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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 2004/2005 the turnover of Ealing Homes Limited amounted to £11.2M (including internal recharges of £1.9M).

The Council retains ownership of the housing stock and has statutory responsibility for the Housing revenue account. The company's transactions are already incorporated in the Authority's accounts in the form of payments to and receipts from the company. The accounts of the company are therefore not consolidated into the Council's 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 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.

1.11 A Statement on the System of Internal Control

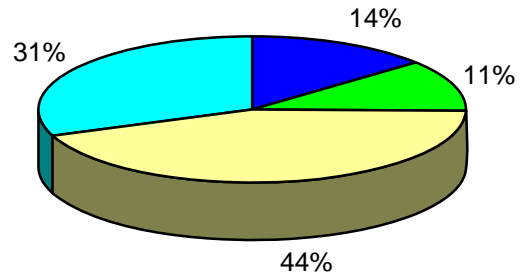
FOREWORD

2.1 Revenue Expenditure and Services Provided

2.1.1 Revenue Funding

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

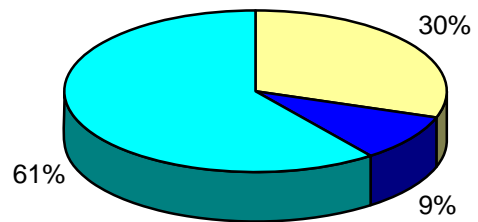
■ Council Tax	£107M	14%
■ NNDR (Business Rates)	£86M	11%
■ Government Grants	£336M	45%
■ Rents and Other Income	<u>£236M</u>	30%
	<u>£765m</u>	



2.1.2 Revenue Expenditure

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

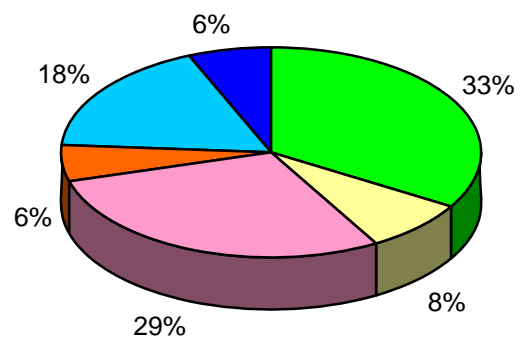
■ Employees	£232M	31%
■ Capital Financing Charges	£71M	9%
■ Running Expenses	<u>£462M</u>	60%
	<u>£765M</u>	



2.1.3 Services Provided

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

■ Housing	£258M	34%
■ Education	£220M	29%
■ Social Services	£134M	18%
■ Cultural and Environmental	£62M	8%
■ Highways, Roads and Transport	£42M	5%
■ Corporate Services	<u>£49M</u>	6%
	<u>£765M</u>	



2.1.4 2004/2005 Budget and Actual Comparison

The main components of the general fund budget (excluding the HRA) for 2004/2005 and how these compare with the actual income and expenditure for the year are set out below

	Revised Budget £000	Outturn £000	Variance £000
Income from Gov't Grant and Local Taxpayers	368,943	370,548	1,605
Services net expenditure	<u>(363,943)</u>	<u>(362,012)</u>	1,931
Consolidated Revenue Account - Surplus	<u>5,000</u>	<u>8,536</u>	<u>3,536</u>

The main reasons for the net service underspend of £1.8M are an underspend of £2.1M on the costs of private sector housing due to reduced provision for bad debts and lower net costs of managing private sector leasing, together with an underspend of £0.7M on the Response Programme and a saving on the use of the contingency provision of £2.8m.

These are partially offset by £2M extra costs for Social Services, an overspend of £1m on Human resources and £1M non-availability of transitional Housing benefits subsidy from the Government.

The general fund balance at 31 March 2005 was £19.0M (£10.5M at 31st March 2004), of which £10.1M is attributable to schools.

2.2 Housing Revenue Account

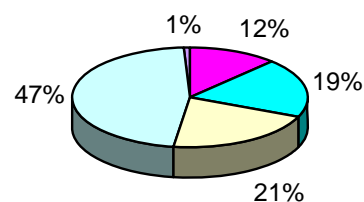
The Housing Revenue Account Deficit of £2.6M for 2004/2005 is worse than the budget deficit of £1.1M by £1.2M. This decreases the accumulated balances from £14.5M at 1 April 2004 to £11.9M at 31 March 2005.

2.3 Capital Expenditure

Capital expenditure for 2004/05 was £115.8M. The capital expenditure by service and its financing is shown below.

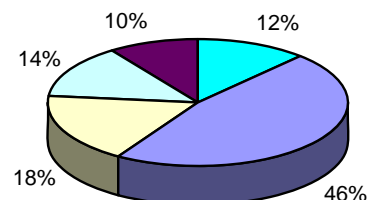
Service Expenditure

Corporate Services	£54.1M	47%
Housing	£24.4M	21%
Education	£21.9M	19%
Environment	£14.3M	12%
Social Services	£1.1M	1%
	<u>£115.8M</u>	



Financed by

Supported Borrowing	£15.0M	12%
Unsupported Borrowing	£58.3M	47%
Capital Grants	£22.0M	18%
Capital Receipts	£16.8M	14%
Major Repairs Reserve	£12.1M	10%
Decrease in creditors	-£8.4M	0%
	<u>£115.8M</u>	



FOREWORD

3. Collection Fund

3.1 The collection fund had a surplus of £0.477M for the year which reduces the deficit at 31 March 2005 to £0.276M. This will be recovered as part of the budget strategy for 2005/2006.

4. External Funding

4.1 The Council has continued to seek out and obtain external funding from a variety of sources in 2004/2005 as well as implementing programmes that are a result of successful bids in previous years. Total new grants attracted this year were in excess of £7.7M.

4.2 As part of the Safer Communities Initiative, the Government Office of London allocated £1.1M (£1.1M in 2003/2004) to the Council in 2004/2005 to tackle issues such as drugs abuse, anti-social behaviour and domestic violence.

4.3 The Children's Fund allocation for 2004/2005 was £972k 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 2004/2005 was £0.9M. The objective of this grant is to "improve outcomes in deprived areas".

4.5 Various grants totalling £0.1M contributed to the Council's Waste and Recycling Service and other ad hoc grants in 2004/2005 totalled around £0.1M.

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 (£0.7M to 31 March 2005) and this cost is being funded by income generated by the importation of inert waste into the site (2004/2005 income £134k).

5 Future Prospects

5.1 The Council is still in the process of a radical change to its service delivery arrangements which will provide a central point of contact for all services. As mentioned in last year's Foreword the benefits of these new arrangements known as the Response Programme will start to be realised during 2005 and into future years, following the implementation of major information technology systems, the completion of Perceval House refurbishments and business reorganisation.

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

5.2 The Council purchased its main administrative offices, Perceval House on 1 April 2004 following the introduction of new capital financing legislation which has produced a substantial financial benefit over the former leasing arrangements. It will also allow the Council to modernise the offices into a more customer receptive environment.

5.3 The Council reviews its annual revenue budget on a continual basis in the light of continuing service and organisational change costs.

5.4 The current deficit in the pension fund of £233m, note 17 page 34 refers to the excess of the demand to be placed on the pension fund against the assets. This is to be recovered by contributions to the fund over the next 20 years.

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 21 to 24. 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 2005.

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;

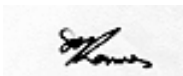
3.3 complied with the Code;

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 12 to 42 present fairly the financial position of the London Borough of Ealing as at 31 March 2005 and its income and expenditure for the year then ended and that the accounts set out on pages 43 to 46 present fairly the net assets of the London Borough of Ealing Pension Fund as at 31 March 2005 and its income and expenditure for the year then ended



Stephen Lawes B.A. A.C.A.
Executive Director of Finance & Business Support
26 July 2005

5. Certificate of the Leader of the Council

I confirm that these accounts were approved by the Cabinet at its meeting held on 26 July 2005.
Signed by the Leader of the Council, Councillor Leo Thomson, Chair of the meeting approving the accounts.



