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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 the Accounting Principles** which shows the accounting policies adopted in compiling the accounting statements.

1.3 **A Statement of Responsibilities** for the Statement of Accounts

1.4 **A statement on the System of Internal Control**

1.5 **The Consolidated Revenue Account (CRA)** which shows the expenditure and income 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 Account also shows the funding sources of the resulting net expenditure from the Government and Local Taxpayers.

1.6 **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 generally 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.

1.7 **The Consolidated Balance Sheet** which shows the Council's assets and liabilities as at 31st March 2004.

1.8 **The Statement of Total Movements in Reserves** which brings together all the gains and losses in 2003/2004 separating the movements between revenue and capital reserves.

1.9 **The Collection Fund Account** which shows firstly the income and expenditure transactions relating to the collection of income from non-domestic rates and Council Tax and secondly the subsequent disbursement of the above to the Council's General Fund and various precepting bodies.

1.10 **The Cash Flow Statement** which summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

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

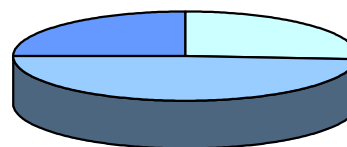
FOREWORD

2.1 Revenue Expenditure and Services Provided

2.1.1 Revenue Funding

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

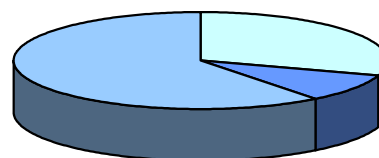
■ Council Tax and NNDR	£187M	26%
■ Government Grants	£352M	49%
■ Rents and Other Income	£180M	25%
	<u>£719M</u>	



2.1.2 Revenue Expenditure

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

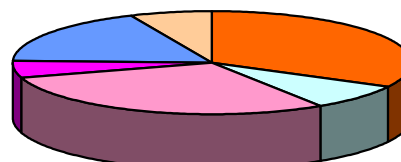
■ Employees	£216M	29%
■ Capital Financing Charges	£68M	13%
■ Running Expenses	£435M	58%
	<u>£719M</u>	



2.1.3 Services Provided

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

■ Housing Services	£235M	33%
■ Cultural and Environmental	£58M	8%
■ Education	£213M	29%
■ Highways, Roads and Transport	£38M	5%
■ Social Services	£128M	18%
■ Central Services	£47M	7%
	<u>£719M</u>	



FOREWORD

2.1.4 2003/2004 Budget and Actual Comparison

The main components of the general fund budget (excluding the HRA) for 2003/2004 and how these compare with the actual income and expenditure for the year are set out below

	Revised Budget £000	Outturn £000	Variance £000
Services net expenditure	345,374	347,512	2,138
Centrally held financing charges, contingencies and other items	(13,429)	(16,143)	(2,714)
Contribution to general reserves	-	576	576
Total	331,945	331,945	-

The services overspend of £2.1M arises largely from additional social services expenditure offset by underspends. The overspend has been reduced by £2.7M by capitalisation and other central items.

2.1.5 General Fund Balance

During the year there was a net increase of £0.454M in the general fund balance made up as follows :

	£000
Schools increase in balances	400
Other services increase in balances	54
Net increase	454

The general fund balance excluding school's balances of £8.262M is £2.206M as at 31st March 2004 (£2.152M at 31st March 2003).

2.2 Housing Revenue Account

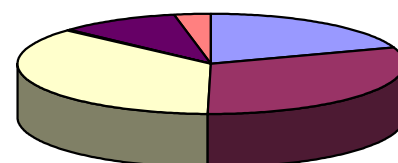
The Housing Revenue Account surplus of £1.5M is better than the revised estimated budget deficit of £2.8M by £4.3M. This increases the accumulated balances from £13.0M at 1st April 2003 to £14.5M at 31st March 2004.

2.3 Capital Expenditure

Capital expenditure for the year was £70.6M some £0.6M less than planned. The capital expenditure by service and it's financing is shown in the following diagrams.

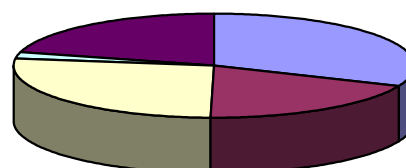
Service Expenditure

Environment	£13.9M	19.7%
Education	£21.7M	30.4%
Housing	£25.5M	36.4%
Housing Associations	£0.4M	0.5%
Resources	£7.0M	10.0%
Social Services	£2.1M	3.0%
	£70.6M	



Financed by

Borrowing	£22.6M	32.3%
Capital Grants	£13.7M	19.1%
Capital Receipts	£19.4M	27.4%
Other	£1.4M	2.0%
Major Repairs Reserve	£14.9M	21.3%
Decrease in creditors	-£1.4M	-2.1%
	£70.6M	



FOREWORD

3. Collection Fund

3.1 The collection fund had a deficit of £0.753M for the year which will be recovered as part of the budget strategy for 2005/06.

4. External Funding

4.1 The Council has continued to seek out and obtain external funding from a variety of sources in 2003/04 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 £5.3m.

4.2 The Action Acton Single Regeneration Budget Scheme was completed on 31st March 2004 having delivered a programme of some £47m over the past five years.

4.3 As part of the Safer Communities Initiative, the Government Office of London allocated over £1.1m (£547k in 2003/04) to the Council to tackle issues such as drugs abuse, anti-social behaviour and domestic violence.

4.4 The Children's Fund allocation for 2003/04 was £1.1M out of a total grant of £3.3M over the next three years to deal with issues such as child poverty rates.

4.5 The Neighbourhood Renewal Fund total grant from Central Government increased to £3.8M with £917K in 2003/04. The objective of this grant is to "improve outcomes in deprived areas".

4.6 Various grants totalling £1.7M contributed to the Council's Waste and Recycling Service and other ad hoc grants in 2003/04 totalled around £1M.

5 Future Prospects

5.1 The Council is in the process of a radical change to its service delivery arrangements which will provide a central point of contact for all services. The benefits of these new arrangements known as the Response Programme will begin towards the end of 2005 following the implementation of major information technology systems and business reorganisation.

5.2 The Council purchased its main administrative offices, Perceval House on the 1st April 2004 following the introduction of new capital financing legislation which will produce 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.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNT

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 Resources.

1.2 to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2. The responsibilities of the Executive Director of Resources

As the Executive Director of Resources I am responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2004.

In preparing this statement of accounts I have:

2.1 selected suitable accounting policies and then applied them consistently;

2.2 made judgements and estimates that were reasonable and prudent;

2.3 complied with the Code.


I have also:

2.4 kept proper accounting records which were up to date;

2.5 taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. The Executive Director of Resources' Certificate

I certify that the accounts set out on pages 11 to 43 present fairly the financial position of the London Borough of Ealing as at 31st March 2004 and its income and expenditure for the year then ended and that the accounts set out on pages 44 to 47 present fairly the net assets of the London Borough Pension Fund as at 31 March 2004 and its income and expenditure for the year then ended.



Stephen Lawes B.A. A.C.A.
Executive Director of Resources
20 August 2004

I confirm that these accounts were approved by the Cabinet at the meeting held on 31 August 2004
Signed on behalf of Ealing Council by the Leader of the Council, Councillor John Cudmore, Chair of the meeting approving the accounts



31 August 2004

INDEPENDENT AUDITORS' REPORT TO THE LONDON BOROUGH OF EALING

We have audited the financial statements on pages 14 to 43 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 13 and the Pension Fund accounts, on pages 46 to 47, which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 44 to 45.

This report is made solely to the London Borough of Ealing in accordance with section 2 of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the London Borough of Ealing those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Ealing 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 7 the Executive Director of Resources is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002.

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 financial statements present fairly:

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

We review whether the statement on internal control on pages 48 to 51 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal controls covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Council'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 financial statements 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

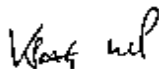
In our opinion the financial statements present fairly the financial position of the London Borough of Ealing as at 31 March 2004 and its income and expenditure for the year then ended.

