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PART 1 - FOREWORD

1. Accounting Statements

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

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

1.1.2 **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.

1.1.3 **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.

1.1.4 **The Consolidated Balance Sheet** which shows the Council's assets and liabilities as at 31st March 2003.

1.1.5 **The Statement of Total Movements in Reserves** which brings together all the gains and losses in 2002/2003 separating the movements between revenue and capital reserves.

1.1.6 **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.

1.1.7 **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.

1.1.8 **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.

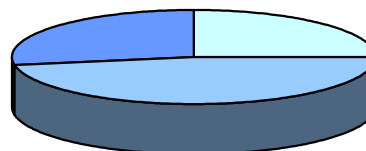
FOREWORD

2.1 Revenue Expenditure and Services Provided

2.1.1 Revenue Funding

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

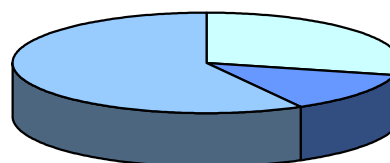
□ Council Tax and NNDR	£171M	25%
□ Government Grants	£325M	47%
□ Rents and Other Income	£189M	28%



2.1.2 Revenue Expenditure

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

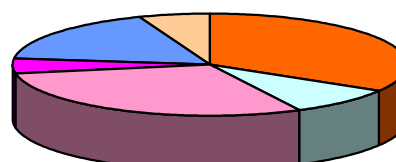
□ Employees	£198M	29%
□ Capital Financing Charges	£89M	13%
□ Running Expenses	£398M	58%



2.1.3 Services Provided

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

□ Housing Services	£231M	33%
□ Cultural and Environmental	£60M	9%
□ Education	£204M	30%
□ Highways, Roads and Transport	£33M	5%
□ Social Services	£116M	17%
□ Central Services	£41M	6%



2.1.4 2002/2003 Budget and Actual Comparison

The main components of the general fund budget (excluding the HRA) for 2002/2003 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	328,045	336,575	8,530
Centrally held financing charges, contingencies and other items	(29,191)	(34,029)	(4,838)
Contribution from general reserves	(4,450)	(8,142)	(3,692)
Total	294,404	294,404	-

The services overspend of £8.5M arises largely from additional social services expenditure and additional provisions for old debt. The overspend has been reduced by £2.4M by actions such as using alternative sources of capital finance to reduce the impact on the general fund.

FOREWORD

2.1.5 General Fund Balance

During the year there was a net decrease of £8.193M in the general fund balance made up as follows :

	£000
Schools increase in balances	1,834
Other services decrease in balances	<u>(10,027)</u>
Net decrease	<u>(8,193)</u>

The general fund balance excluding school's balances of £7.862M is £2.152M as at 31st March 2003 (£12.179M 31st March 2002).

2.2 Housing Revenue Account

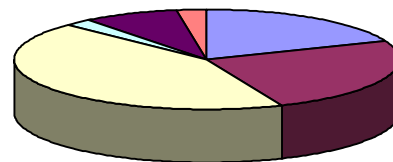
The Housing Revenue Account deficit of £2.4M is better than the revised estimated budget deficit of £3.4M by £1.0M. This reduces the accumulated balances from £15.4M at 1st April 2002 to £13.0M at 31st March 2003.

2.3 Capital Expenditure

The capital expenditure for the year was £77.0M some £3.8M more than planned largely due to the capitalisation of eligible expenditure as part of the budget strategy. The capital expenditure by service and it's financing is shown in the following diagrams.

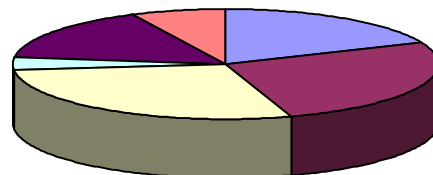
Service Expenditure

<input type="checkbox"/>	Environment	£14.6M	19%
<input type="checkbox"/>	Education	£19.0M	25%
<input type="checkbox"/>	Housing	£33.5M	44%
<input type="checkbox"/>	Housing Associations	£1.7M	2%
<input type="checkbox"/>	Resources	£6.3M	8%
<input type="checkbox"/>	Social Services	£1.9M	2%



Financed by

<input type="checkbox"/>	Borrowing	£14.2M	19%
<input type="checkbox"/>	Capital Grants	£20.4M	26%
<input type="checkbox"/>	Capital Receipts	£21.8M	28%
<input type="checkbox"/>	Revenue	£2.8M	4%
<input type="checkbox"/>	Major Repairs Reserve	£12.3M	16%
<input type="checkbox"/>	Increase in creditors	£5.5M	7%



3. Collection Fund

3.1 The collection fund had a surplus of £1.127M for the year transferring the deficit on the account as at 31st March 2002 of £0.996M to a surplus as at 31st March 2003 of £0.131M.

4. External Funding

4.1 The Council has continued to seek out and obtain from a variety of sources external funding during 2002/2003 in addition to implementing programmes that are the result of successful bids in previous years.

4.2 The Action Acton Regeneration Partnership is now in its fifth year of implementing a regeneration programme of some £47M.

4.3 The Council has been allocated £2M over three years commencing 1st April 2002 from the Government's Neighbourhood Renewal Fund "to improve outcomes in deprived areas" and approximately £1M on a number of other Government funded projects from 1st April 2003.

4.4 The Council has entered into a Local Public Service Agreement with the Government and has been awarded a grant of approximately £1M with an opportunity for further grant of up to £7M if agreed objectives are met.

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 2003.

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 12 to 40 present fairly the financial position of the London Borough of Ealing as at 31st March 2003 and its' income and expenditure for the year then ended and that the accounts set out on pages 41 to 44 present fairly the net assets of the London Borough Pension Fund as at 31 March 2003 and its' income and expenditure for the year then ended.



Stephen Lawes B.A. A.C.A.
Executive Director of Resources
23 December 2003

I confirm that these accounts were approved by the Council at the meeting held on 25 September.
Signed on behalf of Ealing Council by the Mayor of the Council, Councillor Gurcharan Singh, Chair of the meeting approving the accounts



25 September 2003

Ealing Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, 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.

Ealing Council has adopted a constitution that is consistent with the principles of good corporate governance. A copy of the constitution is on our website at www.ealing.gov.uk or is available for inspection at the Town Hall.

Ealing Council has in place appropriate management and reporting arrangements to satisfy itself that the approach taken to corporate governance is both adequate and effective in practice. Ealing Council has carried out a corporate governance audit and has developed a corporate governance action plan that is currently being implemented. 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. We are satisfied that the corporate governance arrangements are adequate and are operating effectively.