Councillor Leo Thomson
Leader of the Council
26 July 2005

INDEPENDENT AUDITORS' REPORT TO THE LONDON BOROUGH OF EALING

We have audited the statement of accounts on pages 1 to 6 and 9 to 46 which incorporates the statement of accounts of the Pension Fund on Pages 43 to 46.

This report is made solely to London Borough of Ealing, as a body, in accordance with Section 2 of the Audit Commission Act 1998. Our work has been undertaken so that we might state to London Borough of Ealing those matters we are required to state to it in an auditors' report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than 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 Executive Director of Resources and Auditors

As described on page 6, the Executive Director of Finance and Business Support is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice.

Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statements of accounts presents fairly:

- the financial position of the Council and its income and expenditure for the year; and
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities as at 31 March 2005, other than liabilities to pay pensions and benefits after the end of the financial year.

We review whether the statement on internal control on pages 47 to 50 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 statements of accounts. We are not required to consider, nor have we considered, whether the statement on internal controls 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. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

INDEPENDENT AUDITORS' REPORT TO THE LONDON BOROUGH OF EALING

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion on the Authority's Accounts

In our opinion the statement of accounts presents fairly the financial position of the London Borough of Ealing as at 31 March 2005 and its income and expenditure for the year then ended.

Opinion on the Pension Fund Accounts

In our opinion the statement of accounts presents fairly the financial transactions of the London Borough of Ealing Pension Fund during the year ended 31 March 2005, and the amount and disposition of its assets and liabilities at that date, other than liabilities to pay pensions and benefits after the end of the financial year.

Certificate

We cannot certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission until an objection lodged by an elector has been resolved. We do not anticipate this having a material impact on the accounts.



KPMG LLP
Chartered Accountants
London
23 December 2005

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 2005. 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 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 reserve. 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 2004/2005 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 made 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 4.8% 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)	5-20 years
Infrastructure	10-40 years
Computers, Furniture and Fittings	4 years

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 Response Programme all works at present are treated as assets under construction and depreciation charges will be applied when the programme is complete.

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

The Authority has made use of the Transitional arrangements for 2004/05, which leaves the accounting requirements for 2003/04 in place. The Council has therefore, not produced a set of group accounts incorporating the accounts of the Council and its subsidiary entities.

THE CONSOLIDATED REVENUE ACCOUNT

2003/2004 Net Expenditure £000		2004/2005		
		Gross Expenditure £000	Income £000	Net Expenditure £000
6,235	Central services to the public	38,026	31,773	6,253
43,534	Cultural, environmental and planning services	61,604	15,081	46,523
170,411	Education services	220,446	49,070	171,376
18,372	Highways, roads and transport services	42,110	23,194	18,916
33,614	Housing services (note 1)	257,862	220,206	37,656
84,656	Social services	134,176	37,026	97,150
6,042	Corporate and democratic core	7,978	573	7,405
5,023	Non distributed costs	2,394	9,524	(7,130)
<u>367,887</u>	Net Service Expenditure	<u>764,596</u>	<u>386,447</u>	<u>378,149</u>
9,685	Levies (note 13)			8,481
5	Contribution to Housing Act Advances (note 7)			38
(33,071)	Asset Management Revenue Account (note 8)			(35,632)
(2,663)	Interest and Investment Income			(4,827)
760	Amortisation of Loan Premium			1,386
(134)	London Residuary Body Surplus			(12)
-	Contribution of Housing Capital Receipts to Government Pool			12,193
27,724	Interest on Pensions Liabilities			30,543
(19,903)	Expected return on Pensions Assets			(26,065)
4,624	Exceptional items - Response Programme (note 20)			1,773
<u>354,914</u>	Net Operating Expenditure			<u>366,027</u>
1,509	HRA surplus / (deficit) transferred to balances			(2,650)
(671)	Contribution from other balances (note 4)			(627)
-	Transfer from usable Capital Receipts equal to Housing Pooled Capital Receipts			(12,193)
(1,636)	Contributions to (from) specific reserves (note 11)			6,186
(2,962)	Contributions from Capital Financing Reserve (note 12)			(3,510)
(3,162)	Contribution to / (from) pension reserve			8,779
<u>347,992</u>	Total Net General Fund Expenditure			<u>362,012</u>
	Income from Gov't Grant and Local Taxpayers			
98,903	Local Council Tax			106,684
161,257	Revenue Support Grant			177,708
88,286	Contribution from non-domestic rate pool			86,156
<u>348,446</u>	Total Income			<u>370,548</u>
<u>454</u>	Surplus for year			<u>8,536</u>
	GENERAL FUND NET REVENUE ACCOUNT			
10,014	Balance brought forward			10,468
454	Surplus for year			8,536
<u>10,468</u>	Balance carried forward (note 18)			<u>19,004</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:

2003/2004 Net Expenditure £000		2004/2005		
		Gross Expenditure £000	Income £000	Net Expenditure £000
17,782	General Fund Housing Services	169,495	156,201	13,294
15,832	Housing Revenue Account (HRA)	88,367	64,005	24,362
<u>33,614</u>	Total Housing Services	<u>257,862</u>	<u>220,206</u>	<u>37,656</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 reserve.

2003/2004 £000		2004/2005 £000
3,902	Non-housing provision - 4% of credit ceiling	5,409
2,625	Housing provision - 2% of credit ceiling	-
<u>6,527</u>	Minimum revenue provision	<u>5,409</u>
(7,244)	Less amount charged as depreciation	(9,644)
(717)	Excess transferred to capital financing account	(4,235)
(6,193)	Less amount charged to fund deferred charges	(4,560)
(86)	Less amount repaid by Thames Valley University	(82)
<u>(6,996)</u>	Net transfer to Capital financing reserve	<u>(8,877)</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 2003/04 or 2004/05.

4 Contribution from other balances

2003/2004 £000		2004/2005 £000
671	Partnership Agreements	280
-	PFI Reserve Contribution from Partnership Agreements	347
<u>671</u>		<u>627</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 2003/2004	Remuneration Band	Number of Employees 2004/2005
68	£50,000 - £59,999	123
17	£60,000 - £69,999	43
16	£70,000 - £79,999	20
1	£80,000 - £89,999	6
2	£90,000 - £99,999	3
3	£100,000 - £109,999	2
1	£110,000 - £119,999	-
-	£120,000 - £129,999	1
1	£130,000 - £139,999	-
1	£140,000 - £149,999	2
-	£150,000 - £159,100	1
-	£180,000 - £189,100	1

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 2003/2004 £000	Trading Accounts	Gross Expenditure 2004/2005 £000	Income 2004/2005 £000	Net Expenditure 2004/2005 £000
1	Building Control - Chargeable	1,367	1,070	297
337	Building Control - Non Chargeable	570	64	506
<u>338</u>		<u>1,937</u>	<u>1,134</u>	<u>803</u>
(618)	Off Street Car Parking	1,036	2,097	(1,061)
149	Trade Refuse	1,025	979	46

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.

