Ealing Council Statement of Accounts 2016/2017

EALING COUNCIL

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Introduction by the Executive Director of Corporate Resources

Ealing Council's accounts show the financial results of the council for the financial year 2016/17 and the financial position as at 31 March 2017.

It is intended that these accounts will provide a useful and important source of financial information for the community, stakeholders, council members and other interested parties.

The Narrative Statement on the next few pages gives a brief summary of the council's financial position in 2016/17. I hope readers of the council's accounts find this helpful.

I should like to thank my staff and colleagues throughout the council for their hard work and support in producing the council's Statement of Accounts for 2016/17.

Ian O'Donnell BSc, CPFA
Executive Director of Corporate Resources
Date: 27 July 2017

Narrative Statement

About Ealing

Ealing has a population of around 350,000 people. It is the third most ethnically diverse borough in the country and the third largest London Borough. Like our people, the area and its identity are diverse. The borough is made up of around seven distinct town centres and has areas of classic suburbia but also areas with an inner city feel. These characteristics shape our challenges and our unique character.

More than half of our residents are from an ethnic minority and almost half were born outside the UK, with a quarter arriving only in the last decade. We have the largest Polish community in the country and the third largest Sikh population outside of India. Our diversity gives rise to practical challenges, over 150 languages are spoken in our schools and migration is, like in many London boroughs, a contributor to high population churn. But our diversity is a source of great strength, 90% of local people agree people from different ethnic backgrounds get on well locally.

Our population has been growing rapidly for more than a decade, particularly amongst younger age groups. The number of children aged 0 to 4 increased by 32% between 2001 and the latest Census in 2011. It has remained high since then with the under 9 age group having grown more than 16% since 2011. Provision of school places as well as other services for our young residents is a key challenge we must meet. Since our primary school expansion programme began in 2008 we have provided more than 1,000 additional places for reception classes, making an eventual total of 7,000 extra places across all year groups.

More than half of Ealing residents own their homes, with less than one in five living in socially rented accommodation, lower than the London average. The area has much high quality housing stock. However, the private rented sector is growing rapidly, increasing from 16% to 26% between the 2001 and 2011 censuses, and providing good quality housing at a price people can afford is a key challenge in a borough where the average house price is nearly £500,000. Nearly nine in ten newly forming households cannot afford to buy in the borough and more than eight in ten cannot even afford to rent privately. The number of households approaching the council has increased substantially in recent years and we are currently supporting around 2,200 households in temporary accommodation.

Ealing has a strong economy, more than 3,400 new businesses formed here in 2015, higher than any other west London borough. However, the prosperity of the borough is not shared evenly. There is a nearly £28,000 gap in median household income between wards in the borough. National welfare policy and housing pressures are changing the traditional 'poverty profile' of London, and staying competitive and helping all residents share in the prosperity of the borough is a key goal for us.

Ealing is well connected in terms of rail, road and underground, transport links and ideally positioned between central London and Heathrow Airport. In 2019 the arrival of Crossrail with 5 stations in Ealing will halve journey times to central London changing the 'perceived geography' and in journey time placing Ealing in Zone One. This has already led to an increased demand for both residential and commercial space and provides a huge opportunity for us to capitalise on.

While Ealing fares better than the national average on a number of health indicators, there remain key challenges to tackle, for example those around childhood obesity, new cases of tuberculosis, and health inequalities in the borough.

The Corporate Plan 2014-18

The council's Corporate Plan is our key strategic document and sets out the contribution the council will make towards improving the borough and quality of life of Ealing residents between 2014 and 2018. It is framed by the six priorities of the elected administration to make Ealing more prosperous, safer, healthier, cleaner, fairer and more accessible. These priorities will be delivered through four key strategies:

- Growth, employment and skills
- Health, well-being and independence
- Housing quality, affordability and supply
- Place and public realm

The Plan is underpinned by our core corporate values which guide every aspect of our work:

- Putting results for our residents first and above all else
- Offering world class customer service
- Securing value for money in everything we do
- Working as One council

We monitor our performance closely. 69% of our key indicators either met their target or were within the acceptable tolerance level in 2015/16 and we are on track for an equivalent or improved figure for 2016/17. The Council's performance for 2016/17 will be reported to Cabinet on 11 July 2017.

A more outcomes-focussed approach will steer the Council's work going forward, ensuring that we build on our strengths to focus relentlessly on those things that will make the biggest difference to our residents. We will work towards making the borough a better place to live for all our residents, improving the health of our citizens, ensuring that future economic growth drives greater opportunities for local people to redress inequality, and celebrating the borough's diversity and pride in our communities.

In our last residents' survey in autumn 2014 almost three quarters of Ealing residents were satisfied with the way the council runs things. Most (82%) said they were satisfied with the area as a place to live, satisfied with the way the council runs things (74%), think the council does a good job (76%), and feel the council provides value for money for the council tax they pay (66%).

Our Workforce

The council employs 2,881 people. The make-up of our people is set out below:

Gender: Male: 34% Female: 66%	**Declared disability:** Yes: 4.6%
Age: Under 26: 5.9% 25-40: 29.3% 41-50: 25.6% 51-65: 35.7% 66+: 3.3% Unknown: 0.1%	**Ethnicity:** BME: 43.9% White: 44.6% Unknown: 11.4%

Financial position in 2016/17

Revenue Budget

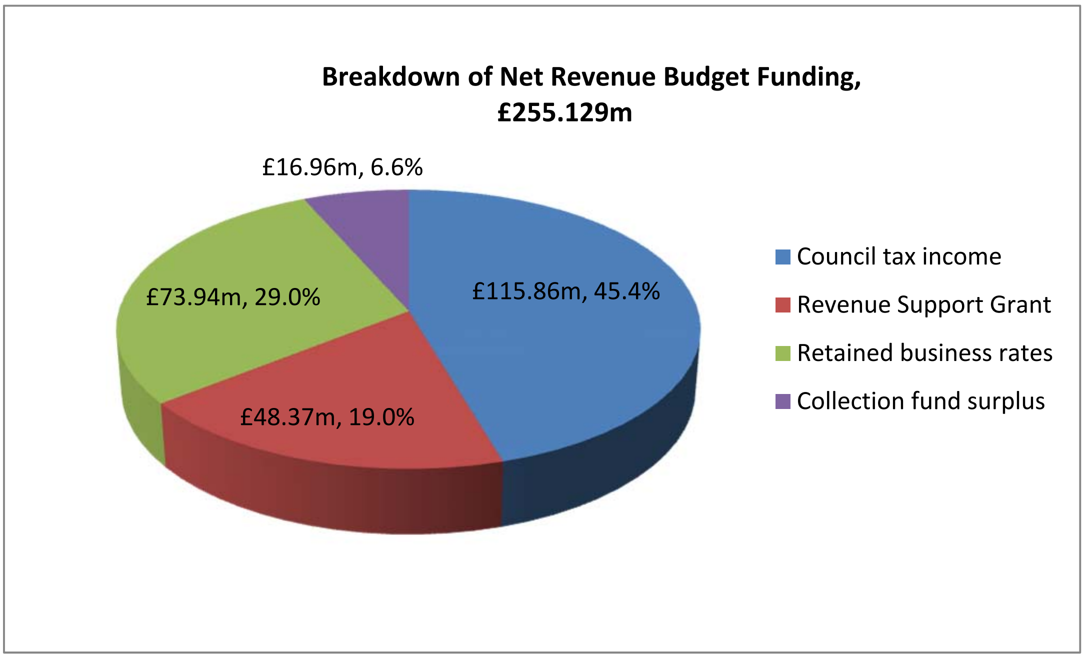
The revenue budget contains the planned income and expenditure for the running expenses of council services during the year. The council's financial health has been maintained whilst services have been delivered to a high standard despite the challenging financial environment and increasing demographic pressures (particularly in Adult Social Care) that all councils are facing,

A balanced annual budget of £255.129m was set by the council in February 2016, without using any general reserves.

In spite of the many spending pressures, the council froze council tax in 2016/17, the eighth year in a row. Band D council tax therefore remained £1,059.93 (excluding the Greater London Authority's element).

The chart below shows how the council funded its total net revenue budget

Council funding and net revenue budget for 2016/17



As the chart shows, almost half of the council's net revenue budget in 2016/17 was funded by central government support from retained business rates and Revenue Support Grant. The remaining balance of the council's funding came from local taxpayers.

Revenue Outturn for 2016/17

The council maintained a strong financial position during the financial year 2016/17 despite the economic climate and a reduction of 11.99% in central government funding from 2015/16. It achieved this by delivering £19.824m of savings (69% of those budgeted for in year delivery), use of corporate budgets and reserves, in year mitigations and through regular monitoring of its financial position on a monthly basis. This robust financial management delivered a balanced outturn position at year end as summarised below:-:

Revenue Outturn 2016/17	Budget £m	Outturn £m	Variance £m
Children's, Adults and Public Health	105.268	122.736	17.468
Regeneration and Housing	9.971	11.120	1.149
Environment and Customer Services	17.819	17.563	(0.256)
Corporate Resources	24.786	24.616	(0.170)
Chief Executives	1.455	1.447	(0.008)
Housing Benefit	6.447	6.138	(0.309)
Central items & levies	89.383	71.509	(17.874)
Total net budget	**255.129**	**255.129**	**-**

As a result of this the general fund balance (the council's financial safety net) ended the year unchanged at £15.473m, as planned in the council's medium term financial strategy, equivalent to 6.1% of the council's general fund budget.

This result has been achieved despite significant pressures on demand-led budgets such as Adult Social Care placements as well as rising expectations of service users both in terms of quality and quantity. In year additional controls, management actions and additional monitoring were undertaken to manage the overspend pressure. However, whilst plans to contain the social care pressures for 2017/18 and beyond are well progressed, delivery of full in year mitigations was challenging and in 2016/17 the final position has been managed by use of corporate and reserve mitigations.

Fund balances and reserves

The council plans to maintain a minimum of £15.400m general fund balance as contingency against unforeseen emergencies and events. At the end of 2016/17 the council held a general fund balance of £15.473m.