The Corporate Board acknowledges responsibility for the system of internal control and the management of risk within the Council by the powers conferred by Members. Control systems have been designed to enable managers to manage risks associated with delivering business objectives and to provide reasonable assurance against material misstatement or loss. Key elements include:

Formal policies encompassing operational activities, including delegation of authorities, which are designed to provide effective internal control;

Experienced and suitably qualified staff take responsibility for important business functions. Twice annual job performance reviews that include personal training and development plans, have been established to maintain standards of performance;

Forecasts and budgets are prepared which allow the Corporate Board and management to monitor the key business risks and financial objectives, and progress toward financial plans for the year and the medium term;

Regular budget monitoring reports are prepared providing relevant, reliable and up-to-date financial and other information. Significant variances from budget are investigated as appropriate;

Quarterly business reviews which facilitate Corporate Board's review and assessment of performance and risks in each department;

All significant new initiatives, major commitments and investment projects are subject to formal review and authorisation, through Cabinet and/or sub committees of the Council;

Scrutiny Committee reviews audit plans and arrangements, the annual audit letter and internal audit activity reports and recommendations.

During the past year, Council Scrutiny Committee has received regular reports from the Internal Audit Department covering the Council's internal control systems. The Internal Audit Department has completed an annual review of the effectiveness of the council's key financial and internal control systems. No significant weaknesses were found in the system of internal controls.

There are aspects of corporate governance and internal control where enhancements will continue to be progressed over the coming year. These include development, implementation or updating of the:

- Partnership Framework
- Community Strategy
- Communication and Consultation Strategy
- Council Wide Performance Management System
- Procurement Strategy
- Scheme of Delegations
- Complaints Procedure
- Risk Management Framework
- Risk Management Reviews

We are satisfied that these steps will address the issues that were identified in our Corporate Governance review and we will continue to review the implementation and operation of our control systems.



Gillian Guy
Chief Executive

INDEPENDENT AUDITORS' REPORT TO THE LONDON BOROUGH OF EALING

We have audited the financial statements on pages 12 to 40 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 12 to 13 and the Pension Fund accounts, on pages 41 to 44, which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 41 to 42.

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 the corporate governance statement on pages 8 and 9 and report if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance arrangements 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.

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.

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

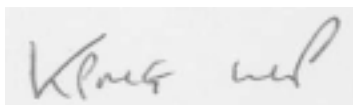
In our opinion the financial statements present fairly the financial position of the London Borough of Ealing as at 31 March 2003 and its income and expenditure for the year then ended.

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 2003, 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
16 February 2004

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 2003. 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 are considered to be below the de-minimus 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.

6. Redemption of Debt

Under the Local Government and Housing Act 1989, 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 charge of 6% based on the net amount at which the fixed asset is included in the balance sheet 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 2002/2003 with the exception of the loan restructuring premium which is to be written off over the life of the replacement borrowing for non HRA borrowing and over the life of the original loans for HRA borrowing in accordance with the guidance given by the CIPFA Capital Accounting Working Group.

STATEMENT OF ACCOUNTING PRINCIPLES

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

FRS 15 has been implemented from 1 April 2001. 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	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.

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. Stocks and Work-in-Progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value in accordance with SSAP 9.

14. 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.

15. 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 19 to the Balance Sheet. The amount of lease rentals paid during the year and an estimate of the undischarged leasing obligations is also shown on the note. Lease rentals are charged to the appropriate revenue accounts.

16. 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.

17. 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

2001/2002		2002/2003		
Net		Gross	Income	Net
Expenditure		Expenditure	Expenditure	Expenditure
£000		£000	£000	£000
4,921	Central services to the public	26,804	22,168	4,636
39,731	Cultural, environmental and planning services	59,735	17,246	42,489
155,101	Education services	204,317	37,528	166,789
17,492	Highways, roads and transport services	32,658	12,035	20,623
40,509	Housing services (note 1)	231,040	181,149	49,891
78,054	Social services	116,479	38,656	77,823
6,052	Corporate and democratic core	10,316	3,891	6,425
2,512	Unapportionable central overheads	3,797	-	3,797
<u>344,372</u>	Net Service Expenditure	<u>685,146</u>	<u>312,673</u>	<u>372,473</u>
8,662	Levies (note 7)			9,087
(540)	Council Tax Benefit Contribution			-
619	Contribution to Provision for Bad Debts			(76)
(18)	Contribution from Housing Act Advances (note 8)			90
(41,928)	Asset Management Revenue Account (note 9)			(57,929)
(3,794)	Interest and Investment Income			(4,329)
367	Amortisation of Loan Premium			159
(4)	LRB Housing Mortgages			(28)
790	Final Contract Costs (note 10)			179
<u>308,526</u>	Net Operating Expenditure			<u>319,626</u>
(8,274)	Deficit transferred to HRA balances (note 1)			(2,387)
(662)	Contribution from other balances (note 4)			(1,306)
4,016	Contribution to / (from) specific reserves (note 14)			(1,984)
8,013	Contributions to Capital Financing Reserve (note 15)			4,024
<u>311,619</u>	Total Net Expenditure			<u>317,973</u>
	Income from Gov't Grant and Local Taxpayers			
74,209	Collection Fund			78,513
147,508	Revenue Support Grant			138,993
83,706	Contribution from non-domestic rate pool			92,274
<u>305,423</u>	Total Income			<u>309,780</u>
<u>(6,196)</u>	Deficit for year			<u>(8,193)</u>
	GENERAL FUND NET REVENUE ACCOUNT			
24,403	Balance brought forward			18,207
(6,196)	Deficit for year			(8,193)
<u>18,207</u>	Balance carried forward (note 11)			<u>10,014</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1 Housing Revenue Services

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

2001/2002		2002/2003		
Net Expenditure		Gross Expenditure	Income	Net Expenditure
£000		£000	£000	£000
15,631	General Fund Housing Services	99,785	78,435	21,350
24,878	Housing Revenue Account (HRA)	131,255	102,714	28,541
<u>40,509</u>	Total Housing Services	<u>231,040</u>	<u>181,149</u>	<u>49,891</u>
(8,274)	Deficit transferred from HRA balances			(2,387)

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.

2001/2002		2002/2003		
£000		£000		£000
3,305	Non-housing provision - 4% of credit ceiling	3,587		3,587
3,197	Housing provision - 2% of credit ceiling	2,905		2,905
<u>6,502</u>	Minimum revenue provision	<u>6,492</u>		6,492
(4,250)	Less amount charged as depreciation	(5,719)		(5,719)
2,252	Excess transferred to capital financing reserve	773		773
(4,672)	Less amount charged to fund deferred charges	(6,164)		(6,164)
(115)	Less amount repaid by Thames Valley University	(96)		(96)
<u>(2,535)</u>		<u>(5,487)</u>		(5,487)

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 2002/03 was £1.072M. There was no expenditure under these powers in 2001/02 or 2002/03.