2003/2004 £000		2004/2005 £000
	INCOME	
19	Interest charged to mortgagors	2
55	Fees and charges	91
<u>74</u>		<u>93</u>
	EXPENDITURE	
22	Interest on loans	16
57	Management expenses	115
<u>79</u>		<u>131</u>
<u>(5)</u>	Appropriation from General Fund	<u>(38)</u>

8 Transactions on the Asset Management Revenue Account

2003/2004 £000		2004/2005 £000
	INCOME	
27,925	Capital Charges -General Fund	31,019
39,987	-Housing revenue account	39,978
22	-Other	16
3,991	Transfer from government grants-deferred account	5,367
<u>71,925</u>		<u>76,380</u>
	EXPENDITURE	
18,904	Provision for depreciation	20,532
19,950	External Interest Charges	20,216
<u>38,854</u>		<u>40,748</u>
<u>33,071</u>	Surplus to the consolidated revenue account	<u>35,632</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10 Members Allowances

The total of allowances paid to the members of the Council was £832,500 in 2004/2005 (£813,000 in 2003/2004).

11 Contribution to / (from) Specific Reserves

2003/2004 £000		2004/2005 £000
1,134	Contribution to Compensation for loss of office Reserve	2,014
(1,000)	Contribution from Insurance Reserve	(831)
(39)	Contribution from DSO Reserve	-
20	Contribution to Lessees Refunds Reserve	20
(2,722)	Contribution to / (from) Contractors Reserve	358
393	Contribution to / (from) Parking Place Reserve	-
104	Contribution to PFI Reserve	4,614
(303)	Contribution to / (from) Education Revenue Reserve	-
115	Contribution to Education New Opportunity Funding	-
587	Contribution to Education Standards Fund Contribution	287
75	Contribution to / (from) Greenford Cemetery Reserve	(276)
<u>(1,636)</u>		<u>6,186</u>

12 Contributions from Capital Financing Reserve

2003/2004 £000		2004/2005 £000
(6,996)	Excess of depreciation charges over the MRP (note 2)	(8,877)
3,991	Government Grants Deferred	5,367
43	Revenue Contributions to Capital Outlay	-
<u>(2,962)</u>		<u>(3,510)</u>

13 Levies

2003/2004 £000		2004/2005 £000
358	London Pension Fund Authority	295
299	Lee Valley Park	312
1,704	National Rivers Authority	193
6,586	West Waste Authority	6,886
558	Greater London Magistrates Court	611
175	Coroners Services	184
5	Middlesex Area Advisory Committee	-
<u>9,685</u>		<u>8,481</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.

Net cost of services :

Current service cost

Past service costs / curtailment costs

Net Operating Expenditure :

Interest on pension liabilities

Expected return on assets

Amounts to be met from Government Grants and Local Taxation :

Movement on pensions reserve

Actual amount charged to Consolidated Revenue Account for pensions in the year :

Employers contributions payable to the scheme

31 March 2004 £000	31 March 2005 £000
10,294	16,674
2,833	-
27,724	30,543
(19,903)	(26,065)
(3,162)	(738)
<u>17,786</u>	<u>20,414</u>

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 £1.6M in 2004/2005 (£1.3M in 2003/2004) representing 1.7% (1.5% in 2003/2004) of pensionable pay. These payments have an outstanding capital liability of £25M (£23M in 2003/2004).

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 £ 0.988m (£1.204M in 2003/2004) 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 2004/2005 the Council paid £6.8M (2003/2004 - £6.6M) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 13.5% (2003/2004 - 13.3%) 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 2004/2005 these amounted to £1.55M, (2003/2004 - £1.48M) representing 1.99% (2003/2004 - 2.09%) 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 Housing Group's Finance Director acted as the Mortlake Crematorium's Board's Treasurer for the year to 31 March 2005 and the Board has £250,000 (2003/2004 £200,000) invested with the Council.

ii) The former Cabinet member for Transport and Sustainable Development is employed as Chief Executive of the ECT Group which had transactions with the Council at a declared net value of £1.9M in 2004/2005 (£1.5M in 2003/2004) for community transport and for recycling. One other member acts as a paid advisor to ECT. The Register of Disclosures shows that they disclose their pecuniary interest during Council business and this 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 2004/05 the following Councillors were Directors of Ealing Homes Limited:

- Councillor Bagha
- Councillor Bond
- Councillor Green
- Councillor Gavin

The Director of Corporate Finance was a Director of Ealing Homes Limited between July to November 2004.

During 2004/05 two officers of the Council, Su Gomer and Ieuan ap Rees, were on the board of Locata Ltd.

16.5 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 2004/05 was £111k (2003/04 was £113,913). The Council's Housing Director acts as Managing Director of Locata Ltd on a non remunerative basis.

16.6 3 Councillors did not submit their returns.

17. Audit Costs

In 2004/2005 the Council incurred the following fees relating to external audit and inspection :

2003/2004 £000		2004/2005 £000
345	Fees payable to the Audit Commission appointed auditor with regard to external audit services carried out by the appointed auditor	349
-	London Audit Cttee.	2
195	Fees payable to the Audit Commission in respect of statutory inspection	77
148	Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns	108
	<u>Fees payable in respect of other services provided by the appointed auditors</u>	
-	Review of accounting treatment for Social Services PFI	5
688		541

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

18 Analysis of Surplus Carried Forward

2003/2004 £000
8,262
2,206
<u>10,468</u>

Schools balances not available for use by the Council
General revenue balances

2004/2005 £000
10,171
8,833
<u>19,004</u>

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:-

2003/2004 £000
890
366
696
810
<u>2,762</u>

Staff Recruitment
Employees
Advertising
Printing, etc.

2004/2005 £000
1,204
585
414
729
<u>2,932</u>

20 Response Programme

The Council has embarked on an ambitious programme to change the way in which it provides services to the community to achieve its vision of making a world of difference to our customers lives so that everything we do is focused on supporting and enhancing the lives of people in our community.

The expenditure of £1,773K (£4,624K in 2003/04) 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.

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.

2003/2004 Total Costs £M
0.4
<u>0.4</u>
0.2
0.2
<u>0.4</u>

Community Equipment
Total Cost

Funding :
Ealing Council
Ealing Primary Care Trust
Total Funding

2004/2005 Total Costs £M
1.2
<u>1.2</u>
0.9
0.3
<u>1.2</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

EALING SCHOOLS' P.F.I. - DISCLOSURE NOTE

On the 18th December 2002 the Council entered into a design, build, finance and operate contract with Ealing Schools' Partnerships Ltd. (the Provider), for the provision of school buildings and services for the following schools:

Brentside High
Downe Manor Primary
Gifford Primary
Ravenor Primary

The total value of the contract is £121,928,269 which includes construction costs of £30.7M.
The contract is for 27 years.

Under the terms of the contract the Council is required to make the following payments to the provider :

2004/05	2,387,204
2005/06	3,430,075
2006/07	3,499,671
2007/08	3,571,006
2008/09	3,644,125
2009/10	3,719,071
2010/11	3,795,891
2011/12	3,874,632
2012/13	3,955,341
2013/14	4,038,068
2014/15	4,122,864
2015/16	4,209,779
2016/17	4,298,866
2017/18	4,390,182
2018/19	4,483,780
2019/20	4,579,718
2020/21	4,678,054
2021/22	4,778,849
2022/23	4,882,163
2023/24	4,988,061
2024/25	5,096,606
2025/26	5,207,865
2026/27	5,321,905
2027/28	5,438,796
2028/29	5,558,609
2029/30	5,681,418
2030/31	5,807,297
2031/32	2,488,376

These payments will be met from the Council's existing revenue budget for the services and from the PFI grant which is a special grant from Central Government.

The payments to the provider will be subject to indexation and may also vary by the virtue of certain provisions within the contract. These primarily relate to:

- (1) Performance and availability deductions
- (2) Changes in law which will affect the costs of the service
- (3) Variations to the contract which are approved by the Council
- (4) Benchmarking of non-property related costs at agreed intervals

The contract has been assessed for the purposes of Sections 16 and 40 of the Local Authorities (Capital Finance) Regulations 1997. The Council has determined that there is no need to recognise the assets provided under this contract in the balance sheet of the authority during the term of the contract.