Opinion on the Pension Fund Accounts

In our opinion the financial statements present fairly the financial transactions of the London Borough of Ealing Pension Fund during the year ended 31 March 2004, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

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



KPMG LLP
Chartered Accountants
London
22 April 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 2004. 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, and where reliable estimates of the amounts due can be made.

4. Reserves

These are amounts set aside for purposes falling outside the definition of provisions. The fixed asset restatement reserve, usable capital receipts and capital financing reserves 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 formally recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS).

Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

The asset values are shown on the following basis:

- (i) land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value except for HRA housing which is valued at existing use value adjusted by a Social Housing Factor
- (ii) non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value
- (iii) infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation
- (iv) assets with a value of less than £10,000 unless grouped together as a generic asset are considered to be below the de-minimis level and are not recorded on the asset register.

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.

STATEMENT OF ACCOUNTING PRINCIPLES

6. Redemption of Debt

Under legislative requirements the Council must ensure that there is a minimum revenue provision of 4% for the General Fund and 2% for the Housing Revenue Account (HRA) made in respect of debt outstanding. The balance necessary to achieve this provision has been made for all Services, excluding the HRA, by a charge to the General Fund. The 2% minimum provision for the HRA has been directly made in that account.

7. 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 4.625% for Infrastructure assets. The assets 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 a neutral impact on the amounts required to be raised from local taxation and government grants.

8. Deferred Charges

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 2003/2004 with the exception of the HRA loan restructuring premium which is to be written off over the life of the original HRA loans.

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 of the Council creates capital receipts. Under the Local Government and Housing Act 1989 the Council must set aside 75% of housing capital receipts for the purpose of repaying outstanding debt. The amounts set aside form part of the capital financing reserve. 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 being 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.

STATEMENT OF ACCOUNTING PRINCIPLES

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.

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 finance leases is recorded at note 20 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 different pension schemes which meet the needs of employees. Both the schemes 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. Because of 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.

THE CONSOLIDATED REVENUE ACCOUNT

2002/2003		2003/2004		
Net		Gross	Income	Net
Expenditure		Expenditure		Expenditure
£000		£000	£000	£000
3,420	Central services to the public	28,169	21,934	6,235
41,305	Cultural, environmental and planning services	57,951	14,417	43,534
164,271	Education services	212,765	42,354	170,411
20,471	Highways, roads and transport services	37,969	19,597	18,372
48,887	Housing services (note 1)	239,378	205,764	33,614
76,095	Social services	128,323	43,667	84,656
6,344	Corporate and democratic core	9,738	3,696	6,042
6,544	Non distributed costs	5,025	2	5,023
367,337	Net Service Expenditure	719,318	351,431	367,887
9,087	Levies (note 13)			9,685
(76)	Contribution to Provision for Bad Debts			-
90	Contribution to Housing Act Advances (note 7)			5
(57,929)	Asset Management Revenue Account (note 8)			(33,071)
(4,329)	Interest and Investment Income			(2,663)
159	Amortisation of Loan Premium			760
(28)	LRB Surplus			(134)
179	Final Contract Costs (note 9)			-
26,073	Interest Cost (Pensions)			27,724
(25,989)	Expected return on Pensions assets			(19,903)
-	Exceptional items - Response Service (note 20)			4,624
314,574	Net Operating Expenditure			354,914
(2,387)	Surplus / (deficit) transferred to HRA balances (note 1)			1,509
(1,306)	Contribution from other balances (note 4)			(671)
(1,984)	Contribution from specific reserves (note 11)			(1,636)
4,024	Contributions to / (from) Capital Financing Reserve (note 12)			(2,962)
5,052	Contribution to / (from) pension reserve			(3,162)
317,973	Total Net Expenditure			347,992
	Income from Gov't Grant and Local Taxpayers			
78,513	Collection Fund			98,903
138,993	Revenue Support Grant			161,257
92,274	Contribution from non-domestic rate pool			88,286
309,780	Total Income			348,446
(8,193)	Surplus for year			454
	GENERAL FUND NET REVENUE ACCOUNT			
18,207	Balance brought forward			10,014
(8,193)	Surplus / (deficit) for year			454
10,014	Balance carried forward (note 18)			10,468

The 2002/03 figures for the Net Service Expenditure have been restated to comply with the new accounting requirements under FRS 17 for retirement benefits

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:

2002/2003		2003/2004	
Net		Gross	Net
Expenditure		Expenditure	Expenditure
£000		£000	£000
20,743	General Fund Housing Services	121,397	17,782
28,144	Housing Revenue Account (HRA)	117,981	15,832
<u>48,887</u>	Total Housing Services	<u>239,378</u>	<u>33,614</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

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.

2002/2003		2003/2004
£000		£000
3,587	Non-housing provision - 4% of credit ceiling	3,902
2,905	Housing provision - 2% of credit ceiling	<u>2,625</u>
6,492	Minimum revenue provision	6,527
(5,719)	Less amount charged as depreciation	(7,244)
773	Excess transferred to capital financing reserve	(717)
(6,164)	Less amount charged to fund deferred charges	(6,193)
(96)	Less amount repaid by Thames Valley University	(86)
<u>(5,487)</u>		<u>(6,996)</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.

The Council limit on this type of expenditure for 2003/04 was £1.071M. There was no expenditure under these powers in 2002/03 or 2003/04.

4 Contribution from other balances

2002/2003		2003/2004
£000		£000
251	Ex-London Transport Sports Ground	-
1,055	Partnership Agreements (see note 16.3 to the Consolidated Balance Sheet)	671
<u>1,306</u>		<u>671</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 2002/2003	Remuneration Band	Number of Employees 2003/2004
31	£50,000 - £59,999	68
28	£60,000 - £69,999	17
-	£70,000 - £79,999	16
1	£80,000 - £89,999	1
5	£90,000 - £99,999	2
-	£100,000 - £109,999	3
-	£110,000 - £119,999	1
1	£120,000 - £129,999	-
-	£130,000 - £139,999	1
-	£140,000 - £149,999	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. Over the last 3 years a surplus of £1,000 has arisen.

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 Waste and Recycling Centre.

Net Expenditure 2002/2003 £000	Trading Accounts	Gross Expenditure 2003/2004 £000	Income 2003/2004 £000	Net Expenditure 2003/2004 £000
(5)	Building Control - Chargeable	997	996	1
481	Building Control - Non Chargeable	427	90	337
<u>476</u>		<u>1,424</u>	<u>1,086</u>	<u>338</u>
(233)	Off Street Car Parking	1,195	1,813	(618)
(45)	Trade Refuse	1,115	966	149

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. The loans outstanding to Housing Associations are reduced by estimated amounts of grant from the Government.

2002/2003 £000		2003/2004 £000
	INCOME	
56	Interest charged to mortgagors	19
37	Fees and charges	55
<u>93</u>		<u>74</u>
	Less EXPENDITURE	
106	Interest on loans	22
77	Management expenses	57
<u>183</u>		<u>79</u>
<u>(90)</u>	Appropriation from General Fund	<u>(5)</u>

8 Transactions on the Asset Management Revenue Account

2002/2003 £000		2003/2004 £000
	INCOME	
37,485	Capital Charges -General Fund	27,925
51,742	-Housing revenue account	39,987
106	-Other	22
6,714	Transfer from government grants-deferred account	3,991
<u>96,047</u>		<u>71,925</u>
	EXPENDITURE	
17,073	Provision for depreciation	18,904
21,045	External Interest Charges	19,950
<u>38,118</u>		<u>38,854</u>
<u>57,929</u>	Surplus to the consolidated revenue account	<u>33,071</u>

9 Final Contract Costs

These costs relate to the settlement of the contract that existed between the Council and Brown and Root Ealing Technical Services from 1 April 1994 and 31 March 1999 for the provision of services to the Council.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10 Members Allowances

The total of allowances paid to the members of the Council was £813,100 in 2003/2004 (£789,400 in 2002/2003)