The council also prudently sets aside appropriate earmarked reserves for specific purposes such as insurance, Private Finance Initiative schemes (PFI), managing business risk and economic volatility to the council. The council's reserves also include schools' balances, although these are ring-fenced for use by schools only and cannot be used by the council.

It is vital at this time to maintain healthy reserves as the council continues to operate in a period of economic uncertainty and is likely to face continued reductions in its grant funding and increasing demographic pressures in social care over the medium to longer term.

As the council's statutory Chief Financial Officer I have ensured that the council has maintained a prudent position in relation to the risks it faces by maintaining a healthy but not excessive level of earmarked reserves and provisions.

A summary of the council's earmarked reserves, including schools' balances (which are ring-fenced for the sole use of individual schools) is shown below:-

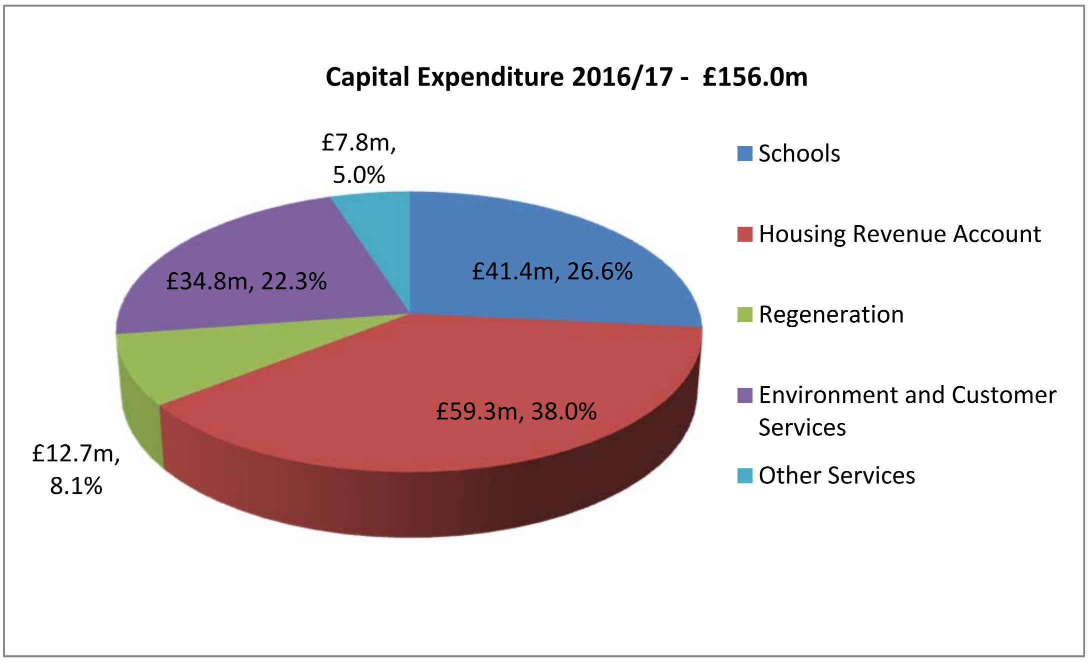
Earmarked Reserves	**Balance at 31/03/16**	**Balance at 31/03/17**
	£m	**£m**
PFI Reserves	27.3	23.0
Other Earmarked Reserves	66.0	62.8
Sub-total	**93.3**	**85.8**
Schools balances (ring-fenced for use by schools only)	16.7	14.7
Total Earmarked Reserves	**110.0**	**100.5**

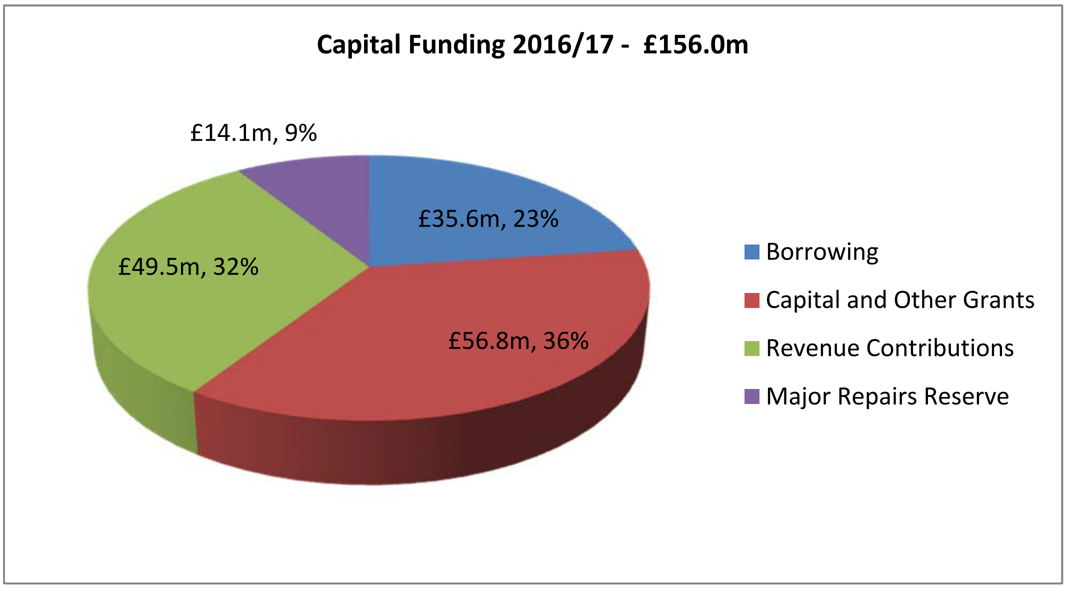
The council also maintains a number of provisions in relation to legal obligations the council may have, for example; insurance claims, bad and doubtful debts and business rates appeals.

Capital expenditure and outturn

Capital expenditure relates to adding to, enhancing and improving the council's assets, such as buildings and plant and machinery. Capital investment totalling £156.0m was made by the council in 2016/17 with a significant proportion of this being spent on improving school facilities and improvements to the council's housing stock. In 2016/17 £41.4m was spent on schools expansion, while over £59.3m of the total capital spend figure was spent on enhancing the borough's housing stock.

The charts below highlight total capital expenditure by service area and how it was financed:





It is anticipated that capital expenditure will continue to be funded from a mixture of grants, contributions and unsupported borrowing. Suitable opportunities to utilise capital receipts will continue to be investigated.

Investments and Borrowing

The council's borrowing and investment strategy is outlined annually in its Treasury Management Strategy which is agreed by Full Council and presented to the Audit Committee for review on a quarterly basis.

The council's short term deposits as at 31 March 2017 were £159.9m which was £32m lower than the position on 31 March 2016. £1.2m of income was generated from investments during the year and £1.3m from other policy loans.

The management of the council's debt was maintained within local limits set under the prudential regime. The council's borrowing cost of £23.4m was within the 2016/17 budget. Long-term external borrowing of £40m was raised in 2016/17. Loans outstanding at the year-end amounted to £541m.

Pensions

The Pension Fund revenue account shows an in-year surplus of £192.9m and in cash terms remains cash positive returning a cash surplus of £36.6m (i.e. excluding asset revaluations and disposal gains and losses). As a result the council's Pension Fund net assets increased from £953.6m to £1,146.5m during the year, representing an increase of 20.2%.

The Pension Fund net liabilities must be reviewed every three years by an actuary and a recovery plan agreed to eliminate any deficit. The latest triennial valuation was completed recently based on the position as at 31 March 2016. It showed that the overall funding position had improved from 72% in 2013 to 80% in 2016, the latter calculation being made by comparing assets of £954m to liabilities of £1,192m. These values will fluctuate depending on a number of factors such as the current state of the Government bond markets which feed into the actuarial calculations. It is also important to note that the net liability does not represent an immediate call on the council's reserves; rather, it is a notional amount that forecasts how much the future Council's pension liabilities exceed the Fund's forecast assets.

The revenue implications of the latest valuation as at 31 March 2016 are reflected in the general fund budget from 2017/18 and the actuarial recommended employer contributions are in line with those budgeted for in the Medium Term Financial Strategy.

Housing Revenue Account

The Housing Revenue Account outturn position for 2016/17 is a balanced budget. The HRA balance as at 31 March 2017 remained at £4.926m.

The Collection Fund

Despite the economic downturn a strong collection performance for Council Tax of 97.3% and business rates of 97.0% meant the Collection Fund ended the year with a surplus for Ealing, of £9.6m.

I hope that you find the following statement of accounts useful and informative in helping you to understand how the council manages its finances in delivering services for residents. There were no significant changes to the format of the accounts in 2016/17. If you have any questions or comments on the council's accounts or their presentation, please e-mail **finalaccounts@ealing.gov.uk** or write to the Executive Director of Corporate Resources, Ealing Council, Perceval House, 14-16 Uxbridge Road, Ealing W5 2HL.

To help with the understanding of the accounts a glossary of terms used is also attached.

The Accounts and Audit Regulations (England) 2015 require the council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained overleaf.

Statement of Accounts – key elements

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the authority and the Executive Director of Corporate Resources.

Auditor statement (ISA 260 Report) to those charged with governance
The council's independent auditor issues an annual statement drawing attention to those charged with governance audit matters of governance interest. This ISA 260 report is available on completion of the audit.

Expenditure and Funding Analysis – Introduced for 2016/17 it accompanies the Comprehensive Income and Expenditure Statement. It takes the net expenditure that is chargeable to taxation and rents (i.e. the General Fund and Housing Revenue Account) and reconciles it to the Comprehensive Income and Expenditure Statement.

Core Financial Statements

The Balance Sheet – which summarises the council's financial position at year end in terms of overall assets and liabilities, e.g. what the council "owes" and "owns" as an entity.

The Comprehensive Income and Expenditure Account – which shows the accounting cost in the year of providing services for the functions which the council is responsible and demonstrates how they have been financed. In addition, below the Cost of Services, this statement also contains the realised and unrealised gains or losses arising from the council's capital transactions and changes in the value of pension fund assets and liabilities. This statement is designed to be comparable to private sector accounts presentation.