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.

2003/2004 £000	INCOME	2004/2005 £000
52,213	Rents	52,577
47,656	HRA Subsidy from Government (note 5)	8,788
1,133	Services and Facilities	1,097
206	Other Income	166
61	General Fund Contribution - Discretionary Rent Rebates	-
880	Transfer from Other Services	1,377
<u>102,149</u>		<u>64,005</u>
	EXPENDITURE	
-	Management Fees payable to Ealing Homes Limited	11,171
18,384	Repairs and Maintenance	15,139
10,938	General Supervision	9,006
9,051	Special Supervision	6,417
6,287	Rents, Rates, Taxes and Other Charges	6,327
32,868	Rent Rebates	(156)
466	Provision for Bad and Doubtful Debts (note 1b)	135
53	Debt Management Expenses	30
28,274	Cost of Capital (note 8)	29,060
11,660	Depreciation (note 9)	10,888
-	Item 10 - transfer to General Fund re Housing Benefit	350
<u>117,981</u>		<u>88,367</u>
15,832	Net Cost of Services	24,362
(20,260)	Adjusting transfer from the Asset Management Revenue Account (note 8)	(22,461)
760	Amortisation of Loan Premium	1,386
(963)	HRA Investment Income / Local Authority Mortgage Income	(831)
<u>(4,631)</u>	Net Operating Income/(expenditure)	<u>2,456</u>
	Appropriations	
20	Contribution to Lessees Reserve	20
434	Contribution to pension reserve	175
2,625	HRA set aside	-
43	Revenue Contributions to Capital	-
<u>(1,509)</u>	Housing Revenue Account (Surplus) / Deficit	<u>2,651</u>
(13,037)	Surplus - brought forward	(14,546)
<u>(14,546)</u>	Surplus - carried forward (note 10)	<u>(11,895)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Rent Arrears and Provision for Doubtful Debts

a) Rent Arrears

2003/2004 £000		2004/2005 £000
8,336	Council Managed Properties	7,097
671	Housing Association Managed Properties (net)	673
193	Temporary Accommodation (net)	91
670	Debts referred to the Council's central debt collection unit	-
<u>9,870</u>	Total	<u>7,861</u>

b) Provision for Doubtful Debts

2003/2004 £000		2004/2005 £000
7,300	Brought forward provision	7,727
(39)	Write-offs charged to provision	(1,041)
466	Increase in provision for 2004/05	135
<u>7,727</u>	Carried forward provision	<u>6,821</u>

2 Number of Dwellings within the HRA

2003/2004		2004/2005
1,938	Low Rise Flats (In blocks up to 2 storeys)	1,860
6,144	Medium Rise Flats (In blocks of 3, 4 or 5 storeys)	6,065
2,915	High Rise Flats (In blocks of 6 or more storeys)	2,895
3,061	Houses and Bungalows	3,043
147	Shared Dwellings	143
<u>14,205</u>	Total	<u>14,006</u>

3 Balance Sheet Values of HRA Assets

31 March 2004 £000		31 March 2005 £000
828,536	Council Dwellings	846,180
1,760	Other land & buildings	1,864
5,122	Other assets	5,424
<u>835,418</u>	Total	<u>853,468</u>

The vacant possession value of dwellings within the HRA as at (31st March 2005)¹ April is £1,722M. 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

2003/2004 £000		2004/2005 £000
4,969	Balance on Major Repairs Reserve at 1 April	1,711
11,660	Major Repairs Allowance received	10,888
(14,918)	MRA Used on Capital Projects	(12,193)
<u>1,711</u>	Balance on Major Repairs Reserve at 31 March	<u>406</u>

5 HRA Subsidy Received

2003/2004 £000		2004/05 £000	Prior Year Adjustment £000	Total Subsidy Received £000
25,256	Management and maintenance	25,270	-	25,270
15,193	Charges for capital	11,155	(82)	11,073
6,047	Other reckonable expenditure	6,216	-	6,216
-	Admissable & other allowance	341	-	341
(43,800)	Notional rents	(44,877)	-	(44,877)
(189)	Interest on receipts	(138)	-	(138)
<u>2,507</u>	Housing Element	<u>(2,033)</u>	<u>(82)</u>	<u>(2,115)</u>
11,660	Major repairs allowance	10,888	-	10,888
33,504	Rent rebates	-	-	-
(15)	Defective Housing Grants	-	15	15
<u>47,656</u>	Total HRA subsidy for the year	<u>8,855</u>	<u>(67)</u>	<u>8,788</u>

6 HRA Capital Expenditure and Receipts

2003/2004			2004/2005	
Receipts £000	Expenditure £000		Receipts £000	Expenditure £000
1,271	-	Land	530	-
26,743	19,639	Council Dwellings	16,351	23,589
<u>28,014</u>	<u>19,639</u>	Total	<u>16,881</u>	<u>23,589</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

7 Capital expenditure financing

2003/2004 £000		2004/2005 £000
2,510	Loans	5,921
2,128	Capital Receipts	2,772
43	Revenue Charges	1,720
1,916	Capital Grants	2,946
14,918	Major Repairs Reserve	12,193
(1,876)	(Increase) in outstanding creditors	(1,963)
19,639		23,589

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 2003/04) 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.

2003/2004 £000		2004/2005 £000
28,274	Cost of Capital	29,060
(20,260)	Adjusting transfer from AMRA (difference between cost of capital and current Item 8 debit excluding HRA set aside)	(22,461)
8,014		6,599

9 Depreciation Charge

2003/2004 £000		2004/2005 £000
11,587	Council Dwellings	10,888
73	Other assets	70
11,660		10,958

10 Analysis of HRA Surplus

	Balance b/fwd £000	Surplus / (Deficit) in year £000	Balance c/fwd £000
Housing Revenue Account rent element	9,328	(2,679)	6,649
Central Heating element	2,218	28	2,246
Property Charges Reserve	3,000	-	3,000
	14,546	(2,651)	11,895

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET		AS AT 31 March 2005	
2004		See Note	2005
£000			£000 £000
1,412,568	Operational Assets	(1)	1,474,960
8,832	Intangible Fixed Assets	(2)	<u>7,445</u>
<u>1,421,400</u>	Total Fixed Assets		1,482,405
-	Deferred Consideration		17,984
-	Deferred Asset		1,100
47	Long Term Investments	(3)	47
1,471	Mortgagors	(4)	1,021
460	Other Long Term Debtors	(5)	348
<u>1,423,378</u>	Total Long Term Assets		<u>1,502,905</u>
	Current Assets		
624	Stock & Works in Progress	(6)	558
82,405	Short Term Investments	(3)	81,518
59,986	Debtors	(7)	80,258
6,118	Cash at Bank and in hand		<u>2,120</u>
<u>149,133</u>			164,454
	Less Current Liabilities		
(87,400)	Creditors	(8)	(116,622)
(56,024)	Short Term Loans	(9)	<u>(30,685)</u>
<u>(143,424)</u>			(147,307)
<u>1,429,087</u>	Total Assets Less Current Liabilities		<u>1,520,052</u>
(261,316)	Long Term Loans	(10)	(322,983)
(55,790)	Government Grants-Deferred		(70,741)
(4,850)	Provisions	(11)	(5,291)
(123,253)	Pension scheme liability	(17)	(233,121)
<u>983,878</u>	Total Assets less Liabilities		<u>887,916</u>
	Financing:		
783,596	Fixed Asset Restatement Account	(12)	756,742
266,128	Capital Financing Account	(13)	300,195
11,143	Usable Capital Receipts and Grants	(14)	7,967
1,182	Deferred Capital Receipts	(15)	803
(123,253)	Pensions Reserve		(233,121)
45,835	Reserves and Balances	(16)	55,606
(753)	Collection Fund	(see page 39)	(276)
<u>983,878</u>			<u>887,916</u>