11 Contribution to / (from) Specific Reserves

2002/2003 £000		2003/2004 £000
-	Contribution to Renewals Reserve	-
-	Contribution to Compensation for loss of office Reserve	1,134
(539)	Contribution from Insurance Reserve	(1,000)
(16)	Contribution from DSO Reserve	(39)
20	Contribution to Lessees Refunds Reserve	20
(452)	Contribution from Contractors Reserve	(2,722)
(1,204)	Contribution to / (from) Parking Place Reserve	393
(221)	Contribution from Tree Roots Reserve	-
-	Contribution to PFI Reserve	104
303	Contribution to / (from) Education Revenue Reserve	(303)
-	Contribution to Education New Opportunity Funding	115
-	Contribution to Education Standards Fund Contribution	587
125	Contribution to Greenford Cemetery Reserve	75
<u>(1,984)</u>		<u>(1,636)</u>

12 Contributions to Capital Financing Reserve

2002/2003 £000		2003/2004 £000
(5,487)	Excess of depreciation charges over the MRP (note 2)	(6,996)
6,714	Government Grants Deferred	3,991
2,797	Revenue Contributions to Capital Outlay	43
<u>4,024</u>		<u>(2,962)</u>

13 Levies

2002/2003 £000		2003/2004 £000
359	London Pension Fund	358
291	Lee Valley Park	299
1,657	Environment Agency	1,704
6,097	West Waste Authority	6,586
495	Greater London Magistrates Court	558
183	Coroners Services	175
5	Middx Area Advisory Committee	5
<u>9,087</u>		<u>9,685</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 it's 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 2001. Under Pension Fund Regulations contribution rates are set to meet the overall liabilities of the Fund.

14.4 The cost of retirement benefits are recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the consolidated revenue account (CRA) after net operating expenditure. The following transactions have been made in the CRA in the year.

	31 March 2003 £000	31 March 2004 £000
Net cost of services		
Current service cost	9,193	10,294
Past service costs / curtailment costs	2,747	2,833
Net Operating Expenditure		
Interest on pension liabilities	26,073	27,724
Expected return on assets	(25,989)	(19,903)
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	5,052	(3,162)
Actual amount charged against council tax for pensions in the year	<u>17,076</u>	<u>17,786</u>
Employers contributions payable to the scheme		

14.5 Three Council employees are members of the London Pension Fund Authority scheme which are not included and have 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 1st April 2000 the Council continues to make the payments directly from revenue. These amounted to £1.3M in 2003/2004 (£1.1M in 2002/2003) representing 1.5% (1.4% in 2002/2003) of pensionable pay. These payments have an outstanding capital liability of £23M (£21M in 2002/2003). For added year benefits approved after 1st April 2000 these have been dealt with by augmentation to pensions and met through the pension fund and a capital payment of £1.204M (£2.189M in 2002/2003) 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 2003/2004 the Council paid £6.6M (2002/2003 - £3.8M) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 13.5% (2002/2003 - 8.35%) 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 2003/2004 these amounted to £1.5M, (2002/2003 - £1.1M) representing 2.09% (2002/2003 - 2.31%) 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 31st March 2004 and the Board has £200,000 (2002/2003 £150,000) invested with the Council.
- ii) The 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 £1.5M in 2003/2004 (£0.7M in 2002/2003) for community transport and for recycling with the Council. The Register of Disclosures shows that he disclosed his 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 grant through Council decisions and records of their interests are shown in publicly available records.

16.4 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 2003/04 was £113,913. The Council's Housing Director acts as Managing Director of Locata Ltd on a non remunerative basis.

17 Audit Costs

In 2003/2004 the Council incurred the following fees relating to external audit and inspection

Fees payable to the Audit Commission appointed auditor with regard to external audit services carried out by the appointed auditor

Fees payable to the Audit Commission in respect of statutory inspection

Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns

2003/2004 £000
345
195
148
<u>688</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

18 Analysis of Surplus Carried Forward

2002/2003
£000
7,862
2,152
<u>10,014</u>

Locally managed schools balances not available for use by the Council
General revenue balances

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

2002/2003
£000
800
507
744
855
<u>2,906</u>

Staff Recruitment
Employees
Advertising
Printing, etc

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

20 Response Service

The Council has embarked on an ambitious program 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 £4,624K 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 1/11/2003. Ealing Council is the lead for the arrangement. A summary of spend for the financial year to 31/03/2004 is shown below in accordance with Audit Commission Pooled Funds certification instructions.

Expenditure
Integrated Community Equipment Scheme
Total Cost

Funding
Ealing Council
Ealing Primary Care Trust
Total Funding

Other Expenses £000	Staffing Costs £000	Total Costs £000
<u>308</u>	<u>98</u>	<u>406</u>
<u>308</u>	<u>98</u>	<u>406</u>
123	49	172
<u>185</u>	<u>49</u>	<u>234</u>
<u>308</u>	<u>98</u>	<u>406</u>

HOUSING REVENUE ACCOUNT

The Housing Revenue Account records the transactions relating to the provision and maintenance of Council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from Council Tax.

2002/2003 £000		2003/2004 £000
	INCOME	
52,328	Rents	52,213
48,096	HRA Subsidy (note 5)	47,656
1,213	Services and Facilities	1,133
154	Other Income	206
71	General Fund Contribution - Discretionary Rent Rebates	61
852	Transfer from Other Services	880
<u>102,714</u>		<u>102,149</u>
	EXPENDITURE	
18,069	Repairs and Maintenance	18,384
11,206	General Supervision	10,938
10,360	Special Supervision	9,051
6,121	Rents, Rates, Taxes and Other Charges	6,287
34,071	Rent Rebates	32,868
(711)	Provision for Bad and Doubtful Debts (note 1b)	466
53	Debt Management Expenses	53
40,335	Cost of Capital (note 8)	28,274
11,354	Depreciation (note 9)	11,660
<u>130,858</u>		<u>117,981</u>
28,144	Net Cost of Services	15,832
(30,366)	Adjusting transfer from the Asset Management Revenue Account (note 8)	(20,260)
309	Amortisation of Loan Premium	760
(1,803)	HRA Investment Income / Local Authority Mortgage Income	(963)
<u>(3,716)</u>	Net Operating Income	<u>(4,631)</u>
	Appropriations	
20	Contribution to Lessees Reserve	20
(16)	Contribution from Housing Management Reserve	-
397	Contribution to pension reserve	434
2,905	HRA set aside	2,625
2,797	Revenue Contributions to Capital	43
<u>2,387</u>	Housing Revenue Account (Surplus) / Deficit	<u>(1,509)</u>
(15,424)	Surplus - brought forward	(13,037)
<u>(13,037)</u>	Surplus - carried forward (note 10)	<u>(14,546)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Rent Arrears and Provision for Doubtful Debts

a) Rent Arrears

2002/2003		2003/2004
£000		£000
8,598	Council Managed Properties	8,336
610	Housing Association Managed Properties (net)	671
596	Temporary Accommodation (net)	193
471	Debts referred to the Council's central debt collection unit	670
<u>10,275</u>	Total	<u>9,870</u>

b) Provision for Doubtful Debts

2002/2003		2003/2004
£000		£000
8,555	Brought forward provision	7,300
(544)	Write-offs charged to provision	(39)
(711)	Write back of provision credited back to Revenue Account	466
<u>7,300</u>	Carried forward provision	<u>7,727</u>

2 Number of Dwellings within the HRA

2002/2003		2003/2004
1,978	Low Rise Flats (In blocks up to 2 storeys)	1,938
6,308	Medium Rise Flats (In blocks of 3, 4 or 5 storeys)	6,144
2,974	High Rise Flats (In blocks of 6 or more storeys)	2,915
3,138	Houses and Bungalows	3,061
147	Shared Dwellings	147
<u>14,545</u>	Total	<u>14,205</u>

3 Balance Sheet Values of HRA Assets

1 April 2003		31 March 2004
£000		£000
806,197	Council Dwellings	828,536
1,613	Other land & buildings	1,760
4,694	Other assets	5,122
<u>812,504</u>	Total	<u>835,418</u>

The vacant possession value of dwellings within the HRA as at 1 April 2003 is £1,677M. 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