The Movement in Reserves Statement (MRS) – this shows the movement in the year on the different reserves held by the council and is used to adjust the net surplus or deficit on the Comprehensive Income and Expenditure Account to the amount chargeable under statute to the council's General Fund.

The Cash Flow Statement – this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Notes to the Core Financial Statements – these provide additional information which supports and explains the figures in the core financial statements.

Supplementary Statements

Housing Revenue Account (HRA) – this shows the in-year economic cost of providing housing services in accordance with generally accepted accounting practices.

The Collection Fund – reflects the statutory requirement for billing authorities to maintain a separate account that shows the transactions of the council in relation to council tax and business rates and its distribution to central government and local government bodies.

Pension Fund Accounts – these show the contributions to and the benefits paid from the Pension Fund and identifies the investments which make up the assets of the fund.

Statement of Responsibilities for the Accounts 2016/17

Introduction

The council's statement of accounts has been produced under the CIPFA/LASAAC Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS).

The council's Responsibilities

The council is required 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 council I exercise that role as the Executive Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Responsibilities of the Executive Director of Corporate Resources

The Executive Director of Corporate Resources (Section 151 finance officer) is responsible for the preparation of the council'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 give a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2017.

In preparing this statement of accounts I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Executive Director of Corporate Resources

I certify that the accounts set out on pages 1 to 80 give a true and fair view of the financial position of the London Borough of Ealing as at 31 March 2017 and its income and expenditure for the year then ended, and that the accounts set out on pages 81 to 104 give a true and fair view of the net assets of the London Borough of Ealing Pension Fund as at 31 March 2017 and its income and expenditure for the year then ended.

Ian O'Donnell BSc, CPFA
Executive Director of Corporate Resources
Date: 28 July 2017

Certificate of the Chair of the Audit Committee

I confirm that these accounts were agreed by the Audit Committee at its meeting held on 27 July 2017.

Councillor Murtagh
Chair of the Audit Committee
Date: 28 July 2017

Independent auditor's report to the members of London Borough of Ealing

We have audited the financial statements of the London Borough of Ealing for the year ended 31 March 2017 on pages 14 to 104. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director of Corporate Resources and auditor

As explained more fully in the statement of The Responsibilities of the Executive Director of Corporate Resources, the Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Corporate Resources; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 105 to 120 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition)
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on the London Borough of Ealing's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether the London Borough of Ealing had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Ealing put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the London Borough of Ealing had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, the London Borough of Ealing put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the 12 September 2017

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to the Pension Fund Annual Report not being prepared by 12 September 2017

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of London Borough of Ealing with the pension fund accounts included in the financial statements of London Borough of Ealing. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the Authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Due to matters brought to our attention by a local authority elector

Furthermore we cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to 2016/17. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Neil Thomas

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E15 5GL

12 September 2017

EXPENDITURE AND FUNDING ANALYSIS

Expenditure and Funding Analysis – This takes the net expenditure that is chargeable to taxation and rents (i.e. the General Fund and Housing Revenue Account) and reconciles it to the Comprehensive Income and Expenditure Statement. It accompanies the Comprehensive Income and Expenditure Statement. More detail about the nature of the adjustments can be found in Note 7a

	2016/17				2015/16		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting basis	Net Expenditure in the CIES
	£000s	£000s	£000s		£000s	£000s	£000s
	(954)	-	(954)	Chief Executive Directorate	884	-	884
	148,370	19,437	167,807	Children & Adults	127,561	16,316	143,877
	10,031	3,470	13,501	Corporate Resources	4,460	11,857	16,317
	34,460	17,777	52,237	Environment & Customer Services	40,276	18,181	58,457
	4,557	-	4,557	Housing Benefits	6,836	-	6,836
	13,318	(8,340)	4,978	Regeneration and Housing	9,846	(176,092)	(166,246)
	209,782	**32,344**	**242,126**	**Cost of Services**	189,863	(129,738)	**60,125**
	(200,678)	(27,125)	(227,803)	**Other Income and Expenditure**	(186,761)	(71,437)	(258,198)
	9,104	5,219	14,323	**Surplus or Deficit**	3,102	(201,175)	(198,073)
Opening General Fund and HRA Balance 1 April 2016	(141,780)			Opening General Fund and HRA Balance 1 April 2015	(144,882)		
Less Deficit on General Fund and HRA balance	9,104			Less Deficit on General Fund and HRA balance	3,102		
Closing General Fund and HRA Balance 31 March 2017	(132,676)			Closing General Fund and HRA Balance 31 March 2016	(141,780)		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Note	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000	2015/16 Net Expenditure £000
Chief Executive Directorate		2,596	(3,550)	(954)	884
Children & Adults		582,978	(415,171)	167,807	143,877
Corporate Resources		61,803	(48,302)	13,501	16,317
Environment & Customer Services		92,058	(39,821)	52,237	58,458
Housing Benefits		280,674	(276,117)	4,557	6,836
Regeneration and Housing		119,460	(114,482)	4,978	(166,247)
Cost of Services	(9)	**1,139,569**	**(897,443)**	**242,126**	**60,125**
Loss / (Profit) on disposal of non-current assets				23,233	(13,551)
Levies	(15)			13,376	14,564
Contribution to Housing Act Advances				-	-
Contribution of Housing Capital Receipts to Central Government Pool				1,551	1,546
Other Operating Expenditure				**38,160**	**2,559**
Financing and investment income and expenditure	(10)			**44,803**	**46,024**
Taxation and non-specific grant income	(11)			**(310,766)**	**(306,781)**
Surplus on provision of services				**14,323**	**(198,073)**
Other comprehensive income & expenditure					
Surplus arising on revaluation of non-current assets				(45,294)	173,290
Re-measurement of the net defined benefit liability (asset)				181,040	(50,533)
Other comprehensive income & expenditure				-	-
Total comprehensive (surplus)/ loss for the year				**150,069**	**(75,316)**

From 2016/17 to reflect new Code requirements, the service analysis for Cost of Services has been provided in the way the Authority organises itself and manages performance. The 2015/16 comparatives have been updated from last year to reflect this.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General fund balance £000	Earmarked reserves £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Earmarked HRA Reserves £000	Total usable reserves £000
Balance at 1 April 2015	**15,463**	**105,199**	**4,926**	**27,233**	**27,412**	**19,294**	**199,527**
<u>Movement in reserves during 2015/16</u>							
Surplus or (deficit) on provision of services	16,907	-	181,166	-	-	-	198,073
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	16,907	-	181,166	-	-	-	198,073
Adjustments between accounting basis & funding basis under regulations (note 7)	(12,045)	-	(174,210)	9,739	(12,989)	(14,921)	(204,425)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,863**	**-**	**6,956**	**9,739**	**(12,989)**	**(14,921)**	**6,352**
Transfers to/from Earmarked Reserves	**(4,853)**	**4,853**	**(6,956)**	-	-	**6,956**	**-**
Increase/(Decrease) in Year	**10**	**4,853**	**-**	**9,739**	**(12,989)**	**(7,965)**	**(6,352)**
Balance at 31 March 2016 carried forward	**15,473**	**110,052**	**4,926**	**36,972**	**14,423**	**11,329**	**193,175**
<u>Movement in reserves during 2016/17</u>							
Surplus or (deficit) on provision of services	(1,642)	-	(12,681)	-	-	-	(14,323)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-
Total Comprehensive Expenditure and Income	(1,642)	-	(12,681)	-	-	-	(14,323)
Adjustments between accounting basis & funding basis under regulations (note 7)	(8,677)		13,182	4,989	(1,816)	-	7,676
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(10,319)**	**-**	**500**	**4,989**	**(1,816)**	**-**	**(6,646)**
Transfers to/from Earmarked Reserves	**10,319**	**(9,604)**	**(500)**	**- -**	**(715)**	**500**	**-**
Increase/(Decrease) in Year	**-**	**(9,604)**	**-**	**4,989**	**(2,531)**	**500**	**(6,646)**
Balance at 31 March 2017 carried forward	**15,473**	**100,448**	**4,926**	**41,961**	**11,892**	**11,829**	**186,529**

	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short Term Accumulating Compensated Absences Account £000	Pensions reserve £000	Total unusable reserves £000	Total Authority Reserves £000
Balance at 1 April 2015	**458,654**	**562,087**	**18,768**	**16,535**	**(1,608)**	**(4,944)**	**(410,853)**	**638,639**	**838,166**
<u>Movement in reserves during 2015/16</u>									
Surplus or (deficit) on provision of services	-	-	-	-	-	-	-	-	198,073
Other Comprehensive Income and Expenditure	(173,290)	-	-	-	-	-	50,533	(122,757)	(122,757)
Total Comprehensive Income and Expenditure	(173,290)	-	-	-	-	-	50,533	(122,757)	75,316
Adjustments between accounting basis & funding basis under regulations (note 7)	-	208,725	5,096	7,002	24	554	(16,976)	204,425	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(173,290)**	**208,725**	**5,096**	**7,002**	**24**	**554**	**33,557**	**81,668**	**75,316**
Transfers to/from Earmarked Reserves	**(1,149)**	**1,149**	**-**	**-**	**-**	**-**	**-**	-	-
Increase/(Decrease) in Year	**(174,439)**	**209,874**	**5,096**	**7,002**	**24**	**554**	**33,557**	**81,668**	**75,316**
Balance at 31 March 2016 carried forward	**284,215**	**771,961**	**23,864**	**23,537**	**(1,584)**	**(4,390)**	**(377,296)**	**720,307**	**913,482**
<u>Movement in reserves during 2016/17</u>									
Surplus or (deficit) on provision of services	-	-	-	-	-	-	-	-	(14,323)
Other Comprehensive Expenditure and Income	45,294	-	-	-	-	-	(181,040)	(135,746)	(135,746)
Total Comprehensive Expenditure and Income	45,293	-	-	-	-	-	(181,040)	(135,746)	(150,069)
Adjustments between accounting basis & funding basis under regulations (note 7)		27,708	(7,152)	(13,947)	25	(1,800)	(12,510)	(7,676)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**45,293**	**27,708**	**(7,152)**	**(13,947)**	**25**	**(1,800)**	**(193,550)**	**(143,423)**	**(150,069)**
Transfers to/from Earmarked Reserves	**(1,293)**	**1,293**			**-**	**-**	**-**	**-**	-
Increase/(Decrease) in Year	**44,000**	**29,001**	**(7,152)**	**(13,947)**	**25**	**(1,800)**	**(193,550)**	**(143,423)**	**(150,069)**
Balance at 31 March 2017 carried forward	**328,215**	**800,962**	**16,712**	**9,590**	**(1,560)**	**(6,190)**	**(570,846)**	**576,884**	**763,413**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves isfor when the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line *'Adjustments between accounting basis and funding basis under regulations'*.