4 Contribution from other balances

2001/2002		2002/2003	
£000		£000	
0	Ex-London Transport Sports Ground	251	
662	Partnership Agreements	1,055	
<u>662</u>		<u>1,306</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 2001/2002	Remuneration Band	Number of Employees 2002/2003
31	£50,000 - £59,999	31
13	£60,000 - £69,999	28
1	£70,000 - £79,999	-
4	£80,000 - £89,999	1
1	£90,000 - £99,999	5
1	£120,000 - £129,999	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 £6,000 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 2001/2002 £000	Trading Accounts	Gross Expenditure 2002/2003 £000	Income 2002/2003 £000	Net Expenditure 2002/2003 £000
3	Building Control - Chargeable	889	894	(5)
359	Building Control - Non Chargeable	494	13	481
<u>362</u>		<u>1,383</u>	<u>907</u>	<u>476</u>
(41)	Off Street Car Parking	761	994	(233)
(202)	Trade Refuse	1,418	1,463	(45)

7 Levies

2001/2002 £000		2002/2003 £000
369	London Pension Fund	359
286	Lee Valley Park	291
1,630	Environment Agency	1,657
(19)	Mortlake Crematorium Board	-
5,801	West Waste Authority	6,097
441	Greater London Magistrates Court	495
168	Coroners Services	183
(14)	Middx Area Advisory Committee	5
<u>8,662</u>		<u>9,087</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

8 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. Interest charged to mortgagors has reduced following significant repayments during 2002/2003. The loans outstanding to Housing Associations are reduced by estimated amounts of grant from the Government.

2001/2002 £000		2002/2003 £000
	INCOME	
129	Interest charged to mortgagors	56
77	Fees and charges	37
<u>206</u>		<u>93</u>
	Less EXPENDITURE	
114	Interest on loans	106
74	Management expenses	77
<u>188</u>		<u>183</u>
<u>18</u>	Appropriation to/ (from) General Fund	<u>(90)</u>

9 Transactions on the Asset Management Revenue Account

2001/2002 £000		2002/2003 £000
	INCOME	
25,850	Capital Charges -General Fund	37,485
51,400	-Housing revenue account	51,742
114	-Other	106
1,321	Transfer from government grants-deferred account	6,714
<u>78,685</u>		<u>96,047</u>
	EXPENDITURE	
15,669	Provision for depreciation	17,073
21,088	External Interest Charges	21,045
<u>36,757</u>		<u>38,118</u>
<u>41,928</u>	Surplus to the consolidated revenue account	<u>57,929</u>

10 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

11 Analysis of Surplus Carried Forward

2001/2002 £000		2002/2003 £000
6,028	Locally managed schools balances not available for use by the Council	7,862
12,179	General revenue balances	2,152
<u>18,207</u>		<u>10,014</u>

12 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:-

2001/2002 £000		2002/2003 £000
685	Staff Recruitment	800
593	Employees	507
828	Advertising	744
913	Printing, etc	855
<u>3,019</u>		<u>2,906</u>

13 Members Allowances

The total of allowances paid to the members of the Council was £789,400 in 2002/2003 (£793,200 in 2001/2002)

14 Contribution to / (from) Specific Reserves

2001/2002 £000		2002/2003 £000
(410)	Contribution from Renewals Reserve	-
(157)	Contribution from Insurance Reserve	(539)
-	Contribution from DSO Reserve	(16)
-	Contribution to Lessees Refunds Reserve	20
3,741	Contribution to / (from) Contract Reserve	(452)
(132)	Contribution from Parking Place Reserve	(1,204)
(118)	Contribution to / (from) Tree Roots Reserve	(221)
1,016	Contribution to PFI Reserve	-
-	Contribution to Education Revenue Reserve	303
76	Contribution to Greenford Cemetery Reserve	125
<u>4,016</u>		<u>(1,984)</u>

15 Contributions to Capital Financing Reserve

2001/2002 £000		2002/2003 £000
(2,535)	Excess of depreciation charges over the MRP (note 2)	(5,487)
1,321	Government Grants Deferred	6,714
9,227	Revenue Contributions to Capital Outlay	2,797
<u>8,013</u>		<u>4,024</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16 Pension Costs

(i) Teachers - In 2002/2003 the Council paid £3.8M (2001/2002 - £3.7M) to the Department for Education and Skills in respect of teachers' pension costs, which represented 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 2002/2003 these amounted to £1.1M, (2001/2002 - £1.1M) representing 2.31% (2001/2002 - 2.12%) of pensionable pay.

(ii) Other Employees - In 2002/2003 the Council paid an employer's contribution of £12.3M (2001/2002 - £11.8M) into the Pension Fund (a local government final salary pension scheme), representing 15.4% (2001/2002 - 15.4%) of pensionable pay. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The review under which the above 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. The latest full actuarial valuation of the pension fund at 31 March 2001 showed an excess of liabilities over assets of £66M.

(iii) FRS 17 - The actuarial valuation for the pension fund was updated to 31 March 2003 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 £281.7M (2001/2002 - £356.3M) and the present value of the scheme's liabilities £459.9M (2001/2002 - £438M) that have not been shown on the balance sheet was a deficit of £178.2M (2001/2002 - £81.7M) which, whilst having no immediate effect on the Authority's reserves, is to be addressed through the next actuarial review in 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 main assumptions used in the calculation are as follows:

	2001/2002	2001/2002	2002/2003	2002/2003
		%		%
Price Increases		2.5		2.5
Salary Increases		4.0		4.0
Pension Increases		2.5		2.5
Discount Rate		6.0		6.0

Assets are valued at fair value as follows:

	£M	%	£M	%
Equities	258.7	72.6	208.40	74.0
Bonds				
Government	67.7	19.0	33.85	12.0
Other			33.85	12.0
Other Assets				
Property	29.9	8.4	-	-
Other			5.60	2.0
	<u>356.3</u>	<u>100.0</u>	<u>281.7</u>	<u>100.0</u>

		as at 01/04/02		as at 31/03/03
		%		%
Equities		8.0		7.5
Bonds				
Government)	6.0)	4.5
Other))	5.4
Other Assets				
Property)	4.0)	6.5
Other))	3.8

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16 Pension Costs - continued

Movements in surplus / (deficit) during the year	£000	
Deficit at beginning of year	(81,700)	
Current Service Cost	(9,193)	
Employers contributions	17,076	
Past service costs / curtailment costs	(2,747)	
Net interest / return on assets	(84)	
Actuarial loss	(101,587)	
Deficit at end of year	(178,235)	
Finance		
Expected return on assets	25,989	
Interest on pension liabilities	(26,073)	
Net cost	(84)	
	£000	%
Statement of Actuarial Gains and Losses		
Asset loss	(101,587)	(36.1 of assets)
Liability gain / loss	-	0
Change in assumptions	-	0
	(101,587)	(22.1 of liabilities)

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.