NOTES TO CONSOLIDATED BALANCE SHEET

1. Fixed Assets

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

	Balance at 1 April 2004 £000	Additions £000	Disposals £000	Revaluation £000	Depreciation £000	Balance at 31 March 2005 £000
Operational assets						
- Council dwellings	828,536	23,589	(10,346)	15,289	(10,888)	846,180
- Other land & buildings	496,664	62,819	(23,813)	(7,961)	(1,449)	526,260
- Vehicles, plant, etc	13,793	2,445	-	(47)	(4,523)	11,668
- Infrastructure assets	54,189	7,740	-	(62)	(3,672)	58,195
- Community assets	707	1,839	-	(1,839)	-	707
Non-operational assets						
- Surplus Assets	18,679	-	(1,077)	2,993	-	20,595
- Assets Under Construction	-	11,355	-	-	-	11,355
	1,412,568	109,787	(35,236)	8,373	(20,532)	1,474,960

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

£000		£000
Supported Borrowing		109,787
Unsupported Borrowing	Fixed Assets	
Major Repairs Reserve	Grants to Housing Associations	315
Capital Receipts	Improvement Grants	3,822
Capital Grants and other	Housing grants to tenants	729
Planning Gain	Redundancies	984
Outstanding Creditors	E-Government	204
115,841		115,841

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

	£000
Housing	
Improvement and Conversations on Housing Stock	19,421
Adaptations for the Disabled	471
Renovation Grants	3,821
Air Quality	219
Environmental and Cultural Services	
Roads	5,761
Transportation and Community Improvement	315
Parks and Leisure Facilities	1,942
Street Lighting	1,166
Environmental Improvements	936
Social Services	
Improving Information Management	198
Northolt Family Centre	164
Education	
Special Schools	4,415
Early Years Excellence Centre at Hanbury & Heathfield Nursery	1,101
New primary Pupil Referral Unit at Oldfield	821
Information Technology	74

1.4 Asset Under Construction

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

NOTES TO CONSOLIDATED BALANCE SHEET

1.5 The numbers of major fixed assets are:-

	31 March 2004	31 March 2005
Council Dwellings	14,205	14,006
Town Halls	3	3
Offices	3	3
Depots and Workshops	2	2
Off-Street Car Parks	17	18
Public Conveniences	15	15
Swimming Baths (including School Baths)	8	8
Schools	80	78
Libraries	12	12
Museums	1	1
Parks and Recreation Grounds	837ha	837ha
Cemeteries	5	5
Social Services - Residential Homes/Hostels	18	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 2005 or represent approved future capital spending programmes. These commitments include:-

- i) Schemes which have already commenced and have incurred expenditure to 31 March 2005. 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.

	2005/2006 £000	2006/2007 £000	2007/2008 £000	Total £000
Education	20,075	24,515	13,429	58,019
Social Services	5,426	-	-	5,426
Housing & Environmental Health	38,996	19,895	19,595	78,486
Universal Services	9,600	1,548	1,548	12,696
Cultural Services	9,995	7,500	-	17,495
Response Programme	25,827	6,447	101	32,375
Business Support	4,743	516	200	5,459
Capitalisation	500	500	-	1,000
Southall Property Strategy	4,775	2,000	-	6,775
Slippage factor	(5,000)	5,000	-	-
Total	114,937	67,921	34,873	217,731

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.

The Council's Estates and Valuation Division inspect and revalue all the property assets with the exception of the HRA stock which was revalued by Nelson Bakewell. All property assets are revalued as part of a five year rolling programme. The HRA stock was last revalued as at 1 April 2000 and Education properties were revalued as at 1 April 2001.

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 16). Impairment was considered when reviewing the value of assets but no adjustment was required.

NOTES TO CONSOLIDATED BALANCE SHEET

2. Intangible Fixed Assets

	Balance at 1 April 2004 £000	Expenditure £000	Amounts Discharged £000	Balance at 31 March 2005 £000
Grants to Housing Associations	-	315	315	-
Improvement grants to tenants	-	3,822	3,822	-
Housing grants to tenants	-	729	729	-
Loan Restructuring Premium	8,832	-	1,387	7,445
Redundancy Payments	-	984	984	-
E-Government	-	204	204	-
	<u>8,832</u>	<u>6,054</u>	<u>7,441</u>	<u>7,445</u>

3. Investments

	31 March 2004 £000	31 March 2005 £000
Long Term: Maintenance of graves in perpetuity	2	2
Education trust funds	45	45
	<u>47</u>	<u>47</u>
Short Term: Temporary lending at cost	82,392	81,507
Education trust funds	13	11
	<u>82,405</u>	<u>81,518</u>

4. Long Term Debtors: Mortgagors

These are debts secured by mortgage and due after one year

	31 March 2004 £000	31 March 2005 £000
Council House Sales	1,197	862
Housing Associations	134	128
Individuals	140	31
	<u>1,471</u>	<u>1,021</u>

5. Long Term Debtors: Other

These are debtors which fall due after one year.

	31 March 2004 £000	31 March 2005 £000
Car Loans to Employees	402	268
Other	58	80
	<u>460</u>	<u>348</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 2004		31 March 2005	
	£000	£000	£000	£000
Government Departments	12,311		13,747	
Other Public Authorities	547		4,960	
Payments in Advance	986		165	
NNDR	4,391		6,987	
Council Tax	11,152		14,787	
Rent Arrears (including Housing Benefit overpayments)	8,336		7,097	
Housing Association Arrears	1		-	
Housing Association Grant Due	1,275		1,132	
Sundry Debtors	<u>64,223</u>	103,222	<u>72,193</u>	121,068
Less provision for bad and doubtful debts:				
NNDR	3,233		5,055	
Council Tax	8,019		8,512	
Council Tax and NNDR Costs	3,774		3,736	
Housing Rents	7,727		6,821	
Sundry Debtors	<u>20,483</u>	<u>43,236</u>	<u>16,686</u>	<u>40,810</u>
		<u>59,986</u>		<u>80,258</u>

8. Creditors

	31 March 2004 £000	31 March 2005 £000
Inland Revenue	4,506	4,710
Other Government Departments	7,313	17,542
Other Public Authorities	31	4,868
Deferred Income	7,433	6,131
Council Tax Payers	2,278	2,259
NNDR	4,201	2,261
Housing:		
Rents	3,656	3,325
Mortgages	710	464
Ealing Homes	-	6,325
Sundry Creditors	57,272	68,737
	<u>87,400</u>	<u>116,622</u>

NOTES TO CONSOLIDATED BALANCE SHEET

9. Short Term Loans

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

31 March 2004 £000	31 March 2005 £000
20,391	14,852
<u>35,633</u>	<u>15,833</u>
<u>56,024</u>	<u>30,685</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 2004 £000	31 March 2005 £000
56,000	73,000
<u>205,316</u>	<u>249,983</u>
<u>261,316</u>	<u>322,983</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 2004 £000	31 March 2005 £000
5,833	5,833
8,333	2,500
2,750	6,750
<u>244,400</u>	<u>307,900</u>
<u>261,316</u>	<u>322,983</u>

11. Provisions

Claims and self insurance
Long Lease Property Compensation

	Balance at 1 April 2004 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2005 £000
	4,850	2,831	2,827	4,854
	-	437	-	437
	<u>4,850</u>	<u>3,268</u>	<u>2,827</u>	<u>5,291</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 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

2004 £000		2005 £000
771,933	Balance at 1 April	783,596
44,817	Revaluation and restatement of fixed assets	8,382
(33,154)	Disposal of fixed assets	(35,236)
783,596	Balance at 31 March	756,742

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 provision for credit liabilities and 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.