		31 March 2017		31 March 2016	
	Note	**£000**	**£000**	**£000**	**£000**
Long term assets					
Property, plant and equipment	(18)	1,868,994		1,786,564	
Intangible Assets	(18)	1,015		1,177	
Heritage Assets	(18)	2,741		2,741	
Financial Assets Held for Sale	(37)	436		436	
Long Term Investments	(37)	1,816		1,826	
Long Term Debtors	(26)	15,617		12,752	
Total long term assets			1,890,619		1,805,496
Current assets					
Short Term Investments	(39)	142,680		184,133	
Current Assets Held for Sale		4,305			
Short term debtors	(28)	87,256		94,585	
Cash and cash equivalents	(27)	38,119		14,377	
Total current assets			272,360		293,095
Current liabilities					
Short term borrowings	(37)	(53,981)		(40,422)	
Short term creditors	(29)	(133,399)		(146,722)	
Provisions	(32)	(9,380)		(7,559)	
Total current liabilites			(196,760)		(194,703)
Long term liabilities					
Long term borrowings	(39)	(487,020)		(457,839)	
Long term creditors	(30)	(141,026)		(147,218)	
Capital grants receipts in advance	(31)	(96)		(3,642)	
Provisions	(32)	(3,818)		(4,411)	
Pensions Liability	(34)	(570,846)		(377,296)	
Total long term liabilities			(1,202,806)		(990,406)
Net assets			763,413		913,482
Usable reserves			186,529		193,175
Unusable reserves			576,884		720,307
Total reserves			763,413		913,482

28/7/17

28/7/2017

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2016/17 £000	2015/16 £000
Net surplus or deficit on the provision of services	(9)	14,323	(198,073)
Adjustment to net surplus or deficit on the provision of services for non cash movements	(12)	(126,803)	113,910
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 12.2)	(12)	79,827	69,959
Net cash flows from operating activities		(32,653)	(14,204)
Cash flows from investing activities (note 13.2)	(13)	21,997	30,933
Cash flows from financing activities (note 13.3)		(13,085)	(6,083)
(Increase) / decrease in cash and cash equivalents		**(23,741)**	**10,646**
Cash and cash equivalents at the beginning of the financial year		14,377	25,023
Cash and cash equivalents at the end of the financial year		38,118	14,377

Notes to the Core Financial Statements

1. Accounting policies

1) General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual statement of accounts in accordance with proper accounting practice, by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2) Accruals of Income and Expenditure

The accounts record activity in the year that it takes place, not simply when cash payments are made or received. In particular:

a) Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

b) Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

c) Supplies are recorded as expenditure when they are consumed.

d) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

e) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

f) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than one working day. Cash equivalents are highly liquid investments due to mature within one working day and those in Money Market Funds and call accounts that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

a) depreciation attributable to the assets used by the relevant service.
b) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
c) amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction in the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

However there is a charge for revaluation and impairment losses and amortisation charged to non-dwelling properties in the Housing Revenue Account in accordance with DCLG regulation which came into effect from 2012/13.

7) Employee Benefits

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the short term accumulating compensated absences account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c) Post-Employment Benefits

Employees of the Council may be members of three separate pension schemes:

i) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

ii) NHS Pension Scheme, administered by NHS Pensions.

iii) The Local Government Pensions Scheme, administered by Ealing Council.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned whilst employees worked for the Council.

However, the arrangements for the teachers' and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health line incurs the NHS Pension employer costs.

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Ealing Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of Ealing Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

(1) quoted securities – current bid price.

(2) unquoted securities – professional estimate.

(3) unitised securities – current bid price.

(4) property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Ealing Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

d) <u>Discretionary Benefits</u>

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8) Events After the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9) Financial Instruments

a) <u>Financial Liabilities</u>

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Financial Assets

Financial assets are classified into two types:

i) loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
ii) available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

i) <u>Loans and Receivables</u>

Loans and receivables are recognised on the Balance Sheet when the Council becomes a par ty to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ii) Available for sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price.
- other instruments with fixed and determinable payments – discounted cash flow analysis.
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. However the available for sale assets held by the Council are short term instruments held to maturity, so there is no loss or gain that hits the Comprehensive Income and Expenditure Statement at de-recognition.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

a) the Council will comply with the conditions attached to the payments, and
b) the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital

Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

General grants allocated by central government directly to local authorities as additional revenue funding which are non ring-fenced are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

11) Business Improvement Districts

A Business Improvement District (BID) scheme applies in the Ealing Broadway area. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as an agent under the scheme, with the balance of income collected or expenditure incurred on the BID body's behalf showing as a debtor or creditor in the Balance Sheet.

12) Interests in Companies and Other Entities

The Council has interests in other companies that have the nature of associates. As the Council's interests in these companies are not material to the Council's accounts, these interests are not consolidated into the Council's own accounts. As a result the Council has not prepared group accounts in 2016/17.

13) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

The Council currently does not have any Investment Properties.

14) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

a) The Council as Lessee

    i) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

(1) a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

(2) a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

ii) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

b) The Council as Lessor

i) Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

1. a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

2. finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the defer

red capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ii) Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a normal accruals basis.

15) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2016/17* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

a) Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
b) Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

16) Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

17) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

b) Measurement

Assets are initially measured at cost, comprising:

i) the purchase price.
ii) any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council).In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

i) infrastructure, community assets, heritage assets and assets under construction – depreciated historical cost.
ii) dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
iii) surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
iv) all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

i) where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

ii) where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

c) Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

i) where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

ii) where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

d) Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land, Community Assets and heritage assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

i) dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

ii) vehicles, plant and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

iii) infrastructure – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

iv) intangible assets - straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

Where an asset has major components whose cost is significant in relation to the total cost of the item and the useful economic life is significantly different than that of the main asset, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

e) Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. To meet the criteria to be an Asset Held for Sale, the asset must be actively marketed and available for sale in its current condition with the sale probable within the next 12 months.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

18) Heritage Assets

Heritage assets are assets with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture and this purpose is central to the objectives of the entity holding them.

Heritage assets (other than operational heritage assets) will be measured at valuation in accordance with FRS 30. Where this is not practicable, they will be valued at historical cost (less any accumulated depreciation, amortisation and impairment losses). Where possible the Council's heritage assets have been reported in the Balance Sheet at insurance valuation, which is based on market values. These insurance valuations are normally updated on a 5y early basis, however revaluation of the heritage assets is the responsibility of the service departments and they can be re-valued for insurance purposes as required based on the knowledge of the assets and known changes in value. The Council does not consider that reliable cost or valuation information can be obtained for some of its heritage assets, which are detailed in the disclosure notes. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise all its heritage assets on the balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see item 17c within these accounting policies. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see item 17e within these accounting policies).

All the Council's heritage assets are considered to have an indefinite useful life and are not depreciated.

19) Intangible assets

Intangible assets are non-monetary assets that do not have physical substance but are controlled by the Council. Expenditure is capitalised when it is expected that future economic benefits or service potentials will flow from the intangible asset to the Council.

Internally generated assets are capitalised where the Council can demonstrate that the project is technically feasible and is intended to be completed and the Council will be able to generate future economic benefit or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during development phase (research expenditure is not capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. No intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of the intangible assets is amortised over their useful lives to the relevant service lines in the Comprehensive Income and Expenditure Statement (CIES). Any gain or loss arising on the disposal or abandonment is posted to the Other Operating Expenditure line in the CIES.

Where the expenditure on an intangible asset qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserve Statement and posted to the Capital Adjustment Account or Capital Receipt Reserve for sales proceeds greater than £10,000.

20) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

a) fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
b) finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
c) contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
d) payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
e) lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

21) Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

a) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

b) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the

Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

23) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

24) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

25) Foundation Schools

Non-current assets and long term liabilities relating to Foundation Schools created by the School Standards and Framework Act 1998 are shown on the balance sheet as they remain vested in the relevant Governing Bodies. The liabilities relating to the PFI schemes which include two Foundation Schools remain on balance sheet as the Council is the liable party.

26) Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). The key features of the fund relevant to accounting for these in the core financial statements are:

a) In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax and NNDR income on behalf of the preceptors (the GLA and CLG) and itself.

b) While the council tax and NNDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority and paid out of the Collection Fund to the GLA and CLG as the preceptors.

c) The council tax and NNDR income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and then adjusted in the Movement in Reserves Statement.

Since the collection of council tax and NNDR Income is in substance an agency arrangement, cash collected from council tax debtors belongs proportionately to Ealing Council, the GLA and the CLG as billing authority and preceptors. There will therefore be a debtor/creditor position between Ealing Council and both the GLA and CLG to be recognised since the net cash paid to the GLA and CLG in the year will not be the same as its true share of the cash collected from council taxpayers.

2. Accounting Standards not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the code.

There are no new standards in the 2017/18 code which are likely to have a material effect on upon the accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Events after the balance sheet date

There are no material post balance sheet events.

5. Prior Period Adjustments

There are no material prior period adjustments for 2016/17.

6. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied and these are documented within the disclosure note on retirement benefits.	There are a number of assumptions relating to the calculation of the net pensions liability and they interact in complex ways. The Council's actuaries update these assumptions and the calculation of the liability annually based on the latest available data.
Property, Plant and Equipment Fair Value Estimations	When the fair values of Surplus Assets cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques: 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2. For level 3 inputs, valuations based on; - Most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of The Council's assets and liabilities. The authority employs RICS qualified valuers (Lambert Smith Hampton) to identify the most appropriate valuation techniques to determine fair value for all Council dwellings, land and buildings. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers on a regular basis regarding all valuation matters.	The Council uses combination of techniques to measure the fair value of its Surplus Assets under IFRS13 depending on which technique it considers most appropriate. Significant changes in any of the unobservable inputs used in the techniques used would result in a significantly lower or higher fair value measurement for these assets.

7a. Note to the Expenditure and Funding Analysis

	2016/17 Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting basis (capital) £000	Adjustments between Funding and Accounting basis (Pension) £000	Adjustments between Funding and Accounting basis (other) £000	Net Expenditure in the CIES £000	2015/16 Net Expenditure in the CIES £000
Chief Executive Directorate	(954)			-	(954)	884
Children & Adults	148,370	18,982	(1,855)	2,310	167,807	143,878
Corporate Resources	10,031	2,944	742	(216)	13,501	16,317
Environment & Customer Services	34,460	17,844	51	(118)	52,237	58,458
Housing Benefits	4,557				4,557	6,836
Regeneration and Housing	13,318	(8,334)	170	(176)	4,978	(166,247)
Cost of Services	**209,782**	**31,437**	**(892)**	**1,800**	**242,126**	**60,125**
Other Income and Expenditure	**(200,678)**	**(54,474)**	**13,402**	**13,947**	**(227,803)**	**(258,198)**

Adjustments for Capital Purposes

1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** –- this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

Other Differences

3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** –- the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **The charge under Taxation and non-specific grant income and expenditure** –- represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7b. Adjustments between accounting basis and funding basis under regulations

2016/17	General fund balance £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Earmarked HRA Reserves £000	Total Usable Reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short-term Accumulating Compensated Absences Account £000	Pensions reserve £000	Total Unusable reserves £000	Total Authority Reserves £000
Charges for depreciation and impairment of non current assets.	27,511				14,064	**41,575**		(41,575)						**(41,575)**	-
Revaluation gains/(losses) on Property Plant and Equipment.	(1,049)	(9,127)				**(10,176)**		10,176						**10,176**	-
Capital grants and contributions credited to the CIES and application of grants to capital financing transferred to the Capital Adjustment Account.	(55,002)			(1,816)		**(56,818)**		56,818						**56,818**	-
Revenue expenditure funded from capital under statute.	14,800	9,562				**24,361**		(24,361)						**(24,361)**	-
Net gain or loss on sale of non-current assets.	1,096	22,048	31,977			**55,121**		(57,969)	2,848					**(55,121)**	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	(25)					**(25)**					25			**25**	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations.	40,538	2,139				**42,677**							(42,677)	**(42,677)**	-
Employer's pensions contributions and direct payments to pensioners payable in the year.	(28,803)	(1,364)				**(30,167)**							30,167	**30,167**	-
Amount by which council tax & business rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation.	13,947					13,947				(13,947)				**(13,947)**	-
Statutory provision for the repayment of debt.	(20,988)					**(20,988)**		20,988						**20,988**	-
Capital expenditure charged against the General Fund and HRA balances.	(4,119)	(10,011)			(14,064)	**(28,194)**		28,194						**28,194**	-
Contribution from the Capital Receipts Reserve to finance the payments to the central government capital receipts pool.	1,551		(1,551)			**-**								**-**	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1865	(65)				1800						(1,800)		(1800)	-
Use of the Capital Receipts Reserve to finance new capital expenditure.			(25,437)			**(25,437)**		35,437	(10,000)					**25,437**	-
Total Adjustments	(8,678)	13,182	4,989	(1,816)	-	**7,676**	-	27,707	(7,152)	(13.947)	25	(1,800)	(12,510)	**(7,676)**	-

7b. Adjustments between accounting basis and funding basis under regulations continued...

2015/16	General fund balance £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Earmarked HRA Reserves £000	Total Usable Reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short-term Accumulating Compensated Absences Account £000	Pensions reserve £000	Total Unusable reserves £000	Total Authority Reserves £000
Charges for depreciation and impairment of non-current assets.	25,196				9,267	**34,463**		(34,463)						(34,463)	**-**
Revaluation gains/(losses) on Property Plant and Equipment.	5,697	(161,606)				**(155,909)**		155,909						155,909	**-**
Capital grants and contributions credited to the CIES and application of grants to capital financing transferred to the Capital Adjustment Account.	(36,493)			(12,989)		**(49,482)**		49,482						49,482	**-**
Revenue expenditure funded from capital under statute.	15,562	3,459				**19,021**		(19,021)						(19,021)	**-**
Net gain or loss on sale of non-current assets.	(10,412)	(8,235)	28,370			**9,723**		(14,819)	5,096					**(9,723)**	**-**
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements.	(24)					**(24)**					24			**24**	**-**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations.	43,462	2,330				**45,792**							(45,792)	(45,792)	**-**
Employer's pensions contributions and direct payments to pensioners payable in the year.	(27,529)	(1,287)				**28,816)**							28,816	28,816	**-**
Amount by which council tax & business rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(7,002)					**(7,002)**				7,002				7,002	**-**
Statutory provision for the repayment of debt.	(19,745)	(3,760)				**23,505)**		23,505						23,505	**-**
Capital expenditure charged against the General Fund and HRA balances.	(1,777)	(5,084)			(24,188)	**31,049)**		31,049						31,049	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the central government capital receipts pool.	1,547		(1,547)			**-**								**-**	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(527)	(27)				**(554)**						554		**554**	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure.			(17,084)			**(17,084)**		17,084						17,084	**-**
Total Adjustments	(12,045)	(174,210)	9,739	(12,989)	(14,921)	**(204,426)**	-	208,726	5,096	7,002	24	554	(16,976)	**204,426**	**-**

8. Transfers to and from Earmarked reserves

	Balance at 31 March 2017 £'000	Transfers in 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance at 1 April 2015 £000
Corporate - Business Risk Reserve	(1,347)	(10,781)	24,543	(15,109)	(2,362)	2,353	(15,100)
Corporate - Ealing Civic Improvement Fund	(5,344)	(3,000)	152	(2,496)	-	457	(2,952)
Corporate - Insurance Reserve	(4,960)	(10)	-	(4,950)	(422)	-	(4,528)
Corporate - Invest to Save Reserve	(7,662)	(7,558)	2,714	(2,818)	(1,955)	1,323	(2,185)
Corporate - Welfare Reform	(2,761)	(1,580)	-	(1,181)	(69)	166	(1,278)
Corporate – Others in total	(5,897)	(667)	3,384	(8,614)	(2,861)	2,381	(8,135)
Corporate - Economic Volatility Reserve	(13,998)	(7,657)	3,000	(9,341)	(9,341)	-	-
Social Care Transformation Reserve	(2,503)	(5,000)	2,497	-	-	-	-
Service – Others in total	(12,800)	(3,540)	8,295	(17,555)	(6,721)	3,897	(14,731)
Parking Places Reserve Account	(5,474)	(1,464)	-	(4,010)	(1,949)	457	(2,518)
PFI Reserves	(23,024)	(467)	4,763	(27,321)	(1,204)	9,436	(35,552)
Controllable reserves	(85,770)	(41,723)	49,348	(93,395)	(26,883)	20,469	(86,980)
School Balances (ring-fenced)	(14,678)	(1,154)	3,133	(16,657)	(1,171)	2,733	(18,219)
Total Earmarked reserves	**(100,448)**	**(42,877)**	**52,481**	**(110,052)**	**(28,054)**	**23,202**	**(105,199)**

8.1 The Business Risk Reserve is in place as the Council faces a challenging financial climate in the medium term. This reserve is to provide a source of financial resources to protect the Council against issues arising from business risks.

8.2 The Ealing Civic Improvement Fund is in place primarily to fund improvements in the borough.

8.3 The Insurance Reserve is in place to cover future insurance claims which may arise.

8.4 The Invest to Save Reserve is in place to fund schemes outside of the usual budget process to drive innovation in service delivery which deliver cash savings. This reserve will be replenished from cash savings generated by these schemes in order to be self-sustaining.

8.5 The Welfare Reform Reserve was established to protect the Council against the risks generated by legislation under the Welfare Reform Act.

8.6 Corporate - others in total is a group of reserves that are held corporately. Some of these reserves are held to cover against future costs the Council will incur, such as the Elections reserves, while others are held in order to provide funds to drive corporate strategy and efficiencies, such as the ICT Reserve.

8.7 The Economic Volatility Reserve is in place to manage any economic volatility in the collection fund income.

8.8 The Social Care Transformation Reserve was established to facilitate transformation within social care.

8.9 Services - others in total is a group of reserves held by services. These reserves are in place to provide financial resources for service-based projects such as recycling initiatives or the building of new schools.

8.10 The Parking Places Reserve Account surplus will be reinvested, as per Section 55 of the Road Traffic Regulation Act 1984 (as amended), in improvements in the delivery in on and off-street parking services.

8.11 The PFI (private finance initiative) reserves are in place to meet the difference between central government revenue grant and actual costs for the Council's PFI schemes in future years.

8.12 School Balances contain all the school balances which are ring-fenced for schools' use (see note 33 on Dedicated Schools Grant).

Transfers to/from HRA Earmarked reserves

	Balance at 31 March 2017 £'000	Transfers in 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2016 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance at 1 April 2015 £000
Major Repairs Reserve	-	-	-	-	(13,654)	13,670	(16)
Estate Regeneration Delivery	(9,329)	(500)	-	(8,829)	(3,131)	11,080	(16,778)
Investment Reserve	(2,500)	-	-	(2,500)	-	-	(2,500)
Total HRA Earmarked reserves	**(11,829)**	**(500)**	**-**	**(11,329)**	**(16,785)**	**24,750**	**(19,295)**

9. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements.