(iv) Added Years - 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 £1.1M in 2002/2003 (£1.4M in 2001/2002) representing 1.4% (1.9% in 2001/2002) of pensionable pay. These payments have an outstanding capital liability of £21M (£24M in 2001/2002). 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 £2.189M (£0.954M in 2001/2002) 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.

17 Related Party Transactions

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

17.2 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.

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

i) The Environment (to 31 December 2002) and Housing (from 1 January 2003) Group's Finance Director acted as the Mortlake Crematorium's Board's Treasurer for the year to 31st March 2003 and the Board has £150,000 (2001/2002 £300,000) invested with the Council.

ii) The Cabinet member for Transport and Sustainable Development is employed as Chief Executive of the ECT Group which had contracts with a declared net value of £0.696M in 2002/2003 (£1.408M in 2001/2002) 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.

17.4 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 transactions with Locata Ltd in 2002/03 were £67,000. The Council's Housing Director acts as Managing Director of Locata Ltd on a non remunerative basis.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account summarises 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.

2001/2002		2002/2003
£000		£000
	INCOME	
52,101	Rents	52,328
49,005	HRA Subsidy (note 6)	48,096
1,293	Services and Facilities	1,213
146	Other Income	154
79	General Fund Contribution - Discretionary Rent Rebates	71
656	Transfer from Other Services	852
<u>103,280</u>		<u>102,714</u>
	EXPENDITURE	
16,610	Repairs and Maintenance	18,069
10,737	General Supervision	11,490
9,930	Special Supervision	10,473
6,060	Rents, Rates, Taxes and Other Charges	6,121
33,595	Rent Rebates	34,071
(174)	Provision for Bad and Doubtful Debts (note 1b)	(711)
1,159	Prior Year Adjustment (note 3)	-
42	Debt Management Expenses	53
38,780	Cost of Capital (note 9)	40,335
11,419	Depreciation (note 10)	11,354
<u>128,158</u>		<u>131,255</u>
24,878	Net Cost of Services	28,541
(27,582)	Adjusting transfer from the Asset Management Revenue Account (note 9)	(30,366)
249	Amortisation of Loan Premium	309
(1,695)	HRA Investment Income / Local Authority Mortgage Income	(1,803)
<u>(4,150)</u>	Net Operating Income	<u>(3,319)</u>
	Appropriations	
-	Contribution to Lessees Reserve	20
-	Contribution from Housing Management Reserve	(16)
3,197	HRA set aside	2,905
9,227	Revenue Contributions to Capital	2,797
<u>8,274</u>	Housing Revenue Account Deficit	<u>2,387</u>
<u>(23,698)</u>	Surplus - brought forward	<u>(15,424)</u>
<u>(15,424)</u>	Surplus - carried forward (note 11)	<u>(13,037)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Rent Arrears and Provision for Doubtful Debts

a) Rent Arrears

2001/2002 £000		2002/2003 £000
9,146	Council Managed Properties	8,598
543	Housing Association Managed Properties (net)	610
455	Temporary Accommodation (net)	596
561	Debts referred to the Council's central debt collection unit	471
<u>10,705</u>	Total	<u>10,275</u>

b) Provision for Doubtful Debts

2001/2002 £000		2002/2003 £000
9,873	Brought forward provision	8,555
(1,144)	Write-offs charged to provision	(544)
(174)	Write back of provision credited back to Revenue Account	(711)
<u>8,555</u>	Carried forward provision	<u>7,300</u>

2 Number of Dwellings within the HRA

2001/2002		2002/2003
2,038	Low Rise Flats (In blocks up to 2 storeys)	1,978
6,471	Medium Rise Flats (In blocks of 3, 4 or 5 storeys)	6,308
3,038	High Rise Flats (In blocks of 6 or more storeys)	2,974
3,200	Houses and Bungalows	3,138
148	Shared Dwellings	147
<u>14,895</u>	Total	<u>14,545</u>

3 Adjustments for Accrual Accounting

In January 1999 the Government allowed Local Authorities to charge to the HRA an amount in respect of the prior year adjustment, which was accounted for in 1993/1994 as a charge to the general fund, which arose as a result of moving to accounting for interest charges on an accruals, rather than cash basis. Ealing Council made this charge to the HRA over 3 years, from 1st April 1999, with a corresponding credit to the general fund. The then DTLR had issued a special determination to enable the Council to make a charge of £1.3M in 1999/2000 and £1.2M in 2000/2001 and 2001/2002. In previous years this amount was shown as part of the capital financing charges.

NOTES TO THE HOUSING REVENUE ACCOUNT

4 Balance Sheet Values of HRA Assets

1 April 2002 £000		31 March 2003 £000
670,989	Council Dwellings	806,197
1,264	Other land & buildings	1,613
3,678	Other assets	4,694
<u>675,931</u>	Total	<u>812,504</u>

The vacant possession value of dwellings within the HRA as at 1 April 2002 is £1,397M. The balance sheet value is lower to reflect the effect of providing council housing at less than open market rents.

5 Housing Major Repairs Reserve

2001/2002 £000		2002/2003 £000
-	Balance on Major Repairs Reserve at 1 April	5,918
11,419	Major Repairs Allowance received	11,354
(5,501)	MRA Used on Capital Projects	(12,303)
<u>5,918</u>	Balance on Major Repairs Reserve at 31 March	<u>4,969</u>

6 HRA Subsidy Received

2001/2002 £000		2002/03 £000	Prior Year Adjustment £000	Total Subsidy Received £000
22,273	Management and maintenance	23,952	-	23,952
18,019	Charges for capital	15,791	227	16,018
5,892	Other reckonable expenditure	5,993	-	5,993
26	Tenant participation compacts allow	-	-	-
73	Resource accounting allowance	-	-	-
(42,074)	Notional rents	(42,803)	-	(42,803)
(349)	Interest on receipts	(277)	-	(277)
316	Prior year adjustment	-	-	-
<u>4,176</u>	Housing Element	<u>2,656</u>	<u>227</u>	<u>2,883</u>
11,419	Major repairs allowance	11,354	-	11,354
33,380	Rent rebates	33,961	(117)	33,844
30	Defective Housing Grants	-	15	15
<u>49,005</u>	Total HRA subsidy for the year	<u>47,971</u>	<u>125</u>	<u>48,096</u>

The prior year adjustment made in 2001/02 was in respect of a write back of the 1997/98 HRA subsidy provision.