2002/2003		2003/2004
£000		£000
5,918	Balance on Major Repairs Reserve at 1 April	4,969
11,354	Major Repairs Allowance received	11,660
(12,303)	MRA Used on Capital Projects	(14,918)
<u>4,969</u>	Balance on Major Repairs Reserve at 31 March	<u>1,711</u>

5 HRA Subsidy Received

2002/2003		2003/04	Prior Year Adjustment	Total Subsidy Received
£000		£000	£000	£000
23,952	Management and maintenance	25,256	-	25,256
16,018	Charges for capital	14,869	324	15,193
5,993	Other reckonable expenditure	6,047	-	6,047
(42,803)	Notional rents	(43,800)	-	(43,800)
(277)	Interest on receipts	(189)	-	(189)
<u>2,883</u>	Housing Element	<u>2,183</u>	<u>324</u>	<u>2,507</u>
11,354	Major repairs allowance	11,660	-	11,660
33,844	Rent rebates	33,569	(65)	33,504
15	Defective Housing Grants		(15)	(15)
<u>48,096</u>	Total HRA subsidy for the year	<u>47,412</u>	<u>244</u>	<u>47,656</u>

6 HRA Capital Expenditure and Receipts

2002/2003		2003/2004
Receipts £000	Expenditure £000	Receipts £000
358	-	1,271
19,920	27,955	26,743
<u>20,278</u>	<u>27,955</u>	<u>28,014</u>

Land	
Council Dwellings	
Total	

NOTES TO THE HOUSING REVENUE ACCOUNT

7 Capital expenditure financing

2002/2003		2003/2004
£000		£000
3,993	Loans	2,510
4,014	Capital Receipts	2,128
2,797	Revenue Charges	43
2,638	Capital Grants	1,916
12,303	Major Repairs Reserve	14,918
2,210	(Increase) / decrease in outstanding creditors	(1,876)
<u>27,955</u>		<u>19,639</u>

8 Capital Charges

The cost of capital charge represents a notional interest charge to the HRA for the financing of Council Housing and other HRA assets. It is calculated as 3.5% (6% in 2002/03) 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.

2002/2003		2003/2004
£000		£000
40,335	Cost of Capital	28,274
(30,366)	Adjusting transfer from AMRA (difference between cost of capital and current Item 8 debit excluding HRA set aside)	(20,260)
<u>9,969</u>		<u>8,014</u>

9 Depreciation Charge

2002/2003		2003/2004
£000		£000
11,288	Council Dwellings	11,587
66	Other assets	73
<u>11,354</u>		<u>11,660</u>

10 Analysis of HRA Surplus

Housing Revenue Account rent element
Central Heating element
Property Charges Reserve

Balance b/fwd	Surplus / (Deficit) in year	Balance c/fwd
£000	£000	£000
8,066	1,262	9,328
1,971	247	2,218
3,000	-	3,000
<u>13,037</u>	<u>1,509</u>	<u>14,546</u>

CONSOLIDATED BALANCE SHEET

2003		2004	
£000		£000	
1,356,397	Fixed Assets	(1)	1,412,568
536	Deferred Charges	(2)	8,832
45	Long Term Investments	(3)	47
2,569	Mortgagors	(4)	1,471
570	Other Long Term Debtors	(5)	460
1,360,117	Total Long Term Assets		1,423,378
Current Assets			
1,020	Works in Progress	(6)	624
72,948	Investments	(3)	82,405
60,424	Debtors	(7)	59,986
-	Cash at Bank and in hand		6,118
134,392			149,133
Less Current Liabilities			
(85,297)	Creditors	(8)	(87,400)
(22,952)	Short Term Loans	(9)	(56,024)
(627)	Cash and Bank Overdrawn		-
(108,876)			(143,424)
1,385,633	Total Assets Less Current Liabilities		1,429,087
(267,149)	Long Term Loans	(10)	(261,316)
(44,925)	Government Grants-Deferred		(55,790)
(3,599)	Provisions	(11)	(4,850)
(178,235)	Pension scheme liability		(123,253)
891,725	Total Assets less Liabilities		983,878
Financing:			
771,933	Fixed Asset Restatement Reserve	(12)	783,596
237,530	Capital Financing Reserve	(13)	266,128
11,888	Usable Capital Receipts and Grants	(14)	11,143
2,273	Deferred Capital Receipts	(15)	1,182
(178,235)	Pensions Reserve		(123,253)
46,205	Reserves and Balances	(16)	45,835
131	Collection Fund	(see page 40)	(753)
891,725			983,878

NOTES TO CONSOLIDATED BALANCE SHEET

1. Fixed Assets

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

	Balance at 1 April 2003 £000	Additions £000	Disposals £000	Revaluation £000	Depreciation £000	Balance at 31 March 2004 £000
Operational assets						
- Council dwellings	806,197	19,639	(18,203)	32,490	(11,587)	828,536
- Other land & buildings	468,829	24,036	(9,559)	13,555	(197)	496,664
- Vehicles, plant, etc	10,163	7,221	-	-	(3,591)	13,793
- Infrastructure assets	48,264	9,377	-	-	(3,452)	54,189
- Community assets	707	3,138	-	(3,138)	-	707
Non-operational assets	22,237	-	(5,392)	1,910	(76)	18,679
	<u>1,356,397</u>	<u>63,411</u>	<u>(33,154)</u>	<u>44,817</u>	<u>(18,903)</u>	<u>1,412,568</u>

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

	£000		£000
Loans	22,629	Fixed Assets	63,411
Revenue	43	Deferred Charges	
Major Repairs Reserve	14,918	Grants to Housing Associations	349
Capital Receipts	19,375	Improvement Grants	4,808
Capital Grants and other	13,657	Housing grants to tenants	1,080
Planning Gain	1,386	Redundancies	921
Outstanding Creditors	<u>(1,439)</u>		
	<u>70,569</u>		<u>70,569</u>

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

Housing

Standard Investment Estates	12,867
Major Investment Estates	3,892
Adaptations for the Disabled	1,447
Renovation Grants	4,680

Environment

Roads	2,307
Transportation and Community Improvement	5,485
Parks and Leisure Facilities	3,036
Street Lighting	1,543
Environmental Improvements	1,470

Social Services

Adaptations for People with Disabilities	401
Supported Accommodation Refurbishment	427

Education

Reorganisation of Special Schools	2,647
Hobdayne Primary Teaching Accommodation	1,121
Northolt Park Infants	961

Resources

Information Technology	1,042
Central Offices	889
Better ways of working	757
Redundancy	921

NOTES TO CONSOLIDATED BALANCE SHEET

1.4 The Council's major fixed assets are:-

	31 March 2003	31 March 2004
Council Dwellings	14,545	14,205
Town Halls	3	3
Offices	3	3
Depots and Workshops	2	2
Off-Street Car Parks	20	17
Public Conveniences	23	15
Swimming Baths (including School Baths)	8	8
Schools	81	80
Libraries	12	12
Museums	1	1
Parks and Recreation Grounds	837ha	837ha
Cemeteries	5	5
Social Services - Residential Homes/Hostels	18	18
- Day Centres	8	8

1.5 Capital Commitments

The capital commitments in the table below have been entered into by the Council at 31 March 2004 or represent approved future capital spending programmes. These commitments include:-

- i) Schemes which have already commenced and have incurred expenditure to 31 March 2004. 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.

	2004/2005 £000	2005/2006 £000	2006/2007 £000	Total £000
Corporate Services	418	116	-	534
Customer Engagement	1,370	610	-	1,980
Education	26,095	13,536	1,000	40,631
Environment	16,171	4,693	1,770	22,634
Housing	24,865	24,415	16,525	65,805
Resources	35,998	2,622	2,300	40,920
Response Programme	26,055	2,812	206	29,073
Social Services	1,820	1,400	-	3,220
Southall Property Strategy	220	4,775	2,000	6,995
Total	133,012	54,979	23,801	211,792

1.6 Fixed Asset Valuation

The freehold and leasehold properties which comprise the authority's property portfolio are valued on the undermentioned bases in accordance with the 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 Beheavell. 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 12). Impairment was considered when reviewing the value of assets but no adjustment was required.

