pension Costs - Officers

14.1 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.

14.2 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.

14.3 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.

14.4 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 consolidated revenue account (CRA) after net operating expenditure. The following transactions have been made in the CRA in the year.

	31 March 2005 £000	31 March 2006 £000
Net cost of services :		
Current service cost	16,674	18,373
Past service costs / curtailment costs	-	(10,283)
Net Operating Expenditure :		
Interest on pension liabilities	30,543	34,143
Expected return on assets	(26,065)	(25,095)
Amounts to be met from Government Grants and Local Taxation :		
Movement on pensions reserve	(738)	4,717
Actual amount charged to Consolidated Revenue Account for pensions in the year :		
Employers contributions payable to the scheme	20,414	21,855

14.5 One Council employee is a member of the London Pension Fund Authority scheme which is not included and has no material effect on the above assumptions and figures.

14.6 In addition 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 2005/2006 (£1.6M in 2004/2005) representing 1.2% (1.7% in 2004/2005) of pensionable pay. These payments have an outstanding capital liability of £24M (£25M in 2004/2005).

For added year benefits approved after 1 April 2000 these have been dealt with by augmentation to pensions and met through the pension fund and a capital payment of £ 0.384M (£0.988M in 2004/2005) was made to the pension fund to meet these costs. The capital payment is met by the General Fund over 5 years by contributions from the Service Departments paid into the Compensation for Loss of Office Reserve.

14.7 Note 17 to the consolidated balance sheet contains details of the assumptions made in estimating the figures included in this note. Note 5 to the statement of total movement in reserves details the costs that have arisen through the year as a result of changes to the estimates made in preparing figures for previous years (e.g. the expected return on investments).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

15 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 2005/2006 the Council paid £7.0M (2004/2005 - £6.8M) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 13.5% (2004/2005 - 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 2005/2006 these amounted to £1.58M, (2004/2005 - £1.55M) representing 2.2% (2004/2005 - 1.99%) of pensionable pay.

16 Related Party Transactions

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

16.2 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.

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

i) The Head of Finance (Housing) acted as the Mortlake Crematorium's Board's Treasurer for the year to 31 March 2006 and the Board has £300,000 (2004/2005 £250,000) invested with the Council.

ii) One Council member is employed as Chief Executive of the ECT Group which had transactions with the Council at a declared net value of £12.0M in 2005/2006 (£1.9M in 2004/2005) for community transport and for recycling. The Register of Disclosures shows that the pecuniary interest was disclosed during Council business and the register is available for public inspection.

iii) 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.

16.4 During 2005/06 the following Councillors were Directors of Ealing Homes Limited:

- Councillor Bagha
- Councillor Bond
- Councillor Potts
- Councillor Gavin

16.5 Ealing has three section 31 agreements to pool funding of £35M in 2005/06 with Ealing PCT. One Ealing member is also a non executive director of Ealing PCT.

16.6 The Council has an interest in Locata Ltd, which is limited by guarantee, which deals with certain housing lettings on behalf of the Council. Four other local authorities and three housing associations also have an interest. The cost of the Council's turnover with Locata Ltd in 2005/06 was £106k (£111k in 2004/05). During 2005/06 an officer of the Council, Ieuan ap Rees, was the chair of the board of Locata Ltd on a non remunerative basis. The Managing Director of Ealing Homes is also on the board as an independent director.

16.7 All Councillors have submitted their returns. Three officers have not submitted their returns, the former Chief Executive and two other members of staff both of whom are on long term sick leave.

17. Audit Costs

In 2005/2006 the Council incurred the following fees relating to external audit and inspection :

2004/2005 £000		2005/2006 £000
349	Fees payable to the Audit Commission appointed auditor with regard to external audit services carried out by the appointed auditor	433
2	London Audit Cttee.	-
77	Fees payable to the Audit Commission in respect of statutory inspection	83
108	Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns	138
	<u>Fees payable in respect of other services provided by the appointed auditors</u>	
5	Review of accounting treatment for Social Services PFI	-
541		654

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

18 Analysis of Surplus Carried Forward

2004/2005 £000		2005/2006 £000
10,171	Schools balances not available for use by the Council	12,737
8,833	General revenue balances	10,499
19,004		23,236

19 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:-

2004/2005 £000		2005/2006 £000
1,204	Staff Recruitment	880
585	Employees	688
414	Advertising	607
729	Printing, etc.	890
2,932		3,065

20 Former Response Programme

The expenditure of £1,773K in 2004/05 shown as an exceptional item represents the cost of developing major managerial and customer relations processes that cannot be attributable to current service delivery or activity and once the processes are in place the costs will not be expected to reoccur.

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

21 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.

2004/2005 Total Costs £M		2005/2006 Total Costs £M
1.2	Community Equipment	1.6
1.2	Total Cost	1.6
	Funding :	
0.9	Ealing Council	1.0
0.3	Ealing Primary Care Trust	0.6
1.2	Total Funding	1.6

22 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 :

22.1 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 total value of the contract is £121.9M which includes construction costs of £30.7M. The contract is for 27 years.

22.2 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 2005/06 was £3,602k.

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.

22.3 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 2005/06 was £1,350k.

HOUSING REVENUE ACCOUNT

The Housing Revenue 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.

2004/2005 £000		2005/2006 £000
INCOME		
52,577	Rents	54,089
8,788	HRA Subsidy from Government (note 5)	8,222
1,097	Services and Facilities	1,054
166	Other Income	42
0	General Fund Contribution - Discretionary Rent Rebates	
1,377	Transfer from Other Services	1,573
64,005		64,980
EXPENDITURE		
11,171	Management Fees payable to Ealing Homes Limited	16,928
15,139	Repairs and Maintenance	14,366
9,006	General Supervision	5,244
6,417	Special Supervision	4,094
6,327	Rents, Rates, Taxes and Other Charges	6,826
(156)	Rent Rebates	-
135	Provision for Bad and Doubtful Debts (note 1b)	270
30	Debt Management Expenses	24
29,060	Cost of Capital (note 8)	29,605
10,888	Depreciation (note 9)	10,773
350	Item 10 - transfer to General Fund re Housing Benefit	175
88,367		88,305
24,362	Net Cost of Services	23,325
(22,461)	Adjusting transfer from the Asset Management Revenue Account (note 8)	(22,187)
1,386	Amortisation of Loan Premium	1,227
(831)	HRA Investment Income / Local Authority Mortgage Income	(659)
2,456	Net Operating Income/(expenditure)	1,706
Appropriations		
20	Contribution to Lessees Reserve	20
175	Contribution to pension reserve	157
-	Revenue Contributions to Capital	-
2,651	Housing Revenue Account (Surplus) / Deficit	1,883
(14,546)	Surplus - brought forward	(11,895)
(11,895)	Surplus - carried forward (note 10)	(10,012)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Rent Arrears and Provision for Doubtful Debts