NOTES TO THE HOUSING REVENUE ACCOUNT

7 HRA Capital Expenditure and Receipts

2001/2002			2002/2003	
Receipts	Expenditure		Receipts	Expenditure
£000	£000		£000	£000
460	-	Land	358	-
16,529	15,877	Council Dwellings	19,920	27,955
<u>16,989</u>	<u>15,877</u>	Total	<u>20,278</u>	<u>27,955</u>

8 Capital expenditure financing

2001/2002		2002/2003
£000		£000
1,289	Loans (credit approvals)	3,993
-	Capital Receipts	4,014
9,246	Revenue Charges	2,797
400	Capital Grants	2,638
5,501	Major Repairs Reserve	12,303
(559)	(Increase) / decrease in outstanding creditors	2,210
<u>15,877</u>		<u>27,955</u>

9 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 6% 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.

2001/2002		2002/2003
£000		£000
38,780	Cost of Capital	40,335
(27,582)	Adjusting transfer from AMRA (difference between cost of capital and current Item 8 debit excluding HRA set aside)	(30,366)
<u>11,198</u>		<u>9,969</u>

10 Depreciation Charge

2001/2002		2002/2003
£000		£000
11,357	Council Dwellings	11,288
62	Other assets	66
<u>11,419</u>		<u>11,354</u>

11 Analysis of HRA Surplus

	Balance b/fwd	Surplus / (Deficit) in year	Balance c/fwd
	£000	£000	£000
Housing Revenue Account rent element	7,763	303	8,066
Central Heating element	1,872	99	1,971
Capital Expenditure Reserve	2,789	(2,789)	-
Property Charges Reserve	3,000	-	3,000
	<u>15,424</u>	<u>(2,387)</u>	<u>13,037</u>

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET		AS AT 31 March 2003	
2002		See Note	2003
£000			£000 £000
1,205,941	Fixed Assets	(1)	1,356,397
2,352	Deferred Charges	(2)	536
45	Long Term Investments	(3)	45
4,330	Mortgagors	(4)	2,569
663	Other Long Term Debtors	(5)	570
<u>1,213,331</u>	Total Long Term Assets		<u>1,360,117</u>
	Current Assets		
1,414	Works in Progress	(6)	1,020
80,308	Investments	(3)	72,948
45,959	Debtors	(7)	<u>60,424</u>
<u>127,681</u>			134,392
	Less Current Liabilities		
(86,682)	Creditors	(8)	(85,297)
(6,302)	Short Term Loans	(9)	(22,952)
(4,762)	Cash and Bank Overdrawn		<u>(627)</u>
<u>(97,746)</u>			(108,876)
<u>1,243,266</u>	Total Assets Less Current Liabilities		<u>1,385,633</u>
(267,949)	Long Term Loans	(10)	(267,149)
(30,027)	Government Grants-Deferred		(44,925)
(3,351)	Provisions	(11)	(3,599)
<u>941,939</u>	Total Assets less Liabilities		<u>1,069,960</u>
	Financing:		
673,352	Fixed Asset Restatement Reserve	(12)	771,933
199,058	Capital Financing Reserve	(13)	237,530
6,450	Usable Capital Receipts and Grants	(14)	11,888
2,842	Deferred Capital Receipts	(15)	2,273
61,233	Reserves and Balances	(16)	46,205
(996)	Collection Fund	(see page 37)	131
<u>941,939</u>			<u>1,069,960</u>

NOTES TO CONSOLIDATED BALANCE SHEET

1. Fixed Assets

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

	Balance at 1 April 2002 £000	Additions £000	Disposals £000	Revaluation £000	Depreciation £000	Balance at 31 March 2003 £000
Operational assets						
- Council dwellings	670,989	27,955	(15,034)	133,575	(11,288)	806,197
- Other land & buildings	464,360	22,080	(12,338)	(5,080)	(193)	468,829
- Vehicles, plant, etc	6,592	6,150	-	-	(2,579)	10,163
- Infrastructure assets	40,248	10,949	-	-	(2,933)	48,264
- Community assets	707	1,814	-	(1,814)	-	707
Non-operational assets	23,045	-	(3,436)	2,708	(80)	22,237
	<u>1,205,941</u>	<u>68,948</u>	<u>(30,808)</u>	<u>129,389</u>	<u>(17,073)</u>	<u>1,356,397</u>

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

	£000		£000
Loans	14,223	Fixed Assets	68,948
Revenue	2,797	Deferred Charges	
Major Repairs Reserve	12,303	Grants to Housing Associations	1,688
Capital Receipts	21,798	Improvement Grants	5,220
Capital Grants	17,708	Redundancy	1,121
Planning Gain	2,638		
Outstanding Creditors	5,510		
	<u>76,977</u>		<u>76,977</u>

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

	£000
Housing	
External Fabric	9,964
Major Investment Estate	9,665
Adaptations for the Disabled	901
Security, Safety, Energy & Minor Improvements	6,236
Renovation Grants	5,115
Environment	
Roads	2,831
Transportation and Community Improvement	4,990
Parks and Leisure Facilities	961
Street Lighting	3,139
Environmental Improvements	1,199
Social Services	
Adaptations for People with Disabilities	247
Vehicle Purchases	371
Education	
Reorganisation of Special Schools	1,924
Featherstone High School - Sport Lottery project	1,567
Horsenden Primary School Replacement	3,928
City Learning Centre - Acton High School	700
Resources	
Information Technology	3,220
CCTV	681
Better ways of working	901
Redundancy	1,121

NOTES TO CONSOLIDATED BALANCE SHEET

1.4 The Council's major fixed assets are:-

	31 March 2002	31 March 2003
Council Dwellings	14,895	14,545
Town Halls	3	3
Offices	3	3
Depots and Workshops	2	2
Off-Street Car Parks	20	20
Public Conveniences	23	23
Swimming Baths (including School Baths)	8	8
Schools	81	81
Libraries	12	12
Museums	1	1
Parks and Recreation Grounds	837ha	837ha
Cemeteries	5	5
Social Services - Residential Homes/Hostels	20	18
- Day Centres	13	8

1.5 Capital Commitments

The capital commitments in the table below have been entered into by the Council at 31 March 2003 or represent approved future capital spending programmes. These commitments include:-

- i) Schemes which have already commenced and have incurred expenditure to 31 March 2003. 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.