NOTES TO CONSOLIDATED BALANCE SHEET

2. Deferred Charges

	Balance at 1 April 2003 £000	Expenditure £000	Amounts Discharged £000	Balance at 31 March 2004 £000
Grants to Housing Associations	-	349	349	-
Improvement grants to tenants	-	4,808	4,808	-
Housing grants to tenants	-	1,080	1,080	-
Loan Restructuring Premium	536	20,137	11,841	8,832
Redundancy Payments	-	921	921	-
Single Regeneration Budget - Contributions to External Organisations	-	474	474	-
	<u>536</u>	<u>27,769</u>	<u>19,473</u>	<u>8,832</u>

3. Investments

	31 March 2003 £000	31 March 2004 £000
Long Term: Maintenance of graves in perpetuity	2	2
Education trust funds	<u>43</u>	<u>45</u>
	<u>45</u>	<u>47</u>
Short Term: Temporary lending at cost	72,936	82,392
Education trust funds	<u>12</u>	<u>13</u>
	<u>72,948</u>	<u>82,405</u>

4. Long Term Debtors: Mortgagors

These are debts secured by mortgage and due after one year

	31 March 2003 £000	31 March 2004 £000
Council House Sales	2,258	1,197
Housing Associations	139	134
Individuals	<u>172</u>	<u>140</u>
	<u>2,569</u>	<u>1,471</u>

5. Long Term Debtors: Other

These are debtors which fall due after one year.

	31 March 2003 £000	31 March 2004 £000
Car Loans to Employees	497	402
Other	<u>73</u>	<u>58</u>
	<u>570</u>	<u>460</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 2003		31 March 2004	
	£000	£000	£000	£000
Government Departments	17,531		12,311	
Inland Revenue	1		1	
Other Public Authorities	412		546	
Payments in Advance	2,523		986	
Arrears:				
NNDR	4,444		4,391	
Council Tax	10,225		11,152	
Housing:				
Rent Arrears (including Housing Benefit overpayments)	8,598		8,336	
Housing Association Arrears	1		1	
Housing Association Grant Due	1,342		1,275	
Sundry Debtors	56,276	101,353	64,223	103,222
Less provision for bad and doubtful debts:				
NNDR	2,385		3,233	
Council Tax	6,793		8,019	
Sundry Debtors	20,600		20,483	
Council Tax and NNDR Costs	3,851		3,774	
Housing Rents	7,300	40,929	7,727	43,236
		<u>60,424</u>		<u>59,986</u>

NOTES TO CONSOLIDATED BALANCE SHEET

8. Creditors

Inland Revenue
Other Government Departments
Other Public Authorities
Deferred Income
Council Tax Payers
NNDR
Housing:
Rents
Mortgages
Sundry Creditors

31 March 2003 £000	31 March 2004 £000
3,656	4,506
11,721	7,313
1,804	31
6,461	7,433
2,095	2,278
3,357	4,201
3,871	3,656
502	710
51,830	57,272
<u>85,297</u>	<u>87,400</u>

9. Short Term Loans

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

31 March 2003 £000	31 March 2004 £000
152	20,391
22,800	35,633
<u>22,952</u>	<u>56,024</u>

10. Long Term Loans

Analysis of Loans by Type

Range of interest
rates payable
%

Market Loan	2.48 - 4.5
Public Works Loan Board	4.25 - 10.2

31 March 2003 £000	31 March 2004 £000
11,000	56,000
256,149	205,316
<u>267,149</u>	<u>261,316</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 2003 £000	31 March 2004 £000
-	5,833
-	8,333
45,000	2,750
222,149	244,400
<u>267,149</u>	<u>261,316</u>

NOTES TO CONSOLIDATED BALANCE SHEET

11. Provisions

Claims and self insurance
Private Sector Leasing

Balance at 1 April 2003 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2004 £000
3,560	5,820	4,530	4,850
39	-	39	-
<u>3,599</u>	<u>5,820</u>	<u>4,569</u>	<u>4,850</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 private sector leasing provision was used to cover costs incurred by the Council when terminating the leases taken out on properties used by the Council to accommodate homeless families. This was previously accounted for as a creditor.

12. Fixed Asset Restatement Reserve

2003 £000
673,352
129,389
(30,808)
<u>771,933</u>

Balance at 1 April
Revaluation and restatement of fixed assets
Disposal of fixed assets
Balance at 31 March

2004 £000
771,933
44,817
(33,154)
<u>783,596</u>

The system of capital accounting introduced from 1 April 1994 requires the establishment of the fixed asset restatement reserve. 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 Reserve

The capital financing reserve 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.

2003 £000
199,058
773
6,714
16,502
21,798
2,797
105
949
(1,480)
(9,686)
<u>237,530</u>

Balance at 1 April
Excess of minimum revenue provision over depreciation
Amortisation of government grants-deferred
Reserved capital receipts
Applied capital receipts
Direct revenue financing
Other financing
Contribution (to) / from major repairs reserve
Less loan repayments
Write down of deferred charges
Balance at 31 March

2004 £000
237,530
(717)
3,991
20,744
19,375
43
185
3,258
(41)
(18,240)
<u>266,128</u>

NOTES TO CONSOLIDATED BALANCE SHEET

14. Usable Capital Receipts and Grants

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

	Receipts	Grants and Other	Total
	£000	£000	£000
Balance at 1 April	6,186	5,702	11,888
Received in year	38,105	14,473	52,578
Applied during year	(19,375)	(13,204)	(32,579)
Transfer to capital financing reserve (see note 13 above)	(20,744)	-	(20,744)
Balance at 31 March	<u>4,172</u>	<u>6,971</u>	<u>11,143</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 2003 £000	31 March 2004 £000
16.1 Revenue Balances	23,970	26,124
16.2 Reserves	12,049	7,155
16.3 Other Balances	<u>10,186</u>	<u>12,556</u>
	<u>46,205</u>	<u>45,835</u>

16.1 Revenue Balances

	31 March 2003 £000	31 March 2004 £000
General Revenue Balances	2,152	2,206
Locally Managed Schools Balances	7,862	8,262
Housing Revenue Account	13,037	14,546
Lessees Central Heating Account	294	339
Education Balances	539	732
Control Accounts	<u>86</u>	<u>39</u>
	<u>23,970</u>	<u>26,124</u>

NOTES TO CONSOLIDATED BALANCE SHEET

16.2 Reserves

	Balance at 1 April 2003 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2004 £000
Private Finance Initiative Reserve	1,016	104	-	1,120
Education Revenue Reserve	303	-	303	-
Education New Opportunity Funding	-	115	-	115
Education Standards Fund Contribution	-	587	-	587
Insurance Reserve	1,831	-	1,000	831
Contractors Reserve	3,289	-	2,722	567
Renewals Reserve	-	160	160	-
Compensation for loss of office Reserve	-	2,339	1,205	1,134
DSO Reserves	39	-	39	-
Parking Places Reserve	295	3,455	3,062	688
Lessees Refunds Reserve	106	20	-	126
Greenford Cemetery Reserve	201	75	-	276
Sub total - general fund reserves	7,080	6,855	8,491	5,444
HRA Major Repairs Reserve	4,969	11,660	14,918	1,711
	<u>12,049</u>	<u>18,515</u>	<u>23,409</u>	<u>7,155</u>

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

The education revenue reserve was set up to fund the increase in education budgeted expenditure for 2003/04.

The other 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 is 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 DSO reserve was used to meet "one off" costs in respect of the planned implementation of new computer systems.

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 has been set up to fund future developments at the cemetery.