a) Rent Arrears

2004/2005 £000		2005/2006 £000
7,097	Council Managed Properties	5,376
673	Housing Association Managed Properties (net)	744
91	Temporary Accommodation (net)	303
<u>-</u>	Debts referred to the Council's central debt collection unit	<u>-</u>
<u>7,861</u>	Total	<u>6,423</u>

b) Provision for Doubtful Debts

2004/2005 £000		2005/2006 £000
7,727	Brought forward provision	6,821
(1,041)	Write-offs charged to provision	(606)
135	Increase in provision for 2005/06	270
<u>6,821</u>	Carried forward provision	<u>6,485</u>

2 Number of Dwellings within the HRA

2004/2005		2005/2006
1,860	Low Rise Flats (In blocks up to 2 storeys)	1,860
6,065	Medium Rise Flats (In blocks of 3, 4 or 5 storeys)	6,006
2,895	High Rise Flats (In blocks of 6 or more storeys)	2,839
3,043	Houses and Bungalows	3,029
143	Shared Dwellings	147
<u>14,006</u>	Total	<u>13,881</u>

3 Balance Sheet Values of HRA Assets

31 March 2005 £000		31 March 2006 £000
846,180	Council Dwellings	823,718
1,864	Other land & buildings	2,520
5,424	Other assets	5,095
<u>853,468</u>	Total	<u>831,333</u>

The vacant possession value of dwellings within the HRA as at (31st March 2005) 1 April is £2,147M. The balance sheet value is lower to reflect the effect of providing council housing at less than open market rents.

NOTES TO THE HOUSING REVENUE ACCOUNT

4 Housing Major Repairs Reserve

2004/2005 £000		2005/2006 £000
1,711	Balance on Major Repairs Reserve at 1 April	406
10,888	Major Repairs Allowance received	10,773
<u>(12,193)</u>	MRA Used on Capital Projects	<u>-</u>
<u>406</u>	Balance on Major Repairs Reserve at 31 March	<u>11,179</u>

5 HRA Subsidy Received

2004/2005 £000		2005/2006 £000	Prior Year Adjustment £000	Total Subsidy Received £000
25,270	Management and maintenance	25,303		25,303
11,073	Charges for capital	11,768		11,768
6,216	Other reckonable expenditure	6,388		6,388
341	Admissable & other allowance	227		227
<u>(44,877)</u>	Notional rents	<u>(46,199)</u>		<u>(46,199)</u>
(138)	Interest on receipts	(53)		(53)
<u>(2,115)</u>	Housing Element	<u>(2,566)</u>	-	<u>(2,566)</u>
10,888	Major repairs allowance	10,773	-	10,773
-	Rent rebates	-	-	-
15	Defective Housing Grants	-	15	15
<u>8,788</u>	Total HRA subsidy for the year	<u>8,207</u>	<u>15</u>	<u>8,222</u>

6 HRA Capital Expenditure and Receipts

2004/2005		2005/2006
Receipts £000	Expenditure £000	Receipts £000 Expenditure £000
530	-	4,935 -
<u>16,351</u>	<u>23,589</u>	<u>6,008</u> <u>37,854</u>
<u>16,881</u>	<u>23,589</u>	<u>10,943</u> <u>37,854</u>

Land
Council Dwellings
Total

NOTES TO THE HOUSING REVENUE ACCOUNT

7 Capital expenditure financing

2004/2005 £000		2005/2006 £000
5,921	Loans	28,170
2,772	Capital Receipts	4,199
1,720	Revenue Charges	-
2,946	Capital Grants	5,485
12,193	Major Repairs Reserve	-
(1,963)	(Increase) in outstanding creditors	-
<u>23,589</u>		<u>37,854</u>

8 Capital Charges

The cost of capital charge represents a notional interest charge to the HRA for the financing of Council Housing and other HRA assets. It is calculated as 3.5% (3.5% in 2004/05) of HRA operational assets. In order that the HRA only bears the proper interest charge relating to actual interest on the HRA debt there is an adjusting transfer from the Asset Management Revenue Account.

2004/2005 £000		2005/2006 £000
29,060	Cost of Capital	29,605
(22,461)	Adjusting transfer from AMRA (difference between cost of capital and current Item 8 debit excluding HRA set aside)	(22,187)
<u>6,599</u>		<u>7,418</u>

9 Depreciation Charge

2004/2005 £000		2005/2006 £000
10,888	Council Dwellings	10,707
70	Other assets	66
<u>10,958</u>		<u>10,773</u>

10 Analysis of HRA Surplus

Housing Revenue Account rent element
Central Heating element
Property Charges Reserve

Balance b/fwd £000	Surplus / (Deficit) in year £000	Balance c/fwd £000
6,649	(1,822)	4,827
2,246	(61)	2,185
3,000		3,000
<u>11,895</u>	<u>(1,883)</u>	<u>10,012</u>