	2003/2004	2004/2005	2005/2006	2006/2007	Later Years	Total
	£000	£000	£000	£000	£000	£000
Corporate Services	166	418	116	-	-	700
Customer Engagement	4,750	4,080	1,940	-	-	10,770
Education	24,868	21,086	16,982	3,610	-	66,546
Environment	17,352	3,971	3,368	1,770	-	26,461
Housing	24,794	24,885	24,215	-	-	73,894
Resources	2,573	3,312	1,772	-	-	7,657
Social Services	2,124	1,600	1,350	-	-	5,074
Total	76,627	59,352	49,743	5,380	-	191,102

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 9). 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 2002 £000	Expenditure £000	Amounts Discharged £000	Balance at 31 March 2003 £000
Grants to Housing Associations	-	1,688	1,688	-
Improvement grants to tenants	-	5,220	5,220	-
Loan Restructuring Premium	2,352	-	1,816	536
Redundancy Payments	-	1,121	1,121	-
Single Regeneration Budget - Contributions to External Organisations	-	641	641	-
	<u>2,352</u>	<u>8,670</u>	<u>10,486</u>	<u>536</u>

3. Investments

Long Term: Maintenance of graves in perpetuity
Education trust funds

Short Term: Temporary lending at cost
Education trust funds

31 March 2002 £000	31 March 2003 £000
2	2
<u>43</u>	<u>43</u>
45	45
80,296	72,936
12	12
<u>80,308</u>	<u>72,948</u>

4. Long Term Debtors: Mortgagors

These are debts secured by mortgage and due after one year

Council House Sales
Housing Associations
Individuals
Land Sales

31 March 2002 £000	31 March 2003 £000
2,793	2,258
1,237	139
199	172
101	-
<u>4,330</u>	<u>2,569</u>

5. Long Term Debtors: Other

These are debtors which fall due after one year.

Car Loans to Employees
Other

31 March 2002 £000	31 March 2003 £000
611	497
52	73
<u>663</u>	<u>570</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 2002		31 March 2003	
	£000	£000	£000	£000
Government Departments	14,393		17,531	
Inland Revenue	1		1	
Other Public Authorities	412		412	
Payments in Advance	632		2,523	
Arrears:				
NNDR	4,657		4,444	
Council Tax	9,999		10,225	
Housing:				
Rent Arrears (including Housing Benefit overpayments)	9,146		8,598	
Housing Association Arrears	1		1	
Housing Association Grant Due	1,374		1,342	
Sundry Debtors	<u>50,719</u>	91,334	<u>56,276</u>	101,353
Less provision for bad and doubtful debts:				
NNDR	2,865		2,385	
Council Tax	7,645		6,793	
Sundry Debtors	22,513		20,600	
Council Tax and NNDR Costs	3,797		3,851	
Housing Rents	<u>8,555</u>	<u>45,375</u>	<u>7,300</u>	<u>40,929</u>
		<u>45,959</u>		<u>60,424</u>

NOTES TO CONSOLIDATED BALANCE SHEET

8. Creditors

Inland Revenue
Other Government Departments
Other Public Authorities
Deferred Income
Ratepayers
Council Tax Payers
NNDR
Housing:
Rents
Mortgages
BRETS (contractors final settlement)
Sundry Creditors

31 March 2002 £000	31 March 2003 £000
3,974	3,656
18,170	11,721
108	1,804
6,525	6,461
17	-
1,721	2,095
2,053	3,357
2,950	3,871
347	502
3,600	-
47,217	51,830
<u>86,682</u>	<u>85,297</u>

9. Short Term Loans

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

31 March 2002 £000	31 March 2003 £000
302	152
6,000	22,800
<u>6,302</u>	<u>22,952</u>

10. Long Term Loans

Analysis of Loans by Type

Range of interest
rates payable
%

Market Loan
Public Works Loan Board

3.85 - 4.5
4.25 - 10.2

31 March 2002 £000	31 March 2003 £000
-	11,000
267,949	256,149
<u>267,949</u>	<u>267,149</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 2002 £000	31 March 2003 £000
-	-
-	-
42,000	45,000
225,949	222,149
<u>267,949</u>	<u>267,149</u>

NOTES TO CONSOLIDATED BALANCE SHEET

11. Provisions

Claims and self insurance
Private Sector Leasing

Balance at 1 April 2002 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2003 £000
3,336	4,217	3,993	3,560
15	25	1	39
<u>3,351</u>	<u>4,242</u>	<u>3,994</u>	<u>3,599</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 is 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

2002
£000
520,304
170,920
(17,872)
<u>673,352</u>

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

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

2002
£000
178,443
2,252
1,321
12,808
7,616
9,246
-
(5,918)
(138)
(6,572)
<u>199,058</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

2003
£000
199,058
773
6,714
16,502
21,798
2,797
105
949
(1,480)
(9,686)
<u>237,530</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	1,134	5,316	6,450
Received in year	43,352	18,094	61,446
Applied during year	(21,798)	(17,708)	(39,506)
Transfer to capital financing reserve (see note 13 above)	(16,502)	-	(16,502)
Balance at 31 March	<u>6,186</u>	<u>5,702</u>	<u>11,888</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 2002 £000	31 March 2003 £000
16.1 Revenue Balances	34,350	23,970
16.2 Reserves	14,982	12,049
16.3 Other Balances	11,901	10,186
	<u>61,233</u>	<u>46,205</u>

16.1 Revenue Balances

	31 March 2002 £000	31 March 2003 £000
General Revenue Balances	12,179	2,152
Locally Managed Schools Balances	6,028	7,862
Control Accounts	67	86
HRA Revenue Balance	15,424	13,037
Lessees Central Heating Account	277	294
Education Balances	375	539
	<u>34,350</u>	<u>23,970</u>

NOTES TO CONSOLIDATED BALANCE SHEET

16.2 Reserves

	Balance at 1 April 2002 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2003 £000
Private Finance Initiative Reserve	1,016	-	-	1,016
Education Revenue Reserve	-	303	-	303
Insurance Reserve	2,370	-	539	1,831
Contractors Reserve	3,741	9	461	3,289
Renewals Reserve	-	262	262	-
Compensation for loss of office reserve	-	2,974	2,974	-
DSO Reserves	55	-	16	39
Parking Places Reserve	1,499	1,796	3,000	295
Lessees Refunds Reserve	86	20	-	106
Greenford Cemetery Reserve	76	125	-	201
Tree Roots Damage Reserve	221	550	771	-
Sub total - general fund reserves	9,064	6,039	8,023	7,080
HRA Major Repairs Reserve	5,918	11,354	12,303	4,969
	<u>14,982</u>	<u>17,393</u>	<u>20,326</u>	<u>12,049</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 has been set up to fund the increase in education budgeted expenditure for 2003/04.

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 was 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 is 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 Tree Roots Damage Reserve has now been transferred to the claims and self insurance provision and liabilities arising will be met from there.