2004 £000		2005 £000
237,530	Balance at 1 April 2004	266,128
(717)	Excess of minimum revenue provision over depreciation	(4,235)
3,991	Amortisation of government grants-deferred	5,367
20,744	Reserved capital receipts	22
19,375	Applied capital receipts	16,859
43	Direct revenue financing	-
185	Other financing	1,719
3,258	Contribution from major repairs reserve	1,305
-	Private Finance Initiative - Deferred Consideration	17,984
-	Private Finance Initiative - Creation of Deferred Asset	1,100
(41)	Less loan repayments	-
(18,240)	Write down of deferred charges	(6,054)
266,128	Balance at 31 March 2005	300,195

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 2004	4,172	6,971	11,143
Received in year	24,896	21,001	45,897
Appropriation to Consolidated Revenue Account	(12,150)	-	(12,150)
Applied during year	(16,859)	(20,042)	(36,901)
Transfer to capital financing reserve (see note 13 above)	(22)	-	(22)
Balance at 31 March 2005	<u>37</u>	<u>7,930</u>	<u>7,967</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 2004	31 March 2005
	£000	£000
16.1 Revenue Balances	26,124	32,289
16.2 Reserves	7,155	12,036
16.3 Other Balances	12,556	11,281
	<u>45,835</u>	<u>55,606</u>

16.1 Revenue Balances

	31 March 2004	31 March 2005
	£000	£000
General Revenue Balances	2,206	8,833
Locally Managed Schools Balances	8,262	10,171
Housing Revenue Account	14,546	11,895
Lessees Central Heating Account	339	345
Education Balances	732	765
Control Accounts	39	280
	<u>26,124</u>	<u>32,289</u>

NOTES TO CONSOLIDATED BALANCE SHEET

16.2 Reserves

	Balance at 1 April 2004 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2005 £000
Private Finance Initiative Reserve	1,120	6,008	1,394	5,734
Education New Opportunity Funding	115	-	-	115
Education Standards Fund Contribution	587	874	587	874
Insurance Reserve	831	144	975	-
Contractors Reserve	567	650	292	925
Renewals Reserve	-	86	86	-
Compensation for loss of office Reserve	1,134	3,003	989	3,148
Parking Places Reserve	688	4,808	4,808	688
Lessees Refunds Reserve	126	20	-	146
Greenford Cemetery Reserve	276	-	276	-
Sub total - general fund reserves	<u>5,444</u>	<u>15,593</u>	<u>9,407</u>	<u>11,630</u>
HRA Major Repairs Reserve	1,711	10,888	12,193	406
	<u><u>7,155</u></u>	<u><u>26,481</u></u>	<u><u>21,600</u></u>	<u><u>12,036</u></u>

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 new opportunity grant funding.

The insurance reserve was used to meet the costs of projects undertaken to reduce insurance charges and damage to education properties.

The contractors reserve has been set up to provide for ongoing charges arising from the settlement of the BRETS contract.

The renewals reserve is used to fund self funding income generation and budget saving schemes.

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 Greenford Cemetery reserve was used for developments at the cemetery.

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 Insurance Reinstatement is the balance of the Council's insurance claim for the Golf Links fire of 1996. The major transactions in the year relate to the developers contributions received under section 106 of the Town and Country Planning Act 1990 to be used to benefit the community in future years.

	Balance at 1 April 2004 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2005 £000
Insurance Reinstatement	2,701	-	2,701	-
Ex-London Transport Sports Ground	5	6	-	11
Partnership Agreements	8,860	2,469	1,166	10,163
Hull-Grundy Bequest Fund	149	11	4	156
Other Funds	841	399	289	951
	<u>12,556</u>	<u>2,885</u>	<u>4,160</u>	<u>11,281</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 2005 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 £398M (2004 - £371.5M) and the present value of the scheme's liabilities £631.1M (2004 - £494.7M) was a deficit of £233.1M (2004 - £123.2M) will be addressed through the next actuarial review in 2007. There were no material prepaid or accrued pensions contributions at 31 March 2005. 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:

	2003/2004 £M	2003/2004 %	2004/2005 £M	2004/2005 %
The main assumptions used in the calculation are as follows:				
Price Increases		2.8		2.9
Salary Increases		4.3		4.7
Pension Increases		2.8		2.9
Discount Rate		6.3		5.4

Assets are valued at fair value as follows:				
Equities	281.2	75.7	302.5	76.0
Bonds				
Government	-	-	83.5	21.0
Other	84.7	22.8	-	-
Other Assets				
Cash/Liquid Assets		-	12.0	3.0
Other	5.6	1.5	-	-
	<u>371.5</u>	<u>100.0</u>	<u>398.0</u>	<u>100.0</u>
Expected rate of return for each class of asset				
Equities		7.5		7.5
Bonds				
Government		4.7		4.7
Other		5.5		5.4
Other Assets				
Property		6.5		6.5
Cash/Liquid Assets		-		4.8
Other		4.0		0.0

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 2005 the pension contributions due to the scheme in respect of the March 2005 salaries were £0.534M.

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

	2004 £000	2005 £000
General Fund	285,273	195,603
Housing Revenue Account	698,605	692,313
Balance at 31 March	983,878	887,916

19. Capital Expenditure – Operating Leases

The Council holds various assets under operating leases. One new operating lease was entered into in 2003/2004, none in 2004/05. The rental paid during the year amounted to £72,559 (2003/2004 £34,569). Undischarged obligations under operating leases at 31 March 2005 amounted to £431,529 (2004 £124,641).

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 (2004: £44,463) with revenue balances of £11,323 (2004: £13,063). 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. Group Accounts

Local Authorities with material interests in subsidiary and associated companies and joint ventures are required to prepare summarised group accounts as supplementary information in the Statement of Accounts.

The Council has considered the relationships it has with such organisations that fall within the definitions of group accounts and concludes that Ealing Homes Limited is the only organisation that would be considered as subsidiary limited company. As the receipts and payments are already included within the Council's accounts, Ealing Homes Limited accounts have not been consolidated.

24. Associated Companies

The Council, in partnership with certain other London Boroughs and Housing Associations is operation 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 2004/05 was £683k, and the net assets held were £55k.

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

25. Contingent Liability

Section 117 of the Mental Health Act 1983 places a duty on Health and Social Services authorities to provide after-care services for certain patients discharged from detention under the Act. However, under this act Social Services authorities do not have the powers to charge for these services.

There may therefore be a financial impact on the Council in respect of the recovery of charges already made. Work has been carried out to assess the impact on the Council but it is not possible at this stage to quantify the amount or the timing of these payments. Once the work has been completed, an adequate provision will be made in the 2005/06 accounts.

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 Reserve £000	Capital Financing Reserve £000	Usable Capital Receipts £000	General Fund £000	Locally Unused Schools Balances £000	Specific Reserves £000	HRA £000			
	Balance at 1 April 2004	783596	266128	4172	2206	8262	8265		14546	1087175
	Net surplus/(deficit) for year	-	17186	-	6627	1909	5161		(2651)	28232
Unrealised surplus from fixed assets revaluation	8382	-	-	-	-	-	-	8382		
Surplus/(deficit) from disposal of fixed assets (see below)	(35236)	22	12724	-	-	-	-	(22490)		
Financing of fixed assets	-	16859	(16859)	-	-	-	-	-		
Balance at 31 March 2005	<u>756,742</u>	<u>300,195</u>	<u>37</u>	<u>8,833</u>	<u>10,171</u>	<u>13,426</u>	<u>11,895</u>	<u>1,101,299</u>		

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	
	(35,236)	-	-	
-	22	12,724	12,746	
<u>(35,236)</u>	<u>22</u>	<u>12,724</u>	<u>(22,490)</u>	

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 Reserve and Usable Capital Receipts Reserve with relevant share of the disposal proceeds is shown here. The division of capital receipts between the Capital Financing Reserve 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 Reserve 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 Reserve 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 Reserve 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 2004/2005 can be analysed into the following categories, measured as absolute amounts and as a percentage of the assets / liabilities at 31 March 2005.