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET		2006	
AS AT 31 March 2006		See Note	£000
2005			£000
£000			
1,474,960	Operational Assets	(1)	1,385,949
7,445	Intangible Fixed Assets	(2)	6,218
1,100	Deferred Asset		<u>3,731</u>
<u>1,483,505</u>	Total Fixed Assets		1,395,898
17,984	Deferred Consideration		34,791
47	Long Term Investments	(3)	47
1,021	Mortgagors	(4)	812
348	Other Long Term Debtors	(5)	<u>231</u>
<u>1,502,905</u>	Total Long Term Assets		<u>1,431,779</u>
	Current Assets		
558	Stock & Works in Progress	(6)	647
81,518	Short Term Investments	(3)	87,704
80,258	Debtors	(7)	77,882
2,120	Cash at Bank and in hand		<u>-</u>
<u>164,454</u>			166,233
	Less Current Liabilities		
(116,622)	Creditors	(8)	(102,524)
(30,685)	Short Term Loans	(9)	(6,135)
-	Cash and Bank Overdrawn		<u>(1,562)</u>
<u>(147,307)</u>			(110,221)
<u>1,520,052</u>	Total Assets Less Current Liabilities		<u>1,487,791</u>
(322,983)	Long Term Loans	(10)	(392,149)
(70,741)	Government Grants-Deferred		(86,738)
(5,291)	Provisions	(11)	(8,885)
(233,121)	Pension scheme liability	(17)	(232,281)
<u>887,916</u>	Total Assets less Liabilities		<u>767,738</u>
	Financing:		
756,742	Fixed Asset Restatement Account	(12)	588,519
300,195	Capital Financing Account	(13)	315,310
7,967	Usable Capital Receipts and Grants	(14)	12,241
803	Deferred Capital Receipts	(15)	636
(233,121)	Pensions Reserve		(232,281)
55,606	Reserves and Balances	(16)	82,885
(276)	Collection Fund	(see page 50)	428
<u>887,916</u>			<u>767,738</u>

NOTES TO CONSOLIDATED BALANCE SHEET

1. Fixed Assets

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

	Balance at 1 April 2005 £000	Additions £000	Disposals £000	Revaluation £000	Transfer/ PFI £000	Depreciation £000	Balance at 31 March 2006 £000
<u>Operational assets</u>							
- Council dwellings	846,180	37,199	(6,712)	(39,726)	(2,516)	(10,707)	823,718
- Other land & buildings	526,260	42,939	(536)	(102,295)	(3,527)	(1,449)	461,392
- Vehicles, plant & Equipment	11,668	8,867			11,355	(4,687)	27,203
- Infrastructure assets	58,195	9,054			(8,439)	(4,045)	54,765
- Community assets	707	2,107		(2,107)			707
<u>Non-operational assets</u>							
- Surplus Assets	20,595		(172)	(2,193)		(66)	18,164
- Assets Under Construction	11,355				(11,355)		-
- Residual Interest (PFI)	1,100	2,631					3,731
	<u>1,476,060</u>	<u>102,797</u>	<u>(7,420)</u>	<u>(146,321)</u>	<u>(14,482)</u>	<u>(20,954)</u>	<u>1,389,680</u>

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

	£000		£000
Supported Borrowing	40,311	Fixed Assets	102,797
Unsupported Borrowing	35,191		
Revenue Contributions	3,455	Grants to Housing Associations	275
Capital Receipts	5,356	Improvement Grants	3,896
Capital Grants and other	22,329	Housing grants to tenants	930
Planning Gain	1,256		
	<u>107,898</u>		<u>107,898</u>

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

Housing

Improvement and Conversations on Housing Stock	31,302
Adaptations for the Disabled	2,660
Renovation Grants	1,237
Air Quality	38
Environmental and Cultural Services	
Transportation and Community Improvement	8,094
Environmental Improvements	40
Roads	1,289
Street Lighting	422
Parks and Leisure Facilities	
Northala Fields	1,184
Liveability Projects	705
Playground Improvements	239
Parks Improvements	155
Libraries Improvements	255
Social Services	
PFI Care Homes	1,500
Replacement of IT Systems	819
Improving Information Management	218
Education	
Special Schools	1,754
New Pupil Referral Unit	1,337
Greenwood Primary Scholl Revelopment	1,163
West Acton Primary School Condition Works	960

NOTES TO CONSOLIDATED BALANCE SHEET

1.4 Asset Under Construction

The various assets under construction relating to the former Response Programme are to be gradually brought into use from late 2005 until March 2007.

1.5 The numbers of major fixed assets are:-

	2005	2006
Council Dwellings	14,006	13,881
Town Halls	3	3
Offices	3	3
Depots and Workshops	2	3
Off-Street Car Parks	18	19
Public Conveniences	15	15
Swimming Baths (including School Baths)	8	7
Schools	78	78
Libraries	12	12
Museums	1	1
Parks and Recreation Grounds	837ha	837ha
Cemeteries	5	5
Social Services - Residential Homes/Hostels	13	13
- Day Centres	9	9

1.6 Capital Commitments

The capital commitments in the table below have been entered into by the Council at 31 March 2006 or represent approved future capital spending programmes. These commitments include:-

- i) Schemes which have already commenced and have incurred expenditure to 31 March 2006. 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.

	2006/2007	2007/2008	2008/2009	Total
	£000	£000	£000	£000
Education	25,805	15,230	2,562	43,597
Social Services	3,175	61	-	3,236
Housing & Environmental Health	5,235	3,495	-	8,730
Built Environment	287	577	577	1,441
Street Environment	7,652	2,866	1,438	11,956
Cultural Services	15,482	763	-	16,245
Customer Services	300	-	-	300
Improving Customer Access	10,368	1,283	-	11,651
Business Support	5,015	3,680	2,930	11,625
Strategy and Development	1,989	890	2,092	4,971
Capitalisation	500	-	-	500
Southall Property Strategy	3,940	2,835	-	6,775
Reduction from STI for DFG	(500)	-	-	(500)
Slippage factor	(863)	-	-	(863)
Total	78,385	31,680	9,599	119,664

1.7 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 Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. All external and internal valuations are carried out by members of the institute.

Dunlop Hayward 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 2005/06 as follows :

- HRA stock - revalued as at 1 April 2005
- Education properties - revalued as at 31 Dec 2005

The value of Education properties has reduced by approximately £60M following this latest revaluation. The reason is that the valuation method has changed from that used in 2001 when the depreciated replacement cost was used, to that used in 2005 when the properties were valued at market value.

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 and furniture and fittings 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 except for HRA housing which is valued at existing use value adjusted by a Social Housing Factor.

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.