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

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 2002 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2003 £000
Insurance Reinstatement	1,508	-	-	1,508
Ex-London Transport Sports Ground	247	4	251	-
Partnership Agreements	9,306	2,217	3,697	7,826
Hull-Grundy Bequest Fund	157	9	15	151
Other Funds	683	245	227	701
	<u>11,901</u>	<u>2,475</u>	<u>4,190</u>	<u>10,186</u>

NOTES TO CONSOLIDATED BALANCE SHEET

17. Analysis of Net Assets Employed

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

	2002 £000	2003 £000
General Fund	406,978	393,337
Housing Revenue Account	534,961	676,623
Balance at 31 March	<u>941,939</u>	<u>1,069,960</u>

18. 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.

	2002 £000	2003 £000
Balance at 1 April	-	-
Minimum Revenue Provision: General Fund	3,305	3,587
: Housing Revenue Account	3,197	2,905
Capital receipts reserved	12,808	16,502
Less loan restructuring premium redeemed	-	(1,816)
Less external debt redeemed	(19,310)	(14,178)
Balance at 31 March	<u>-</u>	<u>7,000</u>

19. 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 £940 (2001/2002 - £3,848). The undischarged obligation for the one remaining finance lease at 31 March 2003 is £940.

The gross book value of assets held under finance leases at 31 March 2003 is £125,282. The accumulated depreciation for these assets totals £85,464 (2001/2002 - £259,467). The depreciation is calculated on a reducing balance method. The finance lease will end during 2003/2004 with disposal of all the vehicles.

No new operating leases were entered into in 2002/2003. The operating lease rentals paid during the year amounted to £291,732 (2000/2001 - £455,715). Undischarged obligations under operating leases at 31 March 2003 amounted to £107,328 (2001/2002 - £395,694).

20. 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 £42,478 (£42,374 in 2001/02) with revenue balances of £13,102 (£12,465 in 2001/02). The amounts are included in the total net assets of the general fund.

21. Foundation Schools

Fixed assets and long term liabilities relating to Foundation Schools created by the School Standards and Framework Act 1998 are not shown on the consolidated balance sheet as they remain vested in the Governing Bodies of the individual Foundation School.

22. 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 2003 the total expenditure of the company was £870K and the total income was £922K. The company accounts have not been consolidated in the Council's accounts as the Council element is not material (£67K) 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 2002	673,352	199,058	1,134	12,179	6,028	14,982	15,424	922,157
Net surplus/(deficit) for year	-	(2,625)	-	(10,027)	1,834	(2,933)	410	(13,341)
Unrealised surplus from fixed assets revaluation	129,389	-	-	-	-	-	-	129,389
Surplus/(deficit) from disposal of fixed assets (see below)	(30,808)	16,502	26,850	-	-	-	-	12,544
Financing of fixed assets	-	24,595	(21,798)	-	-	-	(2,797)	-
Balance at 31 March 2003	771,933	237,530	6,186	2,152	7,862	12,049	13,037	1,050,749

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
(30,808)	-	-	(30,808)
-	16,502	26,850	43,352
(30,808)	16,502	26,850	12,544

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.

COLLECTION FUND

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2003

2001/2002 £000		2002/2003 £000
INCOME		
78,458	Income from Council Tax Payers (note 2)	84,655
13,736	Council Tax Benefits from General Fund	14,466
95,521	Income collectable from Business Rate Payers	92,003
5	Community Charge surplus to General Fund	2
<u>187,720</u>		<u>191,126</u>
EXPENDITURE		
74,209	Precepts: London Borough of Ealing	78,513
16,644	: Greater London Authority	19,204
1,530	Provision for uncollectable amounts	279
Business Rate		
95,036	Payment to the national pool (note 3)	91,513
485	Cost of collection	490
<u>187,904</u>		<u>189,999</u>
(812)	Balance overdrawn at 1st April	(996)
(184)	Surplus / (deficit) for year	1,127
<u>(996)</u>	Fund surplus / (deficit) at 31 March	<u>131</u>

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 2002/2003 the Council set a tax of £885 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	2,078	2,040	1,360
	B	10,040	9,857	7,667
	C	24,207	23,766	21,125
	D	35,949	35,294	35,294
	E	19,285	18,934	23,142
	F	8,395	8,242	11,906
	G	6,079	5,968	9,946
	H	795	781	1,561
Council Tax Base		106,828	104,882	112,001

2002
£000
92,194
<u>(13,736)</u>
<u>78,458</u>

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

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

2002
£000
110,814
(4,316)
(12,594)
(4,188)
6,286
<u>(966)</u>
<u>95,036</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

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

CASH FLOW STATEMENT

2001/2002 £000		2002/2003 £000	£000
195,432	Revenue Activities	198,430	
204,169	Cash Outflows	272,707	
16,644	Cash paid to and on behalf of employees	19,204	
106,667	Other operating cash payments	118,338	
83,309	Precepts paid	87,631	
<u>83,309</u>	Housing Benefit paid out		
<u>606,221</u>	Non-domestic rates paid to National Pool		696,310
(22,235)	Cash Inflows	(22,308)	
(77,539)	Rents (after rebates)	(83,978)	
(83,706)	Council Tax receipts	(92,274)	
(93,496)	Non-domestic rate receipts from National Pool	(95,620)	
(147,508)	Local non-domestic rate receipts	(138,993)	
(66,862)	Revenue Support Grant	(71,975)	
(98,819)	DWP grants for rebates	(124,412)	
(42,824)	Other government grants (see note 1)	(60,039)	
<u>(632,989)</u>	Cash received for goods and services		(689,599)
(26,768)	Net Cash (Inflow) / Outflow from Revenue Activities		6,711
	Servicing of Finance		
	Cash Outflows		
21,088	Interest paid	21,340	
4	Interest element of finance lease rental payments	1	
(3,461)	Cash Inflows	(4,818)	16,523
<u>(9,137)</u>	Interest received		<u>23,234</u>
	Capital Activities		
	Cash Outflows		
31,630	Purchase of fixed assets	51,509	
6,904	Capital cash payments	10,066	
<u>38,534</u>			61,575
(21,602)	Cash Inflows	(44,739)	
(14,415)	Sale of fixed assets	(20,995)	
<u>(36,017)</u>	Capital grants received		(65,734)
(6,620)			<u>19,075</u>
	Net Cash Inflow before Financing		
22,401	Management of Liquid Resources		
	Net increase / (decrease) in short term deposits		(7,360)
	Financing		
	Cash outflows		
78,380	Repayments of amounts borrowed	153,270	
(11,800)	Cash inflows	(16,000)	
(80,530)	New loans raised	(153,120)	(15,850)
<u>1,831</u>	New short term loans		<u>(4,135)</u>
	(Increase) / decrease in cash		

NOTES TO CASH FLOW STATEMENT

1. Other Government Grants

2001/2002 £000		2002/2003 £000
3,533	Children's Social Services	5,198
-	Education - Sixth Form Grant	9,696
59,652	Housing subsidy	67,633
7,353	Standards Fund	14,739
10,307	Asylum Seekers	5,392
17,974	Other Grants	21,754
<u>98,819</u>		<u>124,412</u>