	Children & Adults 2016/17 £000	Regeneration & Housing 2016/17 £000	Environment & Customer Services 2016/17 £000	Corporate Resources & Chief Exec 2016/17 £000	Housing Benefit 2016/17 £000	Council Wide 2016/17 £000	Total 2016/17 £000
Fees, charges & other service income	(78,389)	(59,557)	(44,940)	(28,959)	1,580	-	(210,265)
Government grants	(124,556)	(2,111)	(5,540)	(566)	(276,117)	-	(408,890)
Total Income	**(202,945)**	**(61,668)**	**(50,480)**	**(29,525)**	**(274,537)**	**-**	**(619,156)**
Employee expenses	65,481	17,506	16,283	31,582		-	130,851
Other operating expenses	260,200	55,282	51,761	24,006	280,675	-	671,924
Total operating expenses	**325,681**	**72,788**	**68,043**	**55,588**	**280,675**	**-**	**802,776**
Net Cost of Services	**122,736**	**11,120**	**17,563**	**26,063**	**6,138**	**-**	**183,620**

	Children & Adults 2015/16 £000	Regeneration & Housing 2015/16 £000	Environment & Customer Services 2015/16 £000	Corporate Resources & Chief Exec 2015/16 £000	Housing Benefit 2015/16 £000	Council Wide 2015/16 £000	Total 2015/16 £000
Fees, charges & other service income	(59,692)	(50,801)	(43,765)	(25,684)	(166)	-	(180,109)
Government grants	(106,351)	(6,453)	(5,594)	(374)	(277,190)	-	(395,962)
Total Income	**(166,043)**	**(57,254)**	**(49,359)**	**(26,058)**	**(277,356)**	**-**	**(576,070)**
Employee expenses	66,900	17,259	16,388	28,275	-	-	128,823
Other operating expenses	215,784	49,794	55,096	20,488	283,803	-	624,965
Total operating expenses	**282,684**	**67,054**	**71,484**	**48,763**	**283,803**	**-**	**753,788**
Net Cost of Services	**116,641**	**9,800**	**22,125**	**22,705**	**6,447**	**-**	**177,718**

9. Amounts Reported for Resource Allocation Decisions (continued)

9.1 Reconciliation to Subjective Analysis

	Service Analysis 2016/17 £000	Not reported to mgmt 2016/17 £000	Not included CIES 2016/17 £000	Net Cost of Services 2016/17 £000	Corporate Amounts 2016/17 £000	Total 2016/17 £000
Fees, charges & other service income	(210,265)	(68,553)	27,914	(250,904)	-	(250,904)
Interest and investment income	-	-	-	-	(2,791)	(2,791)
Income from council tax	-	-	-	-	(118,113)	(118,113)
Retained Business rates	-	-	-	-	(45,576)	(45,576)
Government grants and contributions	(408,890)	-	-	(408,890)	(147,078)	(555,968)
Total Income	(619,155)	(68,553)	27,914	(659,794)	(313,558)	(973,352)
Employee expenses	130,851	31,074	(30,166)	131,759	-	131,759
Other service expenses	671,924	109,237	(39,347)	741,814	-	741,813
Support Service recharges	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	28,347	-	28,347	-	28,347
Interest Payments	-	-	-	-	47,596	47,596
Precepts & Levies	-	-	-	-	13,376	13,376
Payments to Housing Capital Receipts Pool	-	-	-	-	1,551	1,551
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	23,233	23,233
Total operating expenses	802,775	168,658	(69,513)	901,920	85,755	987,675
(Surplus) or deficit on the provision of services	183,620	100,105	(41,599)	242,126	(227,803)	14,323

Reconciliation to Subjective Analysis Restated	Service Analysis 2015/16 £000	Not reported to mgmt 2015/16 £000	Not included in I&E 2015/16 £000	Net Cost of Services 2015/16 £000	Corporate Amounts 2015/16 £000	Total 2015/16 £000
Fees, charges & other service income	(180,109)	(70,492)	12,248	(238,353)	-	(238,353)
Interest and investment income	-	-	-	-	(1,360)	(1,360)
Income from council tax	-	-	-	-	(120,033)	(120,033)
Retained Business rates	-	-	-	-	(75,545)	(75,545)
Government grants and contributions	(395,962)	-	-	(395,962)	(111,203)	(507,165)
Total Income	(576,071)	(70,492)	12,248	(634,314)	(308,141)	(942,455)
Employee expenses	128,823	36,542	(28,816)	136,549	-	136,549
Other service expenses	624,965	100,770	(47,081)	678,654	-	678,654
Support Service recharges	-	-	-	-		-
Depreciation, amortisation and impairment	-	(120,766)	-	(120,766)	-	(120,766)
Interest Payments	-	-	-	-	47,384	47,384
Precepts & Levies	-	-	-	-	14,564	14,564
Payments to Housing Capital Receipts Pool	-	-	-	-	1,547	1,547
Gain or Loss on Disposal of non-current assets	-	-	-	-	(13,551)	(13,551)
Total operating expenses	753,788	16,546	(75,897)	694,437	49,944	744,381
(Surplus) or deficit on the provision of services	177,717	(53,946)	(63,649)	60,123	(258,197)	(198,074)

10. Financing and Investment Income and Expenditure

	2016/17 £000	2015/16 £000
Interest and investment income	(2,791)	(1,360)
Interest payable and similar charges	34,193	34,697
Pension interest cost and expected return on pension assets	13,402	12,687
Net Financing and Investment Income	44,803	46,024

11. Taxation and Non-Specific Grant Income

	2016/17 £000	2015/16 £000
Income from council tax	(118,113)	(120,033)
General central government grants (see below)	(117,569)	(111,203)
Retained business rates	(45,576)	(46,280)
Business rates top up	(29,509)	(29,265)
Total Taxation and Non-Specific Grant Income	(310,766)	(306,781)

11.1 General Central Government Grants

	2016/17 £000	2015/16 £000
Revenue support grant	(48,371)	(62,104)
Capital grants and contributions	(55,002)	(36,493)
Education services grant	(4,343)	(4,742)
New homes bonus	(9,853)	(6,326)
Council tax freeze grant	-	(1,181)
Capitalisation provision redistribution grant	-	(345)
Other	-	(12)
Total General Central Government Grants	(117,569)	(111,203)

12. Cash Flow Statement - Adjustments to Net Surplus or Deficit on the Provision of Services

12.1 Cash Flow Statement - Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

	2016/17 £000	2015/16 £000
Depreciation	(41,575)	(34,463)
Revaluation gains / (losses) charged to CIES	10,175	155,949
Movement in debtors	(7,681)	12,292
Movement in creditors	(16,018)	13,031
Pension liability	(12,510)	(16,976)
Movement in provisions	(1,225)	(1,103)
Adjustment for impairment losses on investments		-
Adjustments for effective interest rate		-
Carrying amount of non-current assets sold	(57,969)	(14,819)
Total	(126,803)	113,911

12.2. Cash Flow Statement - Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

	2016/17 £000	2015/16 £000
Capital grants credited to surplus or deficit on the provision of services	55,002	33,466
Net adjustment from the sale of short and long term investments	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	24,825	36,493
Total	79,827	69,959

13. Cash Flow Statement - Cash flows from Operating, Investing or Financing Activities

13.1. Cash flow statement - operating activities (interest)

Operating activities within the cashflow statement include the following cash flows relating to interest:

	2016/17 £000	2015/16 £000
Interest received	2,887	1,441
Interest paid	(24,209)	(24,031)

13.2. Cash Flow Statement - Cash Flows from Investing Activities

	2016/17 £000	2015/16 £000
Purchase of property, plant and equipment, investment property and Intangible Assets	134,632	125,487
Purchase of short-term and long-term investments	2,415,765	6,801,831
Other payments for investing activities	2,848	3,944
Proceeds from the sale of property, plant and equipment, investment	(34,825)	(33,466)
Proceeds from short-term and long-term investments	(2,456,877)	(6,834,325)
Other receipts from investing activities	(39,546)	(32,538)
	21,997	30,933

13.3 Cash Flow Statement - Cash Flows from Financing Activities

	2016/17 £000	2015/16 £000
Cash receipts of short- and long-term borrowing	(58,576)	(13,476)
Council tax and NNDR adjustments	24,878	(10,048)
Other receipts from financing activities	-	-
Cash payments for the reduction of the outstanding liabilities relating	5,435	4,707
Repayments of short- and long-term borrowing	15,178	12,734
Other payments for financing activities	-	
	(13,085)	(6,083)

14. Related Party Transactions

14.1 The Council is required to disclose material financial transactions with related third parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

14.2 Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 9 on reporting for resources allocation decisions.

14.3 Significant transactions with Government Departments, precepting and levying bodies, joint arrangements with other bodies, local authorities and the Council's Pension Fund are shown and declared elsewhere in the financial statements. The Council charged the Pension Fund £796k (£762k in 2015/16) for expenses incurred in administering the fund. The cash balance held on behalf of the Pension Fund was £6.4m at 31 March 2017 (£12.1m in 2015/16)

14.4 Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowance paid in 2016/17 is shown on Note 16. Information relating to Councillors has been obtained from their individual Declarations of Interest. Individual returns are completed by relevant officers of the authority. The only significant declarations are:-

i) In 2016/17 the Executive Director of Corporate Resources acted as a Treasurer for the West London Waste Authority (WLWA), and the Executive Director of Environment and Customers Services acted as Chief Technical Advisor. One Councillor acted as a Chair to the WLWA. In 2016/17 the Council paid a levy of £12.03m (£13.4m in 2015/16) and loaned a total of £14.8m (11.9m in 2015/16) to WLWA. As at 31st March 2017 Ealing held £14m (£9m in 2015/16) from WLWA to invest on their behalf.

ii) In 2016/17 the Executive Director of Environment & Customer Services and the Executive Director of Regeneration & Housing acted as Directors of Broadway Living. Broadway Living is a wholly owned subsidiary which was set up to build homes over a range of tenures to assist in meeting the borough's current and future housing demand (refer to note 36.1)

iii) In 2016/17 the Executive Director of Environment and Customer Services acted as a Director of the Gunnersbury Park Community Interest Company (CIC). The Gunnersbury Park CIC has been established by LB Ealing and Hounslow as the delivery company for the continued regeneration of the park.

iv) Three Councillors are on the Mortlake Crematorium Board for the year ended 31st March 2017. The board has £1,368k (£768k at 31st March 2016) invested with the Council. Mortlake also purchased accountancy, internal audit and payroll services from the Council, at a total cost of £19k (£19k in 2015/16).

v) Two Members are involved with the Racial Equality Council. In 2016/17 the Council paid £3k to the trust (£49k in 2015/16).

vi) Two Members let properties in the borough, one member lets properties through a managing agency company that rents properties to Ealing Council, and one member is the Director of a Property company in the borough.

vii) A number of Members and Officers have made declarations of their interests in voluntary organisations which receive grants through Council decisions and in positions as schools governors. Records of their interests are shown in publicly available records, particularly in the Register of Members Interest which is available on the council website.