2. Intangible Fixed Assets

	Balance at 1 April 2005 £000	Expenditure £000	Amounts Discharged £000	Balance at 31 March 2006 £000
Grants to Housing Associations	-	275	275	-
Improvement grants to tenants	-	3,896	3,896	-
Housing grants to tenants	-	930	930	-
Loan Restructuring Premium	7,445	-	1,227	6,218
	<u>7,445</u>	<u>5,101</u>	<u>6,328</u>	<u>6,218</u>

NOTES TO CONSOLIDATED BALANCE SHEET

3. Investments

Long Term: Maintenance of graves in perpetuity
Education trust funds

Short Term: Temporary lending at cost
Education trust funds

	31 March 2005 £000	31 March 2006 £000
	2	2
	45	45
	<u>47</u>	<u>47</u>
	81,507	87,693
	11	11
	<u>81,518</u>	<u>87,704</u>

4. Long Term Debtors: Mortgagors

These are debts secured by mortgage and due after one year

Council House Sales
Housing Associations
Individuals

	31 March 2005 £000	31 March 2006 £000
	862	694
	128	89
	31	29
	<u>1,021</u>	<u>812</u>

5. Long Term Debtors: Other

These are debtors which fall due after one year.

Car Loans to Employees
Other

	31 March 2005 £000	31 March 2006 £000
	268	181
	80	50
	<u>348</u>	<u>231</u>

NOTES TO CONSOLIDATED 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 2005		31 March 2006	
	£000	£000	£000	£000
Government Departments	13,747		18,541	
Other Public Authorities	4,960		2,590	
Payments in Advance	165		45	
NNDR	6,987		9,306	
Council Tax	14,787		14,410	
Rent Arrears (including Housing Benefit overpayments)	7,097		5,376	
Housing Association Arrears	-		-	
Housing Association Grant Due	1,132		1,352	
Sundry Debtors	72,193	121,068	69,159	120,779
<u>Less provision for bad and doubtful debts:</u>				
NNDR	5,055		8,218	
Council Tax	8,512		9,964	
Council Tax and NNDR Costs	3,736		1,150	
Housing Rents	6,821		6,485	
Sundry Debtors	16,686	40,810	17,080	42,897
		<u>80,258</u>		<u>77,882</u>

8. Creditors

	31 March 2005 £000	31 March 2006 £000
Inland Revenue	4,710	4,740
Other Government Departments	17,542	12,373
Other Public Authorities	4,868	2,813
Deferred Income	6,131	6,908
Council Tax Payers	2,259	2,233
NNDR	2,261	6,358
Housing:		
Rents	3,325	2,752
Mortgages	464	613
Ealing Homes	6,325	1,926
Sundry Creditors	68,737	61,808
	<u>116,622</u>	<u>102,524</u>

NOTES TO CONSOLIDATED BALANCE SHEET

9. Short Term Loans

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

31 March 2005 £000	31 March 2006 £000
14,852	300
15,833	5,835
<u>30,685</u>	<u>6,135</u>

10. Long Term Loans

Analysis of Loans by Type

Range of interest
rates payable
%

Market Loans
Public Works Loan Board

2.48 - 4.75
4.25 - 10.2

31 March 2005 £000	31 March 2006 £000
73,000	83,000
249,983	309,146
<u>322,983</u>	<u>392,146</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 2005 £000	31 March 2006 £000
5,833	2,500
2,500	-
6,750	35,750
307,900	353,899
<u>322,983</u>	<u>392,149</u>

NOTES TO CONSOLIDATED BALANCE SHEET

11. Provisions	Balance at 1 April 2005 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2006 £000
Claims and self insurance	4,854	4,552	3,475	5,931
Section 117 - Mental Health Act 1983	-	1,400	-	1,400
SEN Allowance	-	330	-	330
LOBO Interest	-	349	-	349
Long Lease Property Compensation	437	438	-	875
	<u>5,291</u>	<u>7,069</u>	<u>3,475</u>	<u>8,885</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 2006/07.

The Special Educational Needs (SEN) provision relates an outstanding Employment Tribunal case that, if lost, could result in back pay of SEN allowances for staff in mainstream schools supporting children with SEN Statements.

The Council has 8 stepped Lenders Option and Borrowers Option (LOBO) loans with a value of £62M as at 31 March 2006 and has accounted for interest in 2005/06 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.

NOTES TO CONSOLIDATED BALANCE SHEET

12. Fixed Asset Restatement Account

2005 £000		2006 £000
783,596	Balance at 1 April	756,742
8,382	Revaluation and restatement of fixed assets	(146,321)
(35,236)	Disposal of fixed assets	(21,902)
<u>756,742</u>	Balance at 31 March	<u>588,519</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.

2005 £000		2006 £000
266,128	Balance at 1 April 2005	300,195
(4,235)	Excess of minimum revenue provision over depreciation	(2,218)
5,367	Amortisation of government grants-deferred	7,138
22	Reserved capital receipts	-
16,859	Applied capital receipts	5,356
1,100	Direct revenue financing	3,906
1,719	Other financing	-
1,305	Contribution from major repairs reserve	(10,773)
17,984	Private Finance Initiative - Deferred Consideration	16,807
-	Private Finance Initiative - Creation of Deferred Asset	-
-	Less loan repayments	-
(6,054)	Write down of deferred charges	(5,101)
<u>300,195</u>	Balance at 31 March 2006	<u>315,310</u>

NOTES TO CONSOLIDATED 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 2005	37	7,930	7,967
Received in year	7,291	24,217	31,508
Appropriation to Consolidated Revenue Account	-	-	-
Applied during year	(5,356)	(21,878)	(27,234)
Transfer to capital financing account (see note 13 above)	-	-	-
Balance at 31 March 2006	<u>1,972</u>	<u>10,269</u>	<u>12,241</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 2005 £000	31 March 2006 £000
16.1 Revenue Balances	32,289	34,701
16.2 Reserves	12,036	35,855
16.3 Other Balances	11,281	12,329
	<u>55,606</u>	<u>82,885</u>

16.1 Revenue Balances

	31 March 2005 £000	31 March 2006 £000
General Revenue Balances	8,833	10,499
Locally Managed Schools Balances	10,171	12,737
Housing Revenue Account	11,895	10,012
Lessees Central Heating Account	345	409
Education Balances	765	743
Control Accounts	280	301
	<u>32,289</u>	<u>34,701</u>