The major repairs reserve is used to fund housing stock 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 2003 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2004 £000
Insurance Reinstatement	1,508	1,193	-	2,701
Ex-London Transport Sports Ground	-	5	-	5
Partnership Agreements	7,826	3,533	2,499	8,860
Hull-Grundy Bequest Fund	151	9	11	149
Other Funds	701	381	241	841
	<u>10,186</u>	<u>5,121</u>	<u>2,751</u>	<u>12,556</u>

17 Pension Asset / Liability

As part of the terms and conditions of its officers and other 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 2001

The actuarial valuation for the pension fund was updated to 31 March 2004 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 £371.5M (2002/2003 - £281.7M) and the present value of the scheme's liabilities £494.7M (2002/2003 - £459.9M) was a deficit of £123.2M (2002/2003 - £178.2M) which is to be addressed through the next actuarial review in 2004. There were no material prepaid or accrued pensions contributions at 31 March 2004. It must also be noted that the values are shown at a particular point in time and can vary considerably over the long term.

The liabilities represent the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the Council as recorded in the balance sheet as a result of the overall deficit in the fund as shown above. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy because the deficit on the fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

NOTES TO THE CONSOLIDATED BALANCE SHEET

17 Pension Asset / 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 2001. The main assumptions used in their calculations are as follows:

	2002/2003 £M	2002/2003 %	2003/2004 £M	2003/2004 %
The main assumptions used in the calculation are as follows:				
Price Increases		2.5		2.8
Salary Increases		4.0		4.3
Pension Increases		2.5		2.8
Discount Rate		6.0		6.3
Assets are valued at fair value as follows:				
Equities	208.4	74.0	281.2	75.7
Bonds				
Government	33.8	12.0	-	-
Other	33.9	12.0	84.7	22.8
Other Assets				
Other	5.6	2.0	5.6	1.5
	<u>281.7</u>	<u>100.0</u>	<u>371.5</u>	<u>100.0</u>
Expected rate of return for each class of asset				
Equities		7.5		7.5
Bonds				
Government		4.5		4.7
Other		5.4		5.5
Other Assets				
Property		6.5		6.5
Other		3.8		4.0

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 14.6.

At 31 March 2004 the pension contributions due to the scheme in respect of the March 2004 salaries were £0.548M.

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 31 March

	2003 £000	2004 £000
General Fund	393,337	285,273
Housing Revenue Account	676,623	698,605
Balance at 31 March	<u>1,069,960</u>	<u>983,878</u>

19. Provision for Credit Liabilities (Memorandum Account)

Under the Local Government and Housing Act 1989 the Council is obliged to set aside sums which may be used to repay loans and meet liabilities on credit arrangements from revenue and capital receipts.

	2003 £000	2004 £000
Balance at 1 April	-	7,000
Minimum Revenue Provision: General Fund	3,587	3,902
: Housing Revenue Account	2,905	2,625
Capital receipts reserved	16,502	20,744
Less loan restructuring premium redeemed	(1,816)	(11,082)
Less external debt redeemed	(14,178)	(23,189)
Balance at 31 March	<u>7,000</u>	<u>-</u>

20. Capital Expenditure – Leasing

The Council holds various assets under finance and operating leases. No new finance leases have been entered into since June 1988. The finance lease rentals paid during the year amounted to £467 (2002/2003 - £940). The finance lease terminated at 31 March 2004.

One new operating lease was entered into in 2003/04. The rental paid during the year amounted to £2,483. Undischarged obligations under operating leases at 31 March 2004 amounted to £67,051.

21. Education Trust Funds

The Council administers nine education trust funds established in most cases to provide prizes for pupils annually. The total capital value of the funds is £44,463 (£42,478 in 2002/03) with revenue balances of £13,063 (£13,102 in 2002/03). The amounts are included in the total net assets of the general fund.

22. 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 Governing Bodies of the individual Foundation School.

23. Locata Ltd

Locata Ltd is a local authority controlled company which deals with lettings on behalf of the West London Partnership. For the year ended 31 March 2004 the total expenditure of the company was £789K and the total income was £769K. The company accounts have not been consolidated in the Council's accounts as the Council element of the turnover (£113,913) is not material and it has limited influence on the company being one of 5 local authorities and 3 housing associations with voting rights.

STATEMENT OF TOTAL MOVEMENT 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
	Fixed Asset Restatement Reserve	Capital Financing Reserve	Usable Capital Receipts	General Fund	Locally Unused Schools Balances	Specific Reserves	HRA	
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2003	771933	237530	6186	2152	7862	12049	13037	1050749
Net surplus/(deficit) for year	-	(11564)	-	54	400	(4894)	1552	(14452)
Unrealised surplus from fixed assets revaluation	44817	-	-	-	-	-	-	44817
Surplus/(deficit) from disposal of fixed assets (see below)	(33154)	20744	17361	-	-	-	-	4951
Financing of fixed assets	-	19418	(19375)	-	-	-	(43)	-
Balance at 31 March 2004	<u>783596</u>	<u>266128</u>	<u>4172</u>	<u>2206</u>	<u>8262</u>	<u>7155</u>	<u>14546</u>	<u>1086065</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			
Fixed Asset Restatement Reserve	Capital Financing Reserve	Usable Capital Receipts	Total
£000	£000	£000	£000
(33154)	-	-	(33154)
-	20744	17361	38105
<u>(33154)</u>	<u>20744</u>	<u>17361</u>	<u>4951</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 MOVEMENT 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 2003/2004 can be analysed into the following categories, measured as absolute amounts and as a percentage of the liabilities at 31 March 2004.

	2002/2003 £M	2002/2003 %	2003/2004 £M	2003/2004 %
Gain/(loss) in return on pension fund assets	(101,587)	(36.1)	58,144	20.6
Gain / loss in pension fund liabilities	-	-	-	-
Change in financial and demographic assumptions	-	-	-	-
	<u>(101,587)</u>	<u>(36.1)</u>	<u>58,144</u>	<u>20.6</u>

COLLECTION FUND

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2004

2002/2003 £000		2003/2004 £000
INCOME		
84,655	Income from Council Tax Payers (note 2)	105,263
14,466	Council Tax Benefits from General Fund	19,304
92,003	Income collectable from Business Rate Payers	86,294
2	Community Charge surplus to General Fund	1
191,126		210,862
EXPENDITURE		
78,513	Precepts: London Borough of Ealing	98,903
19,204	: Greater London Authority	24,949
279	Provision for uncollectable amounts	1,600
Business Rate		
91,513	Payment to the national pool (note 3)	85,799
490	Cost of collection	495
189,999		211,746
(996)	Balance at 1st April	131
1,127	Surplus / (deficit) for year	(884)
131	Fund surplus / (deficit) at 31 March	(753)

NOTES TO THE COLLECTION FUND

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 2003/2004 the Council set a tax of £1,114 on the standard (Band D) dwelling. The calculation of the Council Tax base is shown below.

Band	Estimated Number of Properties	Actual Number of Properties	Actual Band D Equivalents
A	2,071	2,027	1,351
B	10,086	9,870	7,677
C	24,260	23,738	21,101
D	36,015	35,241	35,241
E	19,269	18,856	23,046
F	8,363	8,184	11,821
G	6,081	5,951	9,918
H	800	783	1,565
	<u>106,945</u>	<u>104,650</u>	<u>111,720</u>

Council Tax Base

2003
£000
99,121
<u>(14,466)</u>
<u>84,655</u>

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

2004
£000
124,567
<u>(19,304)</u>
<u>105,263</u>

3. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. The analysis of the amounts shown in the accounts is set out below:-

2003
£000
111,821
2,233
<u>(16,375)</u>
<u>(4,249)</u>
<u>(673)</u>
<u>(1,244)</u>
<u>91,513</u>