14.5 Ealing has established a pooled fund for the purposes of the Better Care Fund (BCF) with Ealing CCG. For the Financial Year 2016/17 the Partners have agreed to the establishment of a reporting (or virtual) Pooled Fund for the Better Care Fund, with different arrangements for the various other Services included within the s75 Agreement. The Partners agree to review this arrangement before deciding on the format for future years. The total BCF funding between the partners is £62.245m in 2016/17 (LBE Contribution £28.580m and CCG Contribution £33.665m). The BCF plan increased by £33.028m and includes many schemes and programmes (to support Community Equipment, Learning Disabilities and Mental Health) so as to strengthen the increasing integration of Health and Social Care and the collaborative working between the two organisations. The increase into the BCF in 2016/17 was agreed by the joint management team from both organisations. They oversee the BCF and review the schemes, services and programmes included in the BCF. The total Integrated Community Equipment Service funding between the partners is £3.105m (£2.597m in 2015/16).

15. Levies

	2016/17 £000	2015/16 £000
London Pension Fund Authority	401	397
Lee Valley Park	312	314
National Rivers Authority	249	240
West London Waste Authority	12,029	13,392
Coroners Services	385	221
Total Levies	13,376	14,564

16. Members Allowances

The total of allowances paid to the members of the Council was £1.027m in 2016/17 (£1.020m in 2015/16).

17. Employee Remuneration

17.1 Employees receiving remuneration of over £50,000 per annum

Set out below is the number of employees whose remuneration, excluding pension contributions was £50,000 or more, in bands of £5,000. These amounts also include the costs associated with contributions in respect of redundancies.

Remuneration Band	Number of Employees 2016/17		Number of Employees 2015/16	
	Ealing Council	Schools	Ealing Council	Schools
£50,000 - £54,999	77	216	64	213
£55,000 - £59,999	46	107	42	102
£60,000 - £64,999	26	68	22	50
£65,000 - £69,999	13	23	14	37
£70,000 - £74,999	24	24	21	18
£75,000 - £79,999	5	21	2	13
£80,000 - £84,999	8	11	9	13
£85,000 - £89,999	4	12	5	12
£90,000 - £94,999	5	4	-	2
£95,000 - £99,999	2	5	2	6
£100,000 - £104,999	4	1	1	1
£105,000 - £109,999	3	1	2	1
£110,000 - £114,999	1	-	1	1
£115,000 - £119,999	-	1	2	-
£120,000 - £124,999	-	1	-	1
£125,000 - £129,999	1	1	-	2
£130,000 - £134,999	2	-	3	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	1	-	-	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	1	-	-	-
£165,000 - £169,999	-	-	-	-
£170,000 - £174,999	-	-	1	-
Total	**223**	**496**	**191**	**472**

The table above includes the senior officers whose remuneration is detailed in note 17.3.

17.2 Exit packages

A breakdown of all compulsory and voluntary redundancy payments agreed in the 2016/17 financial year (including pension contributions paid on behalf of employees who were made redundant), is as follows:

Exit Package Band	Total Number of departures agreed in 2016/17			Total Value of Exit Packages in 2016/17	Total Number of departures agreed in 2015/16	Total Value of Exit Packages in 2015/16
	Compulsory	Other	Total	£000		£000
Under £20,000	59	30	89	637	172	1,171
£20,000 - £39,999	7	7	14	421	39	1,095
£40,000 - £59,999	2	2	4	191	9	427
£60,000 - £79,999	1	-	1	69	8	561
£80,000 - £99,999	1	-	1	85	5	447
£100,000 - £149,999	-	2	2	239	-	-
£150,000 - £199,999	1	1	2	361	8	1,067
Total:	71	42	113	2,003	241	4,768

17. Employee Remuneration

17.3 Senior Officer Remuneration

The following table sets out the remuneration disclosures for senior officers and those whose salary is £150k or more per year. The meaning of senior officers is defined in the Accounts and Audit Regulations 2015 and the officers shown below are members of the Corporate Board.

2016/17 Post Holder Information	Salary (including fees and allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration (Excluding Pension contributions)	Pension Contributions	Total
	£	£	£	£	£	£	£	£
Paul Najsarek - Chief Executive (a)	164,368					164,368	32,216	196,584
Ian O'Donnell - Executive Director for Corporate Resources	134,199					134,199	26,303	160,502
Pat Hayes - Executive Director for Regeneration & Housing	149,199					149,199	29,243	178,442
Keith Townsend - Executive Director for Environment and Customer Services	134,199					134,199	26,303	160,502
Judith Finlay - Executive Director for Children and Adults	128,173					128,173	25,022	153,195
Director of Public Health	91,715					91,715	22,439	114,155

(a) Started 11th April 2016 – base rate for this role is £169,065

2015/16 Post Holder Information	Salary (including fees and allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind	Total Remuneration (Excluding Pension contributions)	Pension Contributions	Total
	£	£	£	£	£	£	£	£
Martin Smith - Chief Executive*	165,381					165,381		165,381
Ian O'Donnell - Executive Director for Corporate Resources	132,870					132,870	26,043	158,913
Pat Hayes - Executive Director for Regeneration & Housing	132,870					132,870	26,043	158,913
Keith Townsend - Executive Director for Environment and Customer Service	132,870					132,870	26,043	158,913
David Archibald - Executive Director for Children and Adults a)	See Below							
Judith Finlay - Executive Director for Children and Adults b)	75,028					75,028	14,705	89,733
Director of Public Health	81,675					81,675	10,874	92,549

Notes

***Included Approved Adjustments relating to leave**

a) David Archibald was not a direct employee of the Council. If the post had been filled by a Council employee during the early part of 2015/16 the salary range would have been between £120,444 - £133,011. David left the role in June 2015.

b) Judith Finlay commenced in post on 17 August 2015 and the above reflects salary paid in this period.

18. Property, plant and equipment

2016/17	Council Dwellings	Other Land & Buildings	Other Land & Buildings (PFI)	Vehicles, Plant & Equipment	Infrastructure Assets	Infrastructure Assets (PFI)	Community Assets	Surplus Assets	PP&E Under Construction	Total PP&E	Intangible assets	Heritage assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation												
At 1 April 2016	777,824	656,574	164,752	101,853	207,279	31,977	8,938	4,064	28,324	1,981,585	2,403	2,741
Additions	43,111	28,798	-	6,441	10,872	-	572	43	38,917	128,754	154	-
Donations												
Revaluation Increases / (decreases) to Revaluation Reserve	22,752	17,933	-	-	-	-	-	-	-	40,685	-	-
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	6,237	(1,544)	-	-	-	-	-	-	-	4,693	-	-
Derecognition-Disposals	(51,230)	(14,838)	-	-	-	-	-	-	-	(66,068)	-	-
Derecognitions-Other	-	-	-	-	-	-	-	-	-	-	-	-
Reclassified to / from Held for Sale	-	(4,305)	-	-	-	-	-	-	-	(4,305)	-	-
Other Reclassifications	2,371	7,421	-	26	495	-	-	-	(10,350)	(37)	37	-
At 31 March 2017	801,065	690,039	164,752	108,320	218,646	31,977	9,510	4,107	56,891	2,085,307	2,594	2,741
Depreciation and Impairment												
At 1 April 2016	(3)	(8,173)	(17,767)	(80,627)	(83,608)	(4,757)	-	(86)	-	(195,021)	(1,226)	-
Depreciation Charge	(13,488)	(12,821)	(3,435)	(4,383)	(7,468)	(640)	-	(8)	-	(42,243)	(353)	-
Depreciation written out to Revaluation Reserve	9,638	4,653	-	-	-	-	-	-	-	14,291	-	-
Depreciation written out to Surplus / Deficit on Provision of Services	3,019	2,593	-	-	-	-	-	-	-	5,612	-	-
Impairment losses/reversals to Revaluation Reserve	-	-	-	-	-	-	-	-	-		-	-
Impairment losses/reversals to Surplus / Deficit on Provision of Services	(498)	-	-	-	-	-	-	-	-	(498)	-	-
Derecognition-Disposals	642	904	-	-	-	-	-	-	-	1,546	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2017	(690)	(12,844)	(21,202)	(85,010)	(91,076)	(5,397)	-	(94)	-	(216,313)	(1,579)	-
Net Book Value:												
At 31 March 2017	800,375	677,195	143,550	23,310	127,570	26,580	9,510	4,013	56,891	1,868,994	1,015	2,741
At 31 March 2016	777,821	648,401	146,985	21,226	123,671	27,220	8,938	3,978	28,324	1,786,563	1,177	2,741