NOTES TO CONSOLIDATED BALANCE SHEET

16.2 Reserves

	Balance at 1 April 2005 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2006 £000
Business Improvement Reserve	-	300	-	300
Compensation for loss of office Reserve	3,148	3,808	1,900	5,056
Contractors Reserve	925	-	925	-
Education New Opportunity Funding	115	-	115	-
Education Standards Fund Contribution	874	848	-	1,722
Health & Safety Inspection Reserve	-	700	-	700
Improving Customer Access Reserve	-	2,600	-	2,600
L A Business Growth Incentive Reserve	-	2,400	450	1,950
Lessees Refunds Reserve	146	20	14	152
Manifesto Delivery Reserve	-	500	-	500
Parking Places Reserve	688	3,843	4,343	188
Private Finance Initiative Reserve	5,734	6,434	2,855	9,313
Property Dilapidation Reserve	-	1,000	-	1,000
Property Maintenance Reserve	-	500	-	500
Repairs & Renewals Reserve	-	695	-	695
Sub total - general fund reserves	<u>11,630</u>	<u>23,648</u>	<u>10,602</u>	<u>24,676</u>
HRA Major Repairs Reserve	406	10,773	-	11,179
	<u>12,036</u>	<u>34,421</u>	<u>10,602</u>	<u>35,855</u>

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 etc.

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

The education reserves have been set up to allow for the carry forward of the L.E.A's contribution towards standards fund grants and previously for new opportunity grant funding.

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.

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

NOTES TO CONSOLIDATED 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 2005 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2006 £000
Ex-London Transport Sports Ground	11	1	-	12
Partnership Agreements	10,163	654	1,278	9,539
Hull-Grundy Bequest Fund	156	51	6	201
Northala Fields	15	3,315	1,579	1,751
Other Funds	936	193	303	826
	<u>11,281</u>	<u>4,214</u>	<u>3,166</u>	<u>12,329</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 latest full actuarial valuation of the pension fund took place at 31 March 2004

The actuarial valuation for the pension fund was updated to 31 March 2006 by a qualified actuary using a set of assumptions consistent with those required under FRS 17. The difference between the fair value of the attributable scheme assets £486M (2005 - £398M) and the present value of the scheme's liabilities £718M (2005 - £631M) was a deficit of £232M (2004 - £233M) will be addressed through the next actuarial review in 2007. There were no material prepaid or accrued pensions contributions at 31 March 2006. 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 CONSOLIDATED 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:

	2004/2005 £M	2004/2005 %	2005/2006 £M	2005/2006 %
The main assumptions used in the calculation are as follows:				
Price Increases		2.9		2.9
Salary Increases		4.7		4.7
Pension Increases		2.9		2.9
Discount Rate		5.4		4.9

Assets are valued at fair value as follows:				
Equities	302.5	76.0	364.9	75.0
Bonds				
Government	83.5	21	102.2	21
Other	-	-	9.7	2
Other Assets				
Cash/Liquid Assets	12.0	3	9.7	2.0
Other	-	-	-	-
	<u>398.0</u>	<u>100.0</u>	<u>486.5</u>	<u>100.0</u>
Expected rate of return for each class of asset				
Equities		7.5		7.0
Bonds				
Government		4.7		4.3
Other		5.4		4.9
Other Assets				
Property		6.5		-
Cash/Liquid Assets		4.8		4.5
Other		-		-

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 Consolidated Revenue Account. At 31 March 2006 the pension contributions due to the scheme in respect of the March 2006 salaries were £0.547M.

NOTES TO CONSOLIDATED 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

	2005 £000	2006 £000
General Fund	195,603	70,789
Housing Revenue Account	692,313	680,026
Balance at 31 March	<u>887,916</u>	<u>750,815</u>

19. Capital Expenditure – Operating Leases

The Council holds various assets under operating leases. In 2005/06 there were no new operating leases entered into. The rental paid during the year amounted to £103,589 (2004/2005 £72,559). Undischarged obligations under operating leases at 31 March 2006 amounted to £327,940 (2005 £431,529), a breakdown of the commitment in years is shown below.

	2006 £000
Commitment to Expire:	
Within 1 year	-
Within 2 to 5 years	318
Over 5 years	10
Total	<u>328</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 (2005: £44,462) with revenue balances of £12,656 (2005: £11,323). 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 consolidated 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 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 2005/06 was £892k, and the net assets held were £116k.

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 5 local authorities and 3 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.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The statement of total movements in reserves brings together all the recognised gains and losses of the Council during the year and identifies those which have not been recognised in the Consolidated Revenue Account. The statement separates movements between capital and revenue reserves.

The inclusion of the statement reflects the requirement for organisations to present a primary statement of total recognised gains and losses.

	CAPITAL RESERVES			REVENUE RESERVES				Total £000
	Fixed Asset Restatement Account £000	Capital Financing Account £000	Usable Capital Receipts £000	General Fund £000	Locally Unused Schools Balances £000	Specific Reserves £000	HRA £000	
	Balance at 1 April 2005	756742	300195	37	8833	10171	13426	
Net surplus/(deficit) for year	-	5853	-	1666	2566	23882	(1883)	32084
Unrealised surplus from fixed assets revaluation	(146321)	-	-	-	-	-	-	(146321)
Surplus/(deficit) from disposal of fixed assets (see below)	(21902)	-	7291	-	-	-	-	(14611)
Financing of fixed assets	-	9262	(5356)	-	-	-	-	3,906
Balance at 31 March 2006	588,519	315,310	1,972	10,499	12,737	37,308	10,012	976,357

NOTES TO THE STATEMENT

1. Surplus/(Deficit) from Disposal of Fixed Assets

Cost or value of assets disposed of
Proceeds of disposals
Net surplus/(deficit) - (see above)

	REVENUE RESERVES			Total £000
	Fixed Asset Restatement Reserve £000	Capital Financing Reserve £000	Usable Capital Receipts £000	
	Cost or value of assets disposed of	(21,902)	-	
Proceeds of disposals	-	-	7,291	7,291
Net surplus/(deficit) - (see above)	(21,902)	-	7,291	(14,611)

The effect on reserves following disposal of fixed assets is disclosed in this statement. The debit to the Fixed Asset Restatement Reserve in respect of the book value of the assets disposed of and the credit to the Capital Financing Account and Usable Capital Receipts Reserve with relevant share of the disposal proceeds is shown here. The division of capital receipts between the Capital Financing Account and Usable Capital Receipts Reserve is based on statutory apportionments.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2. Net Surplus / Deficit for Year

The revenue surplus and deficits for the year are shown on the Consolidated Revenue Account. Further details of the movements on the Capital Financing Account are shown on note 13 to the Consolidated Balance Sheet .