2. Reconciliation of operating Deficit to the activities net cashflow

2001/2002 £000		2002/2003 £000
(14,233)	Total operating deficit	(9,446)
	Non cash transactions	
6,502	Minimum revenue provision	6,492
(5,918)	Major repairs allowance	949
367	Amortisation of Loans	-
9,246	Revenue contributions to capital outlay	2,797
9,934	Contribution to /(from) reserves	(2,933)
	Accruals items	
(28)	(Increase) / decrease in stock and work in progress	(47)
(11,300)	(Increase) / decrease in debtors	(13,680)
13,268	Increase in creditors and provisions	(6,514)
	Items classified elsewhere	
18,930	Servicing of finance	15,671
<u>26,768</u>	Net cash inflow from revenue activities	<u>(6,711)</u>

3. Analysis of liquid resources and financing

	Balance at 1 April 2002 £000	Movement in year £000	Balance at 31 March 2003 £000
Liquid Resources:			
Temporary Investments	80,308	(7,360)	72,948
Financing:			
Short term loans	(6,302)	(16,650)	(22,952)
Long term loans	(267,949)	800	(267,149)
	<u>(274,251)</u>	<u>(15,850)</u>	<u>(290,101)</u>

4. Reconciliation of cash flow to net debt

	Balance at 1 April 2002 £000	Cash inflow £000	Cash outflow £000	Balance at 31 March 2003 £000
Long term loans	(267,949)		800	(267,149)
Short term loans	(6,302)	(16,650)		(22,952)
Total loans	<u>(274,251)</u>	<u>(16,650)</u>	800	<u>(290,101)</u>
Cash inflow / (outflow) from increase in liquid resources	80,353	359,040	(366,400)	72,993
Increase in cash overdrawn	(4,762)	-	4,135	(627)
Total movement in net debt	<u>(198,660)</u>	<u>342,390</u>	<u>(361,465)</u>	<u>(217,735)</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 2003 was 6,054 (5,168 at 31st March 2002) whilst the number of pensioners, widows and dependants was 5,855 (5,105 at 31st March 2002). 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 8 Foundation Schools. All these contribute to the Fund. On 1st April 2002 Cardinal Wiseman School was admitted as an employing body to the fund. Ealing Tertiary College ceased its contribution to the fund on 31 December 2001.

03 The Fund Managers at 31.03.2003 were Fidelity 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 12 to 14.

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 2003.
- 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 2002/03 there were 44 early retirements under this new rule (2001/02-26) and the sum credited to the Fund is £2.190M (2001/02-£0.954M).

PENSION FUND

11 Fund Management Investment Performance Fees are payable to the managers if they exceed a threshold set out in the respective management agreements. Both Managers earned these fees in respect of 2002/03.

Actuarial Valuation

12 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.

13 The contribution required from the Council and other bodies was 260% in proportion to members' contributions during 2002/03 (260% in 2001/02), 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.

14 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

15 The Fund investment management arrangements were restructured in November 1998. The Panel has set Fidelity and UBS Global Investment the target of outperforming a benchmark (the WM Local Authority Universe weighted average, excluding property) by 1.5% per annum over the long term with a formal review at 31 December 2002. In addition, over any one twelve month period, the managers must not fall more than 4% below this benchmark.

16 The Fund's investments as at 31st March 2003 continue to be primarily managed by Fidelity 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 2003 was £141.2m (2001/02 - £181.6m) and £148.8m (2001/02 - £186.9m) respectively.

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

18 Investment transactions for the Fund amounted to: sales £137.5m (2001/02 - £132.5m) and purchases £177.1m (2001/02 - £ 144.0m).

19 The contributions receivable from the other bodies were £2.1m (2001/02 - £2.0m) and from the administering authority £17.2m (2001/02 - £16.5m). All benefits payable were administered by London Borough of Ealing.

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

Statement of Investment Principles (SIP)

21 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

2001/2002 £000	REVENUE ACCOUNT	2002/2003 £000
	INCOME	
	Contributions Receivable:	
13,218	Employers' Contributions	13,736
5,317	Employees' Contributions	5,608
4,571	Transfer Values Received	4,254
954	Other Income (note 10)	2,190
<u>24,060</u>		<u>25,788</u>
	EXPENDITURE	
	Benefits Payable:	
15,156	Retirement Pensions	16,202
2,069	Retirement Grants	3,605
492	Death Grants	275
	Payment to and on account of leavers:	
4,860	Transfer Values Paid	5,320
211	Refunds of Contributions and Interest	107
	Administration and other expenses:	
863	Administrative expenses	687
<u>23,651</u>		<u>26,196</u>
409	Net additions / (withdrawals) from dealings with members	(408)
	Returns on investments	
10,501	Investment Income	10,031
(3,489)	Change in market value of investments (realised and unrealised)	(90,824)
(2,160)	Investment management expenses	(817)
<u>4,852</u>	Net returns on investments	<u>(81,610)</u>
5,261	Net increase / (decrease) in the fund during the year	(82,018)
<u>365,528</u>	Net assets of the scheme at 1st April	<u>370,789</u>
<u>370,789</u>	Net assets of the scheme at 31st March	<u>288,771</u>

PENSION FUND ACCOUNTS

2001/2002 £000	NET ASSETS STATEMENT AT 31ST MARCH	2002/2003 £000
	INVESTMENTS AT MARKET VALUE	
	Fixed Interest Securities	
15,521	UK Government	29,734
8,627	Other UK	38,954
26,671	Foreign	927
	Index Linked Securities	
16,987	UK Government	-
334	UK Other	-
2,354	Foreign	-
	Listed Equities	
185,779	UK	136,834
16,526	North America	19,801
32,209	Europe	25,687
11,471	Japan	11,287
17,630	Pacific	12,548
5,146	Emerging Markets	7,564
	Other Investments	
236	Venture Capital	102
	Cash Deposits	
6,902	Money Market Instruments	6,481
22,967	Cash at bank	4,482
<u>369,360</u>	Total Investments	<u>294,401</u>
	CURRENT ASSETS AND LIABILITIES	
	Fund Management	
	Debtors	
130	Tax Receivable	184
1,327	Dividends Due	1,644
1,729	Unsettled Sales	45,156
	Creditors	
(2,157)	Unsettled Purchases	(52,972)
<u>1,029</u>		<u>(5,988)</u>
<u>370,389</u>	TOTAL Fund Management (external) Assets	<u>288,413</u>
	Debtors	
201	Cash in Hand	218
3,343	Creditors	951
(3,144)		(811)
<u>400</u>		<u>358</u>
<u>370,789</u>		<u>288,771</u>