	2003/2004 £M	2003/2004 %	2004/2005 £M	2004/2005 %
Gain/(loss) in return on pension fund assets	58,144	15.7	15,726	4.0
Gain / loss in pension fund liabilities	-	-	(31,767)	5.0
Change in financial and demographic assumptions	-	-	(102,606)	16.3
	58,144		(118,647)	

COLLECTION FUND ACCOUNT

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2005

2003/2004 £000		2004/2005 £000
INCOME		
105,263	Income from Council Tax Payers (note 2)	113,104
19,304	Council Tax Benefits	22,640
86,294	Income from NNDR	90,638
1	Community Charge surplus to General Fund	-
<u>210,862</u>		<u>226,382</u>
EXPENDITURE		
98,903	Precepts: London Borough of Ealing	106,684
24,949	: Greater London Authority	27,048
1,600	Provision for uncollectable amounts	1,535
Business Rate		
85,799	Payment to the national pool (note 3)	90,137
495	Cost of collection	501
<u>211,746</u>		<u>225,905</u>
131	Balance at 1st April	(753)
(884)	Surplus / (deficit) for year	477
<u>(753)</u>	Fund deficit at 31 March	<u>(276)</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 Community Charge, 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 2004/2005 the Council set a tax of £1,191.64 on the standard (Band D) dwelling (03/04 £1,114). The calculation of the Council Tax base is shown below.

	Estimated Number of Properties	Actual Number of Properties	Actual Band D Equivalents
Band			
A	1,996	2,001	1,333
B	9,985	10,010	7,785
C	24,057	24,117	21,437
D	35,934	36,024	36,024
E	19,201	19,249	23,527
F	8,315	8,336	12,042
G	6,085	6,100	10,166
H	798	800	1,600
Council Tax Base	106,371	106,637	113,914

2004 £000
124,567
(19,304)
105,263

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

2005 £000
135,744
(22,640)
113,104

3. Income from NNDR

The Council collects non-domestic rates which are based on local rateable values multiplied by a uniform national rate. 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:-

2004 £000
109,579
1,382
(18,399)
(4,188)
(1,352)
(1,223)
85,799

Non-domestic rateable income
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

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

CASH FLOW STATEMENT

2003/2004 £000		2004/2005 £000 £000	
215,278	Revenue Activities		
295,654	Cash Outflows		
24,950	Cash paid to and on behalf of employees	231,961	
82,046	Other operating cash payments	319,388	
88,258	Precepts paid	27,048	
<u>706,186</u>	Housing Benefit paid	96,030	
	Non-domestic rates paid to National Pool	<u>85,946</u>	
			760,373
(21,411)	Cash Inflows		
(104,602)	Rents (after rebates)	(20,501)	
(88,286)	Council Tax	(108,968)	
(88,742)	Non-domestic rate receipts from National Pool	(86,156)	
(161,257)	Local non-domestic rate receipts	(88,566)	
(99,624)	Revenue Support Grant	(177,708)	
(143,159)	DWP grants for rebates	(149,187)	
(30,665)	Other government grants	(64,670)	
<u>(737,746)</u>	Cash received for goods and services	<u>(109,819)</u>	
			<u>(805,575)</u>
(31,560)	Net Cash Inflow from Revenue Activities		(45,202)
	Servicing of Finance		
20,227	Interest paid	19,641	
(1,175)	Interest received	(2,166)	17,475
<u>(12,508)</u>			<u>(27,727)</u>
	Capital Activities		
	Cash Outflows		
50,312	Purchase of fixed assets	99,656	
7,709	Capital cash payments	<u>6,039</u>	
<u>58,021</u>			105,695
	Cash Inflows		
(38,149)	Sale of fixed assets	(12,817)	
(16,464)	Capital grants received	<u>(21,277)</u>	
<u>(54,613)</u>			<u>(34,094)</u>
(9,100)	Net Cash Inflow before Financing		43,874
	Management of Liquid Resources		
9,457	Net increase / (decrease) in short term deposits		(3,548)
	Financing		
	Cash outflows		
332,020	Repayments of amounts borrowed	256,372	
	Cash inflows		
(39,030)	New loans raised	(61,667)	
<u>(300,092)</u>	New short term loans	<u>(231,033)</u>	<u>(36,328)</u>
<u>(6,745)</u>	(Increase) / decrease in cash		<u>3,998</u>

NOTES TO CASH FLOW STATEMENT

1. Other Government Grants

2003/2004 £000		2004/2005 £000
7,107	Children's Social Services	1,497
11,662	Education - Sixth Form Grant	11,661
76,330	Housing subsidy	-
10,211	Standards Fund	16,628
4,273	Asylum Seekers	882
33,576	Other Grants	34,002
<u>143,159</u>		<u>64,670</u>

1. Reconciliation of operating Deficit to the activities net cashflow

2003/2004 £000		2004/2005 £000
2,154	Total operating deficit	6,165
	Non cash transactions :	
6,527	Minimum revenue provision	5,409
3,258	Major repairs allowance	1,305
759	Amortisation of Loans	1,387
43	Revenue contributions to capital outlay	-
1,486	Funding from other balances	921
(4,894)	Contribution to /(from) reserves	4,881
	Accruals items :	
392	(Increase) / decrease in stock and work in progress	69
548	(Increase) / decrease in debtors	(26,229)
2,235	Increase in creditors and provisions	33,819
	Items classified elsewhere	
19,052	Servicing of finance	17,475
<u>31,560</u>	Net cash inflow from revenue activities	<u>45,202</u>

2. Analysis of liquid resources and financing

Liquid Resources:
 Temporary Investments

Financing:
 Short term loans
 Long term loans

Balance at 1 April 2004 £000	Movement in year £000	Balance at 31 March 2005 £000
82,405	(887)	81,518
(56,024)	25,339	(30,685)
(261,316)	(61,667)	(322,983)
<u>(317,340)</u>	<u>(36,328)</u>	<u>(353,668)</u>

3. Reconciliation of cash flow to net debt

Long term loans
 Short term loans
 Total loans
 Cash inflow / (outflow) from
 increase in liquid resources
 Increase in cash overdrawn
 Total movement in net debt

Balance at 1 April 2004 £000	Cash inflow £000	Cash outflow £000	Balance at 31 March 2005 £000
(261,316)		(61,667)	(322,983)
(56,024)	25,339		(30,685)
(317,340)	25,339	(61,667)	(353,668)
82,452	362,793	(363,680)	81,565
6,118	-	(3,998)	2,120
<u>(228,770)</u>	<u>388,132</u>	<u>(429,345)</u>	<u>(269,983)</u>

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 2005 was 6,234 (6,511 at 31 March 2004) whilst the number of pensioners, widows and dependants was 5,447 (5,469 at 31 March 2004). The Council is the administering authority to the scheme and has the major share of contributors and pensioners. There are 15 scheduled bodies including Thames Valley University and 3 admitted bodies Ealing Care Homes Limited, Ealing Community Transport Limited and Ealing Homes Limited joined the scheme in 2004/05. All these contribute to the Fund.
3. The Fund Managers at in 2004/05 were Fidelity Pensions Management and UBS Global Investment.

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 2005.
 - 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 2004/05 there were 30 early retirements under this new rule (33 in 2003/04) and the sum credited to the Fund is £1M (£1.205M in 2003/04).