3. Unrealised Loss from Fixed Assets Revaluation

Unrealised gains / losses occur when fixed assets are revalued. If an asset is revalued at an increased amount than the current net book value, in the balance sheet, then there is an unrealised gain. If the asset is revalued below its net book value, then it is an unrealised loss. Further details of the movements on the Fixed Asset Restatement Account are shown on note 12 to the Consolidated Balance Sheet .

4. Financing of Fixed Assets

This reflects the transfer of resources to the Capital Financing Account in respect of usable capital receipts applied to finance new capital expenditure. The reserve for usable capital receipts is debited with the same amount. Further details of the movements on the Usable Capital Receipts Reserve are shown on note 14 to the Consolidated Balance Sheet.

5. Pension Fund Returns

The actuarial gains / losses identified as movements on the pension reserve in 2005/2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of the assets / liabilities at 31 March 2006.

	2004/2005 £M	2004/2005 %	2005/2006 £M	2005/2006 %
Gain/(loss) in return on pension fund assets	15,726	4.0	57,611	11.8
Gain / loss in pension fund liabilities	(31,767)	5.0	(5,670)	0.8
Change in financial and demographic assumptions	(102,606)	16.3	(55,818)	7.8
	<u>(118,647)</u>		<u>(3,877)</u>	

COLLECTION FUND ACCOUNT

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2006

2004/2005 £000		2005/2006 £000
INCOME		
113,104	Income from Council Tax Payers (note 2)	118,498
22,640	Council Tax Benefits	24,559
90,638	Income from NNDR	94,479
-	Community Charge surplus to General Fund	
<u>226,382</u>		<u>237,536</u>
EXPENDITURE		
106,684	Precepts: London Borough of Ealing	112,045
27,048	: Greater London Authority	28,560
1,535	Provision for uncollectable amounts	1,748
Business Rate		
90,137	Payment to the national pool (note 3)	93,983
501	Cost of collection	496
<u>225,905</u>		<u>236,832</u>
(753)	Balance at 1st April	(276)
477	Surplus for year	704
<u>(276)</u>	Fund surplus / (deficit) at 31 March	<u>428</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 2005/2006 the Council set a tax of £1,250.62 on the standard (Band D) dwelling (04/05 £1,191.64). The calculation of the Council Tax base is shown below.

	Estimated Number of Properties	Actual Number of Properties	Actual Band D Equivalent
Band			
A	1,995	2,048	1,365
B	9,986	10,079	7,839
C	24,057	24,468	21,749
D	35,934	36,194	36,194
E	19,201	19,114	23,362
F	8,315	8,410	12,148
G	6,085	6,067	10,112
H	798	810	1,620
Council Tax Base	106,371	107,190	114,389

2005 £000
135,744
(22,640)
113,104

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

2006 £000
143,057
(24,559)
118,498

3. Income from NNDR

The Council collects non-domestic rates which are based on local rateable values multiplied by a uniform national rate (42.2 pence in 2006/06). The total local rateable value shown below includes adjustments in respect of previous years as a result of valuation decisions made in 2005/06. 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:-

2005 £000
113,085
536
(16,074)
(4,103)
(2,289)
(1,018)
90,137

Non-domestic charges raised - £282.3M * 42.2p
Add / (deduct) allowances and other adjustments:
Transitional Relief
Empty and Void Relief
Charitable Relief
Provision for uncollectable amounts
Cost of collection and interest
Contribution to NNDR national pool

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

4. Amounts written off in year

The amounts written off as uncollectable during the year were £279K in respect of Council Tax and £591K in respect of NNDR.

CASH FLOW STATEMENT

2004/2005 £000		2005/2006 £000	
		£000	£000
231,961	Revenue Activities		
307,503	Cash Outflows		
27,048	Cash paid to and on behalf of employees	236,145	
96,030	Other operating cash payments	283,661	
10,785	Precepts paid	28,561	
85,946	Housing Benefit paid	103,842	
	Capital Receipts Pool payments	4,637	
	Non-domestic rates paid to National Pool	93,588	
<u>759,273</u>			750,434
	Cash Inflows		
(20,501)	Rents (after rebates)	(20,983)	
(108,968)	Council Tax	(119,246)	
(86,156)	Non-domestic rate receipts from National Pool	(101,645)	
(88,566)	Local non-domestic rate receipts	(98,278)	
(177,708)	Revenue Support Grant	(181,882)	
(149,187)	DWP grants for rebates	(163,720)	
(64,670)	Other government grants	(67,903)	
(109,819)	Cash received for goods and services	(51,225)	
<u>(805,575)</u>			<u>(804,882)</u>
(46,302)	Net Cash Inflow from Revenue Activities		(54,448)
	Servicing of Finance		
19,641	Interest paid	21,768	
(2,166)	Interest received	(2,005)	19,763
<u>(28,827)</u>			<u>(34,685)</u>
	Capital Activities		
99,656	Cash Outflows		
6,039	Purchase of fixed assets	104,869	
1,100	Purchase of Intangible Fixed Assets	5,101	
<u>106,795</u>	Purchase of deferred assets	2,631	
			112,601
(12,817)	Cash Inflows		
(21,277)	Sale of fixed assets	(7,333)	
<u>(34,094)</u>	Capital grants received	(25,475)	
43,874			<u>(32,808)</u>
	Net Cash Inflow before Financing		45,108
	Management of Liquid Resources		
(3,548)	Net increase / (decrease) in short term deposits		3,190
	Financing		
256,372	Cash outflows		
	Repayments of amounts borrowed	125,453	
	Cash inflows		
(61,667)	New loans raised	(69,166)	
<u>(231,033)</u>	New short term loans	(100,903)	(44,616)
3,998	(Increase) / decrease in cash		<u>3,682</u>

NOTES TO CASH FLOW STATEMENT

1. Other Government Grants

2004/2005 £000		2005/2006 £000
1,497	Children's Social Services	1,572
11,661	Education - Sixth Form Grant	12,244
-	Housing subsidy	-
16,628	Standards Fund	17,459
882	Asylum Seekers	926
34,002	Other Grants	35,702
<u>64,670</u>		<u>67,903</u>