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

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

CASH FLOW STATEMENT

2002/2003		2003/2004	
£000		£000	£000
198,430	Revenue Activities	215,278	
272,707	Cash Outflows	295,654	
19,204	Cash paid to and on behalf of employees	24,950	
118,338	Other operating cash payments	128,952	
87,631	Precepts paid	88,258	
<u>696,310</u>	Housing Benefit paid		753,092
	Non-domestic rates paid to National Pool		
	Cash Inflows		
(22,308)	Rents (after rebates)	(21,411)	
(83,978)	Council Tax receipts	(104,602)	
(92,274)	Non-domestic rate receipts from National Pool	(88,286)	
(95,620)	Local non-domestic rate receipts	(88,742)	
(138,993)	Revenue Support Grant	(161,257)	
(71,975)	DWP grants for rebates	(99,624)	
(124,412)	Other government grants (see note 1)	(143,159)	
(60,039)	Cash received for goods and services	<u>(77,571)</u>	(784,652)
<u>(689,599)</u>			
6,711	Net Cash (Inflow) / Outflow from Revenue Activities		(31,560)
	Servicing of Finance		
	Cash Outflows		
21,340	Interest paid	20,226	
1	Interest element of finance lease rental payments	1	
	Cash Inflows		
(4,818)	Interest received	<u>(1,175)</u>	19,052
<u>23,234</u>			<u>(12,508)</u>
	Capital Activities		
	Cash Outflows		
51,509	Purchase of fixed assets	50,312	
10,066	Capital cash payments	<u>7,709</u>	58,021
<u>61,575</u>			
	Cash Inflows		
(44,739)	Sale of fixed assets	(38,149)	
(20,995)	Capital grants received	<u>(16,464)</u>	(54,613)
<u>(65,734)</u>			<u>(9,100)</u>
19,075	Net Cash Inflow before Financing		
	Management of Liquid Resources		
(7,360)	Net increase / (decrease) in short term deposits		9,457
	Financing		
	Cash outflows		
153,270	Repayments of amounts borrowed	332,020	
	Cash inflows		
(16,000)	New loans raised	(39,030)	
(153,120)	New short term loans	<u>(300,092)</u>	(7,102)
<u>(4,135)</u>	(Increase) / decrease in cash		<u>(6,745)</u>

NOTES TO CASH FLOW STATEMENT

1. Other Government Grants

2002/2003		2003/2004
£000		£000
5,198	Children's Social Services	7,107
9,696	Education - Sixth Form Grant	11,662
67,633	Housing subsidy	76,330
14,739	Standards Fund	10,211
5,392	Asylum Seekers	4,273
21,754	Other Grants	33,576
<u>124,412</u>		<u>143,159</u>

2. Reconciliation of operating Deficit to the activities net cashflow

2002/2003		2003/2004
£000		£000
(9,446)	Total operating deficit	2,154
	Non cash transactions	
6,492	Minimum revenue provision	6,527
949	Major repairs allowance	3,258
-	Amortisation of Loans	759
2,797	Revenue contributions to capital outlay	43
	Funding from other balances	1,486
(2,933)	Contribution to /(from) reserves	(4,894)
	Accruals items	
(47)	(Increase) / decrease in stock and work in progress	392
(13,680)	(Increase) / decrease in debtors	548
(6,514)	Increase in creditors and provisions	2,235
	Items classified elsewhere	
15,671	Servicing of finance	19,052
<u>(6,711)</u>	Net cash inflow from revenue activities	<u>31,560</u>

3. Analysis of liquid resources and financing

Liquid Resources:
Temporary Investments

Financing:
Short term loans
Long term loans

Balance at 1 April 2003	Movement in year	Balance at 31 March 2004
£000	£000	£000
<u>72,948</u>	<u>9,457</u>	<u>82,405</u>
(22,952)	(33,072)	(56,024)
<u>(267,149)</u>	<u>5,833</u>	<u>(261,316)</u>
<u>(290,101)</u>	<u>(27,239)</u>	<u>(317,340)</u>

4. 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 2003	Cash inflow	Cash outflow	Balance at 31 March 2004
£000	£000	£000	£000
(267,149)		5,833	(261,316)
<u>(22,952)</u>	<u>(33,072)</u>		<u>(56,024)</u>
<u>(290,101)</u>	<u>(33,072)</u>	<u>5,833</u>	<u>(317,340)</u>
72,993	357,384	(347,925)	82,452
(627)	-	6,745	6,118
<u>(217,735)</u>	<u>324,312</u>	<u>(335,347)</u>	<u>(228,770)</u>

PENSION FUND ACCOUNTS – ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

Introduction

01 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.

02 The number of contributing members of the Fund as at 31st March 2004 was 6,511 (6,054 at 31st March 2003) whilst the number of pensioners, widows and dependants was 6,020 (5,855 at 31st March 2003). The Council is the administering authority to the scheme and has the major share of contributors and pensioners. The other bodies are Thames Valley University and 12 Foundation Schools. Two further bodies were admitted in the year, Superclean Services in May 2003 and West London Academy in September 2003. All these contribute to the Fund.

03 The Fund Managers at 31.03.2004 were Fidelity Pensions Management and UBS Global Investment.

Accounting Policies

04 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.

05 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.

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

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

08 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.

09 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 2004.
- 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 2003/04 there were 33 early retirements under this new rule (44 in 2002/03) and the sum credited to the Fund is £1.205M (£2.190M in 2002/03).

PENSION FUND

Actuarial Valuation

11 The Fund is valued by an independent actuary every 3 years. An independent valuation was carried out by William F. Mercer as at 31 March 2001. It showed an excess of liabilities over assets of £65.9M. 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 2001. Assets amounted to £365.5M representing 85% of the Fund's accrued (past service) liabilities of £431.4M.

12 The contribution required from the Council and other bodies was 285% in proportion to members' contributions during 2003/04 (260% in 2002/03), 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	5.6 %	6.5%
Earnings Growth	3.8%	4.0%
Price Inflation	2.3%	2.5%

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 2004 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 2004 was £179.78M (2002/03 - £141.2M) and £190.0M (2002/03 - £148.8M) 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 £174.7M (2002/03 - £137.5M) and purchases £181.8M (2002/03 - £177.1M).

18 The contributions receivable from the other bodies were £2.2M (2002/03 - £2.1M) and from the administering authority £20.1M (2002/03 - £17.2M). 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 revised Statement of Investment Principles for Ealing Pension Fund was approved by the Trustees of the Fund on 7th May 2003 and was circulated to all the parties concerned and is available to any other interested party.

PENSION FUND ACCOUNTS

2002/2003 £000	REVENUE ACCOUNT	2003/2004 £000
	INCOME	
	Contributions Receivable:	
13,736	Employers' Contributions	16,436
5,608	Employees' Contributions	6,130
4,254	Transfer Values Received	5,685
2,190	Other Income (note 10)	1,205
<u>25,788</u>		<u>29,456</u>
	EXPENDITURE	
	Benefits Payable:	
16,202	Retirement Pensions	16,836
3,605	Retirement Grants	1,671
275	Death Grants	67
	Payment to and on account of leavers:	
5,320	Transfer Values Paid	5,084
107	Refunds of Contributions and Interest	19
	Administration and other expenses:	
687	Administrative expenses	925
<u>26,196</u>		<u>24,602</u>
(408)	Net additions / (withdrawals) from dealings with members	4,854
	Returns on investments	
10,031	Investment Income	8,506
(90,824)	Change in market value of investments (realised and unrealised)	72,459
(817)	Investment management expenses	(920)
<u>(81,610)</u>	Net returns on investments	<u>80,045</u>
(82,018)	Net increase / (decrease) in the fund during the year	84,899
370,789	Net assets of the scheme at 1st April	288,771
<u>288,771</u>	Net assets of the scheme at 31st March	<u>373,670</u>

PENSION FUND ACCOUNTS

2002/2003 £000	NET ASSETS STATEMENT AT 31ST MARCH	2003/2004 £000
	INVESTMENTS AT MARKET VALUE	
	Fixed Interest Securities	
29,734	UK Government	83,766
38,954	Other UK	1,868
927	Foreign	-
	Index Linked Securities	
-	UK Government	-
-	UK Other	-
-	Foreign	-
	Listed Equities	
136,834	UK	165,552
19,801	North America	54,582
25,687	Europe	38,494
11,287	Japan	15,923
12,548	Pacific	5,803
7,564	Emerging Markets	3,685
	Other Investments	
102	Venture Capital	125
	Cash Deposits	
6,481	Money Market Instruments	
4,482	Cash at bank	
<u>294,401</u>	Total Investments	<u>369,798</u>
	CURRENT ASSETS AND LIABILITIES	
	Fund Management	
	Debtors	
184	Tax Receivable	-
1,644	Dividends Due	1,617
45,156	Unsettled Sales	215
	Creditors	
(52,972)	Unsettled Purchases	(539)
<u>(5,988)</u>		<u>1,293</u>
<u>288,413</u>	TOTAL Fund Management (external) Assets	<u>371,091</u>
218	Debtors	208
951	Cash in Hand	2,582
(811)	Creditors	(211)
<u>358</u>		<u>2,579</u>
<u>288,771</u>		<u>373,670</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. In discharging this responsibility Council Members and senior officers are responsible for putting in place proper arrangements for the governance of Ealing Council's affairs and the stewardship of the resources at its disposal.