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 18.3% of pensionable salary during 2004/05 (17.1% in 2003/04), 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 Investment 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 2005 continue to be primarily managed by Fidelity Pensions Management and UBS Global Investment, acting under the direction of the Pension Fund Panel. The Market Value of the investments managed by each fund manager at 31st March 2005 was £200M (2003/04 - £179.78M) and £216M (2003/04 - £190.0M) 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 £118M (2003/04 - £174.7M) and purchases £127M (2003/04 - £181.8M).

18. The contributions receivable from the other bodies were £3.3M (2003/04 - £2.2M) and from the administering authority £24.5M (2003/04 - £20.1M). All benefits payable were administered by London Borough of Ealing.

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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

2003/2004 £000		2004/2005 £000
	INCOME	
	Contributions Receivable:	
16,436	Employers' Contributions	19,402
6,130	Employees' Contributions	6,782
5,685	Transfer Values Received	2,876
1,205	Other Income (note 10)	1,128
<u>29,456</u>		<u>30,188</u>
	EXPENDITURE	
	Benefits Payable:	
16,836	Retirement Pensions	16,847
1,671	Retirement Grants	1,927
67	Death Grants	363
	Payment to and on account of leavers:	
5,084	Transfer Values Paid	4,651
19	Refunds of Contributions and Interest	73
925	Administration and other expenses:	
	Administrative expenses	874
<u>24,602</u>		<u>24,735</u>
4,854	Net increase from dealings with members	5,453
	Returns on investments	
8,506	Investment Income	9,312
72,459	Change in market value of investments (realised and unrealised)	30,889
(920)	Investment management expenses	(1,133)
<u>80,045</u>	Net returns on investments	<u>39,068</u>
84,899	Net increase in the fund during the year	44,521
288,771	Net assets of the scheme at 1 April	373,670
<u>373,670</u>	Net assets of the scheme at 31 March	<u>418,191</u>

PENSION FUND NET ASSETS STATEMENT

2004 £000		2005 £000
	INVESTMENTS AT MARKET VALUE	
	Fixed Interest Securities	
83,766	UK Government	-
1,868	Other UK	93,070
-	Foreign	4,125
	Listed Equities	
165,552	UK	186,798
54,582	North America	40,766
38,494	Europe	46,371
15,923	Japan	16,419
5,803	Pacific	13,418
3,685	Emerging Markets	11,383
	Other Investments	
125	Venture Capital	84
	Cash Deposits	
-	Money Market Instruments	3,828
<u>369,798</u>	Total Investments	<u>416,262</u>
	CURRENT ASSETS AND LIABILITIES	
	Debtors	
1,617	Dividends Due	1,727
215	Unsettled Sales	620
	Creditors	
(539)	Unsettled Purchases	(1,097)
<u>1,293</u>		<u>1,250</u>
<u>371,091</u>	TOTAL ASSETS (Under External Management)	<u>417,512</u>
	Debtors	
208	Cash in Hand	281
2,582	Creditors	925
(211)		(527)
<u>2,579</u>	TOTAL NET ASSETS	<u>679</u>
<u>373,670</u>		<u>418,191</u>

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 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 Ealing Council for the year ended 31 March 2005 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 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.

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.

Cabinet approved service plans are linked to six corporate objectives, and are accessible to key staff via the performance management system.

Cabinet approved management structure charts outlining departmental structures and inter departmental relationships are accessible to staff via the intranet. The Council's structure and roles, responsibilities and the interrelationship between departments and posts have been evolving as the Council undertakes a major change programme: Response. Thus while responsibilities for statutory obligations are formally established and communicated, at any given point in time staff understanding of posts, roles, responsibilities and the interrelationship between departments and posts is not always up to date. Response is expected to continue until 2006.

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

3. The Internal Control Environment cont.

However greater awareness of role specific and general legislation and the implications of non-compliance needs to be cascaded to staff below senior management level. Discussions are underway within HR and Response regarding the best way to increase awareness in line with the change programme. It is anticipated that a corporate induction programme will be instituted to include awareness of legislation and the implications of non-compliance.

The findings from the Council's consultation with stakeholders on priorities and objectives have been used to inform the Performance Plan. The findings will also be used to inform the further development of the Community Strategy.

A recent staff communication survey indicated that over 70% of staff are clear about what the Council is trying to achieve and understand the need for change. However, only 50% indicated that they are kept well enough informed about decisions and changes, which directly affected them. An action plan to improve communication has been agreed by senior management and is being implemented.

Priorities and objectives are aligned to principal statutory obligations and the Performance Plan incorporates some elements of the 3-year financial strategy. Further work will be undertaken to align the two within the next financial year.

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 regularly.

Governance training is planned for members and senior officers. Awareness of corporate governance also needs to be raised among staff, public and other stakeholders. This too will be taken forward in line with the change programme and the planned corporate induction programme.

Comprehensive and effective performance management systems have been put in place, however these are not yet being fully utilised. The Corporate Performance unit is working to fully embed a comprehensive, accurate and effective performance management culture and optimise use of the new systems.

Awareness of controls and risk management had been increased for staff and members through training. Operational risk registers have been completed for all directorates and departments, these require validation and checks on the consistency of risk prioritisation. Corporate Board has compiled a Strategic Risk Register. This is updated quarterly and regular information on principal risks and issues provided to key officers, Cabinet and sub-committees.

The Corporate Leadership Team comprised of senior officers, addresses risk management as part of their standing agenda. The Council is committed to fully embedding the risk management process; however difficulties with recruitment and software compatibility delayed progress. An interim Risk Co-ordination Manager was appointed in June 2005 and it is anticipated that the software issue will be resolved in the next financial year (2005/6).

Letters of Representation from Service Heads for the year ended 31 March 2005, 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 were not indicative of significant control weaknesses.

Some preliminary work has been completed regarding business continuity plans (BCP) for ICT systems. The Council also recently created the post of BCP Project Manager to address BCP across the Council. It is anticipated that comprehensive BCP will be in place by December 2006.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the executive directors who have responsibility for the development and maintenance of the internal control environment. The review is further informed by 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.

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 Audit Commission, OFSTED and the Commission for Social Care Inspection.

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. 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 2004/5 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 Performance & Audit Panel, a panel of the Overview and Scrutiny Committee reviews audit 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 2004/5.

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 Audit, review agencies and inspectorates.

5. Action to address significant internal control issues

5.1 Financial Systems and IT

A number of key financial systems suffered some weakness in internal control; in some cases, previously identified weaknesses had not been rectified. Management are addressing the recommendations, some of which do not have an impact on the internal control framework. 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.

Internal audit reviews indicated that the Council's virus policy and anti virus software should be upgraded, and highlighted issues with access controls, back up restoration and business continuity planning for the Council's Integrated Financial Information System.

5.2 Social Services

An internal audit review within Social Services raised concerns for one unit where appropriate performance standards had not been established and consequently regular performance monitoring had not been completed. Weaknesses had occurred in the appointment process and in relation to the operation of imprest accounts, reconciliation of service user finances and income management.

The Commission for Social Care Inspection (CSCI) in its 2004 annual review raised concern over the Council's capacity to improve. Of particular concern was the impact of senior management turnover on the Council's ability to provide leadership and effective change management. CSCI noted the overspend in Social Services along with the Council's financial position.

CSCI also raised issues regarding the collection and accuracy of management data to ensure effective operational and resource management. Performance measures required strengthening for joint strategies for adults and older people.

CSCI noted that local partnership arrangements required strengthening to assist with performance monitoring. Improvements were also required to meet internal targets and external benchmarking.

Action plans have been agreed to address these issues. Ongoing monitoring of progress on these plans will be maintained by the relevant agencies, Internal Audit and management.



Stephen Lawes
Executive Director of Finance and Business Support
26 July 2005



Councillor Leo Thomson
Leader
26 July 2005