2. Reconciliation of operating Deficit to the activities net cashflow

2004/2005 £000		2005/2006 £000
6,165	Total operating deficit	2,412
	Non cash transactions :	
5,409	Minimum revenue provision	7,963
1,305	Major repairs allowance	-
1,387	Amortisation of Loans	1,227
1,100	Revenue contributions to capital outlay	3,906
921	Funding from other balances	1,752
4,881	Contribution to /(from) reserves	23,819
	Accruals items :	
69	(Increase) / decrease in stock and work in progress	(90)
(26,229)	(Increase) / decrease in debtors	(24,525)
33,819	Increase in creditors and provisions	18,221
	Items classified elsewhere	
17,475	Servicing of finance	19,763
<u>46,302</u>	Net cash inflow from revenue activities	<u>54,448</u>

3. Analysis of liquid resources and financing

	Balance at 1 April 2005 £000	Movement in year £000	Balance at 31 March 2006 £000
Liquid Resources:			
Temporary Investments	81,518	6,186	87,704
Financing:			
Short term loans	(30,685)	24,550	(6,135)
Long term loans	(322,983)	(69,166)	(392,149)
	<u>(353,668)</u>	<u>(44,616)</u>	<u>(398,284)</u>

4. Reconciliation of cash flow to net debt

	Balance at 1 April 2005 £000	Cash inflow £000	Cash outflow £000	Balance at 31 March 2006 £000
Long term loans	(322,983)		(69,166)	(392,149)
Short term loans	(30,685)	24,550		(6,135)
Total loans	<u>(353,668)</u>	24,550	(69,166)	<u>(398,284)</u>
Cash inflow / (outflow) from increase in liquid resources	81,565	530,531	(524,345)	87,751
Increase in cash overdrawn	2,120	-	(3,682)	(1,562)
Total movement in net debt	<u>(269,983)</u>	<u>555,081</u>	<u>(597,193)</u>	<u>(312,095)</u>

GROUP ACCOUNTS

Group Accounts

The 2005 SORP requires the 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.

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 summary statements below summarise the Group Consolidated Revenue and the Group Consolidated Balance Sheet for both the Ealing Council and the Group in 2004-05 and 2005-06 for the Group. The bodies included within the statement are the 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 2004/05 £'000		Council 2005/06 £'000	EH 2005/06 £'000	Group 2005/06 £'000
712,415	Gross Expenditure	803,855	17,986	821,841
(385,050)	Gross Income	(483,783)	(755)	(484,538)
(12,257)	(Profit) / Loss of sale of fixed assets	(4,037)		(4,037)
(5,367)	Government Grants Amortised	(7,138)		(7,138)
309,741	Net Cost of Services	308,897	17,231	326,128
8,481	Levies	8,090		8,090
20,548	External Interest Charges	21,768	615	22,383
(4,827)	Interest and Investment Income	(5,001)		(5,001)
1,386	Amortisation of Loan Premium	1,227		1,227
12,193	Contribution to Housing Pooled Capital Receipts	3,803		3,803
30,543	Interest on Pension Liabilities	34,143		34,143
(26,065)	Expected Return on Pension Assets	(25,095)		(25,095)
1,773	Exceptional Items	6,180		6,180
26	Other	(6)		(6)
35	Corporation Tax		-	-
353,834	Net Operating Expenditure	354,006	17,846	371,852
9,342	Appropriations	19,689		19,689
(177,708)	Government Grants	(181,882)		(181,882)
(192,840)	Collection Fund	(213,690)		(213,690)
(7,372)	Net General Fund (Surplus) / Deficit	(21,877)	17,846	(4,031)

GROUP ACCOUNTS

Group Balance Sheet

Group 2004/05 £'000		Council 2004/06 £'000	EH 2005/06 £'000	Group 2005/06 £'000
1,443,010	Fixed Assets - Operational	1,367,785		1,367,785
33,050	Fixed Assets - Non Operational	21,895		21,895
18,302	Intangible Assets	6,218	10,531	16,749
17,984	Deferred Consideration	34,791		34,791
1,416	Long Term Investments & Debtors	1,090		1,090
162,325	Current Assets	163,481	3,480	166,961
(144,935)	Current Liabilities	(105,215)	(4,985)	(110,200)
(322,983)	Long Term Loans	(392,149)		(392,149)
(70,741)	Government Grants-Deferred	(86,739)		(86,739)
(5,291)	Provisions	(8,885)		(8,885)
(245,115)	Pension Liabilities	(232,281)	(13,943)	(246,224)
887,022		769,991	(4,917)	765,074
54,712	Reserves & Balances	82,885	(4,917)	77,968
832,310	Other Balances	687,106		687,106
887,022		769,991	(4,917)	765,074

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 2005/06 the turnover of Ealing Homes was £20.958m and net liabilities were valued at £2.664m 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

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:

	Council 2005/06 £'000	EHL 2005/06 £'000	Total 2005/06 £'000
Sundry Debtors	75,130	6	75,136
Sundry Creditors	99,766	4,985	104,751

4. Pension Fund Liabilities

The employees of Ealing Council and Ealing Homes are all eligible to join the local government pension scheme. Ealing Homes pension fund is a separate scheme from the Ealing Council pension fund. The Goodwill in the Ealing Homes accounts represent the recognition of the shortfall arising from the FRS 17 pension scheme deficit. This is being amortised over 20 years - this being the average remaining service lives of the employees who are members of the pension scheme.