2. The purpose of the system of internal control

The Corporate Board acknowledges responsibility for the system of internal control and the management of risk within the Council by powers conferred by Members.

Control systems have been designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. A review of the internal control environment can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control has been in place for the year ended 31 March 2004 and up to the date of approval of the annual accounts.

3. The internal control environment

The Internal Audit Code of Practice states that the internal control environment should comprise three key areas: governance, risk management and internal control.

Ealing Council has adopted a constitution that is consistent with the principles of good corporate governance and a system of internal financial control based on regular management information, formal policies encompassing operational activities, including delegation of authorities, management supervision, and a system of delegation and accountability. The system includes:

- Management and reporting arrangements to satisfy itself that the approach taken to corporate governance is both adequate and effective in practice;

- Service planning and an annual budget subject to prioritisation and variation as approved by the Council;

- Establishing and monitoring the achievement of the Council's objectives through regular performance management information across all service areas underpinned by service and personal objectives;

- Regular corporate and departmental budget monitoring reports that provide relevant, reliable and up-to-date financial information;

- Forecasts and a budget that allow Corporate Board and management to monitor business risks and financial objectives and progress towards financial plans for the year and medium-term;

- Explicit capital expenditure and receipt guidelines;

- Strategic risk management framework and processes;

- Formal review and authorisation by cabinet or sub-committees of the Council of all significant new initiatives, major commitments and investment projects;

- Experienced and suitably qualified staff who take responsibility for important business functions; and

- Twice annual job performance reviews that include personal training and development plans, to maintain standards of performance.

In order to ensure compliance with policies, procedures, laws and regulations, senior managers are delegated with the responsibility to develop, maintain and operate effective control systems.

4. Review of effectiveness

Ealing Council conducts, 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 work of performance management, internal audit and other internal review functions and by comments made by the external auditors and other review agencies and inspectorates.

The review of effectiveness for 2003/04 is based upon the following reviews and documents:

- Review of governance, in accordance with the CIPFA/SOLACE framework;
- Performance management information;
- Head of Audit annual report;
- Letters of Representation from departmental Finance Directors and the Director of Corporate Finance;
- Third party assurances; and
- Strategic risk management processes implemented to date.

Ealing Council has carried out an internal corporate governance review. Many of the documents, policies and procedures required to show full compliance with the framework were already in place, or under development at the time of the review. A corporate governance action plan has been developed and is being implemented to address areas of concern such as risk management and consultation.

The Executive Director of Resources and the Council's Monitoring Officer have responsibility for monitoring and reviewing the operation of the constitution and reporting on any changes that may be necessary to maintain it and ensure its effectiveness in practice. Both officers are satisfied that the corporate governance arrangements are adequate and are operating effectively. Wherever opportunities for improving the constitution are identified, changes are recommended to full Council and implemented as soon as possible.

Each year, the Council publishes its annual Best Value Performance Plan, this details how the Council is delivering services, including priorities, performance and future plans. The Council's vision has been translated into six strategic objectives that drive the Corporate Board objectives and operational service plans. Key performance indicators are published in the annual best value performance plan, and are evaluated and controlled throughout the year by management and monitored by both Executive and Scrutiny members. In addition, management carry out best value reviews each year to consider how the council can improve services. The organisation is also subject to a comprehensive external inspection regime undertaken by bodies such as the Audit Commission, OFSTED and the Commission for Social Care Inspectors.

At the request of management, the Audit Commission completed a review of the Response programme aimed at improving council services, during April 2004. The report recognised the amount of work undertaken in planning and developing the programme, however a number of residual risks were noted which are referred to in the next section.

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. The internal audit service 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 audit plan for 2003/2004 was based on the three-year audit needs assessment approved by Cabinet in July 2002; modifications have been made to the original plan to reflect changing risk priorities identified through audit planning meetings, member reports, organisational changes and the results of previous audit reviews.

4. Review of effectiveness (continued)

The Performance & Audit Panel reviews audit plans and arrangements, the annual audit letter and internal audit activity reports and recommendations. The Panel have reviewed the effectiveness of the system of internal control having due regard to the Head of Audit report for 2003/04. The Panel also took account of appropriate assurances from the Letters of Representation and third party assurances contained within the report.

In April 2004, risk management within Ealing was rated internally as fair because the framework had been established and implemented to a primary level during 2003/2004. As at 31 March 2004 awareness of controls assurance and risk management had been increased for staff and members through training and facilitated workshops. Around 50% of directorates and departments had completed operational risk registers by 31 March 2004.

Between the year-end and the signing of this statement:

A number of other risk registers were completed, bringing the total completion to around 85%; and
Corporate Board has begun to compile the first Strategic Risk Register.

The strategic risk register and the operational risk registers require validation and checks on the consistency of risk prioritisation before reporting to members. Therefore it is not yet possible to determine the definitive list of principal risks.

The Council has established the foundations to ensure that the risk management protocols recommended in the CIPFA/SOLACE Framework are fully implemented. This will achieve a stronger risk management framework that provides regular information on principal risks and issues to Corporate Board, cabinet and sub-committees. Internal audit will base the three-year audit needs assessment from 2005/2006 on the risk management work to provide the necessary evidence of an effective system of internal control.

5. Significant internal control issues

The following significant internal control issues have been acknowledged:

- a. The need to fully embed the risk management process, particularly self assessment and reporting at Corporate Board and Member level;
- b. Control of spending in demand-led areas, particularly with respect to inadequate ICT systems in areas such as social services, given the reduced estimated balances for the council at March 2004.
- c. Weaknesses in some areas of the financial and budgetary control systems although these did not result in significant gaps within the financial control framework due to the rapid implementation of management budget action plans;
- d. Lack of HR and management information about staff and the level of staff sickness, and reliance on temporary staff; and
- e. Inability of members to monitor the capital programme and progress of asset disposals against targets for the capital funding for Response.

6. Plans for 2004/2005

In the coming year it is planned to work on the areas identified below in order to reduce the risks to achieving the council's objectives and ensure that a full statement on internal control can be prepared for 2004/2005 in line with the Accounts & Audit Regulations 2003:

- Implement zero-based budgets based on revised Service Plans;

- Robust performance and management information through Performance Plus software; inspection and review findings to be incorporated into service plans and personal objectives to establish a single co-ordinated planning and improvement process;

- Development of an enhanced system for officer delegated powers;

- Further develop the Council's assurance framework to ensure effective control of current and emerging risks, including the appointment of a dedicated Risk Coordinator;

- Review of business continuity plans to minimise the effects of an interruption to the Council's operations in the event of natural disaster or other disruption to one or more critical business functions or resources;

- Delivery of tailored Council-wide, user, partner and contractor communication, consultation and marketing strategies;

- HR management strategy for the restructured council including a review of job descriptions and person specifications for all posts; and development of recruitment and training protocol;

- Improved officer understanding of and compliance with Contract Procedure Rules; and

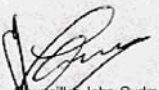
- Strengthening the system for recording declarations of interests and hospitality for officers.

7. Conclusion

We are satisfied that the council's system of internal control has been effective throughout 2003/2004 and up to the date of this statement. We are satisfied that the management action plans will address the issues that were identified in our internal control review and we will continue to review the implementation of our control systems to ensure continuous improvement.



Gillian Guy
Chief Executive



Councillor John Cudmore
Leader