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

Total 2004/05 £'000		Council 2005/06 £'000	EH 2005/06 £'000	Total 2005/06 £'000
	Pension Costs			
(17,193)	Current Service Cost	(18,373)	(1,046)	(19,419)
0	Past Service Gain	10,283	481	10,764
9,517	Settlements/Curtailments	0	0	0
(7,676)	Total Operating Gain/(Loss)	(8,090)	(565)	(8,655)
	Pension Liability			
400,756	Market Value of Assets	486,469	4,832	491,301
(645,871)	Liabilities	(718,750)	(18,775)	(737,525)
(245,115)	Total Net Pension Liability	(232,281)	(13,943)	(246,224)

GROUP ACCOUNTS

**Group Statement of Total Movement
in Reserves**

	Balance at 31 March 2005 £'000	Financing of Fixed Assets £'000	Disposal of Fixed Assets £'000	Fixed Asset Revaluation £'000	Revenue Surplus/ (Deficit) £'000	Balance at 31 March 2006 £'000
Capital Reserves :						
Fixed asset restatement account	756,742		(21,902)	(146,321)		588,519
Capital Financing Reserve	300,195	9,262			5,853	315,310
Usable Capital Receipts	37	(5,356)	7,291			1,972
Revenue Reserves :						
General Fund	8,833				1,666	10,499
Schools Balances	10,171				2,566	12,737
Specific Reserves	13,426				23,882	37,308
HRA	11,895				(1,883)	10,012
Ealing Homes	(893)				(1,769)	(2,662)
	1,100,406	3,906	(14,611)	(146,321)	30,315	973,695

Cash Flow

Group 2004/05 £'000		Council 2005/06 £'000	EH 2005/06 £'000	Group 2005/06 £'000
(51,020)	Net Cash Flow from Revenue Activities	(54,448)	(536)	(54,984)
19,641	Servicing of Finance :			
(2,284)	- Interest Paid	21,768	323	22,091
	- Interest Received	(2,005)		(2,005)
105,695	Capital Activities :			
(34,094)	- Cash Outflows	112,601		112,601
	- Cash Inflows	(32,808)		(32,808)
2,243	Management of Liquid Resources :			
	- Net increase/(decrease) in short term deposits	3,190	3,343	6,533
256,372	Financing :			
(292,700)	- Cash Outflows	125,453		125,453
	- Cash Inflows	(170,069)		(170,069)
3,853	(Increase)/decrease in cash	3,682	3,130	6,812

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 2006 was 6,628 (6,234 at 31 March 2005) whilst the number of pensioners, widows and dependants was 5,670 (5,447 at 31 March 2005). The Council is the administering authority of the scheme and has the major share of contributors and pensioners. There are 14 scheduled bodies including Thames Valley University and 5 admitted bodies. All these contribute to the Fund. In 2005/06 St Gregory Primary School left the scheduled scheme and joined the Ealing main scheme. Mitie Group and Ealing Community Transport joined as admitted bodies in 2005/06.
3. The Fund Managers in 2005/06 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 2006.
 - 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.

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 2005/06 there were 26 early retirements under this new rule (30 in 2004/05) and the sum credited to the Fund is £1.6M (£1M in 2004/05).

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 18.7 % of pensionable salary during 2005/06 (18.3% in 2004/05), 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 2006 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 2006 was £254M (2004/05 - £200M) and £263M (2004/05 - £216M) 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 £111M (2004/05 - £118M) and purchases £169M (2004/05 - £127M).

18. The contributions receivable from the other bodies were £3.9M (2004/05 - £3.3M) and the total from the administering authority and the outside bodies were £27.3M (2004/05 - £24.5M). 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. It was published on Ealing web site and is available to any interested party.

PENSION FUND REVENUE ACCOUNT

2004/2005 £000		2005/2006 £000
	INCOME	
	Contributions Receivable:	
19,402	Employers' Contributions	20,688
6,782	Employees' Contributions	7,226
2,876	Transfer Values Received	7,576
1,128	Other Income (note 10)	1,564
<u>30,188</u>		<u>37,054</u>
	EXPENDITURE	
	Benefits Payable:	
16,847	Retirement Pensions	18,899
1,927	Retirement Grants	3,342
363	Death Grants	725
	Payment to and on account of leavers:	
4,651	Transfer Values Paid	6,917
73	Refunds of Contributions and Interest	66
	Administration and other expenses:	
874	Administrative expenses	866
<u>24,735</u>		<u>30,815</u>
5,453	Net increase from dealings with members	6,239
	Returns on investments	
9,312	Investment Income	8,449
30,889	Change in market value of investments (realised and unrealised)	91,355
(1,133)	Investment management expenses	(1,088)
<u>39,068</u>	Net returns on investments	<u>98,716</u>
44,521	Net increase in the fund during the year	104,955
<u>373,670</u>	Net assets of the scheme at 1 April	<u>418,191</u>
<u>418,191</u>	Net assets of the scheme at 31 March	<u>523,146</u>

PENSION FUND NET ASSETS STATEMENT

2005 £000		2006 £000
	INVESTMENTS AT MARKET VALUE	
	Fixed Interest Securities	
-	UK Government	-
93,070	Other UK	109,927
4,125	Foreign	8,059
	Listed Equities	
186,798	UK	232,213
40,766	North America	54,900
46,371	Europe	58,022
16,419	Japan	19,065
13,418	Pacific	15,272
11,383	Emerging Markets	14,316
	Other Investments	
84	Venture Capital	-
	Cash Deposits	
3,828	Money Market Instruments	4,821
<u>416,262</u>	Total Investments	<u>516,595</u>
	CURRENT ASSETS AND LIABILITIES	
	Debtors	
1,727	Dividends Due	1,921
620	Unsettled Sales	270
	Creditors	
(1,097)	Unsettled Purchases	(971)
<u>1,250</u>		<u>1,220</u>
<u>417,512</u>	TOTAL ASSETS (Under External Management)	<u>517,815</u>
281	Debtors	322
925	Cash in Hand	5,809
(527)	Creditors	(800)
<u>679</u>		<u>5,331</u>
<u>418,191</u>	TOTAL NET ASSETS	<u>523,146</u>

SUMMARY OF CAPITAL EXPENDITURE

Actual Expenditure 2004/2005 £000		Actual Expenditure 2005/2006 £000
	SERVICE	
691	Chief Executives	601
17,240	Corporate ICT	26,102
21,918	Education	18,312
14,319	Environment	12,800
24,098	Housing	42,025
36,141	Resources	1,846
1,119	Social Services	3,306
1,100	Residual Interest (PFI)	2,631
315	Advances to Housing Associations	275
116,941		107,898
	Financed from	
14,972	Supported Borrowing	40,311
58,274	Unsupported Borrowing	35,191
1,100	Revenue Contributions	3,455
12,193	Major Repairs Reserve	-
16,859	Capital Receipts	5,356
21,762	Capital Grants and Other	22,329
275	Section 106 Planning Gain	1,256
125,435		107,898
(8,494)	Increase / (decrease) in outstanding creditors paid in the following year	-
116,941		107,898