2015/16	Council Dwellings	Other Land & Buildings	Other Land & Buildings (PFI)	Vehicles, Plant & Equipment	Infrastructure Assets	Infrastructure Assets (PFI)	Community Assets	Surplus Assets	PP&E Under Construction	Total PP&E	Intangible assets	Heritage assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation												
At 1 April 2015	784,000	580,665	165,541	97,103	196,860	31,977	8,513	6,698	40,019	1,911,377	2,010	2,741
Additions	39,354	29,565	-	3,512	10,396	-	425	1,832	31,581	116,666	353	-
Donations	-	-	-	-	-	-	-	-	-	-		
Revaluation Increases / (decreases) to Revaluation Reserve	(201,654)	23,869	100	-	-	-	-	(1,244)	-	(178,928)	-	-
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	153,637	(8,896)	(889)	-	-	-	-	(3,216)	-	140,636	-	-
Derecognition-Disposals	(5,863)	(2,258)	-	-	-	-	-	(5)	-	(8,126)	-	-
Derecognitions-Other	8,348	33,628	-	1,237	22	-	-	-	(43,276)	(40)	40	-
At 31 March 2016	777,823	656,574	164,752	101,853	207,279	31,977	8,938	4,064	28,324	1,981,584	2,403	2,741
Depreciation and Impairment												
At 1 April 2015	-	(8,491)	(15,202)	(76,850)	(76,045)	(4,118)	-	(86)	-	(180,794)	(914)	-
Depreciation Charge	(8,643)	(11,092)	(3,436)	(3,776)	(7,562)	(640)	-	(26)	-	(35,175)	(312)	-
Depreciation written out to Revaluation Reserve	655	4,974	-	-	-	-	-	9	-	5,638	-	-
Depreciation written out to Surplus / Deficit on Provision of Services	7,987	6,438	872	-	-	-	-	17	-	15,314	-	-
Impairment losses/reversals to Revaluation Reserve	(2)	(2)	-	-	-	-	-	-	-	(4)	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-		-
At 31 March 2016	(3)	(8,173)	(17,767)	(80,627)	(83,608)	(4,757)	-	(86)	-	(195,021)	(1,226)	-
Net Book Value:												
At 31 March 2016	777,821	648,401	146,985	21,226	123,671	27,220	8,938	3,978	28,324	1,786,563	1,177	2,741
At 31 March 2015	784,000	572,174	150,339	20,252	120,815	27,859	8,513	6,611	40,019	1,730,583	1,095	2,741

19. Private Finance Initiative (PFI)

PFI is a mechanism involving a partnership agreement with an external body in order to generate investment in council services. In return for this investment the Council pays an annual fee.

The Council has entered into a number of PFI commitments as shown below. These schemes all meet the criteria outlined in the accounting policies and the assets and liabilities are therefore on the Council's balance sheet. Details of the assets in respect of these schemes can be found in note 18.

19.1 Ealing Schools' PFI

In December 2002 the Council entered into a design, build, finance and operate contract with Ealing Schools' Partnership Ltd for the provision of school buildings and services for Brentside High, Downe Manor Primary, Gifford Primary and Ravenor Primary. The contract is for 27 years. The value of the unitary charge in 2016/17 was £4.7m (2015/16 £5.6m).

In July 2005 the Council entered into a design, build, finance and operate contract with Seafort Ealing Ltd for the provision of school buildings and services for Featherstone Primary, Acton High and Greenford High. The contract is for 25 years. The value of the unitary charge in 2016/17 was £8.3m (2015/16 £8.2m).

19.2 Building Schools for the Future (BSF) PFI

On 15 December 2010 the Council entered into a BSF PFI contract with Balfour Beatty Education. This contract provides for new building construction of Dormers Wells High School, followed by ongoing facilities management and lifecycle works over 25 years.

The main work completed in August 2012 and service availability began in September 2012. The value of the unitary charge in 2016/17 was £4.4m (2015/16 £5.3m).

19.3 Resource Centres for Older Peoples PFI

The PFI project is for a total of 31.5 years and involves the building and development of 4 new resource centres for Older People including residential and nursing care placements to replace 5 in-house homes.

A PFI credit equivalent to £24m at 2001 prices will be paid over 25 years and used to fund the project with Ealing Care Alliance. The building of the homes was fully completed in 2009.

The value of the Unitary charge in 2016/17 was £12.6m (2015/16 £12.9m).

There are four homes, Elm Lodge, opened on the 8th August 2006 with a capacity of 75 beds, Martin House, opened on the 25th February 2008 with a capacity of 77 beds, Sycamore Lodge, opened on the 13th March 2008 with a capacity of 75 beds and Chestnut Lodge, opened on 28th July 2009 with a capacity of 64 beds. Ongoing care costs will be funded through original placement budgets.

19.4 Street Lighting PFI

The project involves the renewal and upgrading of street lighting across Ealing. Southern Electric Contracting Ltd has taken over the responsibility for the management, design, installation, ongoing repairs and maintenance of the borough's entire street lighting stock from 1st August 2005.

The 25 year contract includes a major capital investment programme for the replacement and renewal of over 20,000 items of highway electrical equipment, with a capital replacement value in excess of £20m. Ealing Council is funding the PFI project with the help of a £25m central government grant.

The PFI lamp column replacement programme was completed in 2010/11.

The value of the Unitary charge in 2016/17 was £4.9m (2015/16 £4.4m).

20. Private Finance Initiative (PFI) payments due

20.1 Private Finance Initiative (PFI) payments due

To write down liability	31 March 2017 Schools 1 £000	31 March 2017 Schools 2 £000	31 March 2017 Street Lighting £000	31 March 2017 Care Homes £000	31 March 2017 BSF £000	31 March 2017 Total £000
within 1 year	1,120	1,381	761	672	621	4,555
between 2 to 5 years	2,609	7,157	3,717	2,435	3,115	19,033
between 6 to 10 years	6,084	11,501	7,006	4,057	4,704	33,352
between 11 to 15 years	7,829	17,764	5,320	6,212	6,748	43,873
between 16 to 20 years	-	1,608	-	9,129	9,762	20,500
between 21 to 25 years	-	-	-	-	2,794	2,794
Total	17,642	39,411	16,804	22,505	27,745	124,107

Interest charges	31 March 2017 Schools 1 £000	31 March 2017 Schools 2 £000	31 March 2017 Street Lighting £000	31 March 2017 Care Homes £000	31 March 2017 BSF £000	31 March 2017 Total £000
within 1 year	1,034	3,286	1,467	1,706	2,513	10,007
between 2 to 5 years	3,682	11,849	5,148	6,270	9,431	36,380
between 6 to 10 years	3,446	11,098	4,246	6,803	10,093	35,686
between 11 to 15 years	1,323	5,376	887	4,882	7,608	20,076
between 16 to 20 years	-	134	-	2,029	4,081	6,244
between 21 to 25 years	-	-	-	-	253	253
Total	9,485	31,743	11,748	21,690	33,979	108,645

Service charges & lifecycle costs	31 March 2017 Schools 1 £000	31 March 2017 Schools 2 £000	31 March 2017 Street Lighting £000	31 March 2017 Care Homes £000	31 March 2017 BSF £000	31 March 2017 Total £000
within 1 year	1,130	2,337	1,791	6,733	1,061	13,051
between 2 to 5 years	6,846	9,010	7,211	27,737	4,234	55,038
between 6 to 10 years	6,892	12,421	8,843	34,694	6,177	69,027
between 11 to 15 years	5,362	11,881	5,849	34,460	6,618	64,171
between 16 to 20 years	-	592	-	29,840	7,131	37,563
between 21 to 25 years	-	-	-	-	1,148	1,148
Total	20,230	36,241	23,694	133,464	26,369	239,998

20.1 Private Finance Initiative (PFI) payments due

To write down liability	31 March 2016 Schools 1 £000	31 March 2016 Schools 2 £000	31 March 2016 Street Lighting £000	31 March 2016 Care Homes £000	31 March 2016 BSF £000	31 March 2016 Total £000
within 1 year	1,249	1,408	672	507	587	4,424
between 2 to 5 years	2,823	6,608	3,419	2,904	2,891	18,645
between 6 to 10 years	5,389	10,738	6,449	3,467	4,461	30,504
between 11 to 15 years	8,474	16,273	6,936	5,698	6,272	43,653
between 16 to 20 years	956	5,792		9,263	8,942	24,953
between 21 to 25 years				1,173	5,180	6,353
Total	18,891	40,820	17,476	23,012	28,332	128,531

Interest charges	31 March 2016 Schools 1 £000	31 March 2016 Schools 2 £000	31 March 2016 Street Lighting £000	31 March 2016 Care Homes £000	31 March 2016 BSF £000	31 March 2016 Total £000
within 1 year	1,108	3,403	1,526	1,745	2,566	10,348
between 2 to 5 years	3,848	12,400	5,447	6,490	9,693	37,878
between 6 to 10 years	3,761	11,994	4,809	7,066	10,497	38,127
between 11 to 15 years	1,820	6,732	1,493	5,314	8,176	23,534
between 16 to 20 years	56	617		2,731	4,891	8,295
between 21 to 25 years				89	722	811
Total	10,593	35,146	13,274	23,435	36,545	118,993

Service charges & lifecycle costs	31 March 2016 Schools 1 £000	31 March 2016 Schools 2 £000	31 March 2016 Street Lighting £000	31 March 2016 Care Homes £000	31 March 2016 BSF £000	31 March 2016 Total £000
within 1 year	927	2,192	1,821	6,859	1,041	12,841
between 2 to 5 years	6,466	9,009	7,210	27,048	4,196	53,929
between 6 to 10 years	7,271	12,289	8,837	35,021	6,017	69,434
between 11 to 15 years	6,128	12,015	7,647	34,542	6,527	66,859
between 16 to 20 years	364	2,929		33,560	7,142	43,995
between 21 to 25 years				3,293	2,488	5,781
Total	21,157	38,434	25,514	140,323	27,410	252,839

20.2 Movements in PFI assets and liabilities

Assets:	Assets at 31 March 2017 £000	Movement In Year £000	Assets at 31 March 2016 £000	Movement In Year £000	Assets at 01 April 2015 £000
Ealing Schools' PFI - Ealing Schools' Partnership Ltd	35,430	(704)	36,134	(704)	36,838
Ealing Schools' PFI - Seafort Ealing Ltd	49,379	(1,078)	50,457	(1,078)	51,535
Street Lighting PFI - EDF / Southern Electric	26,581	(640)	27,221	(640)	27,861
Resource Centre for Older People PFI - Ealing Care Alliance	25,749	(1,105)	26,854	(1,106)	27,960
Building Schools for the Future - Future Ealing Limited	33,027	(512)	33,539	(465)	34,004
Total PFI Assets	170,166	(4,039)	174,205	(3,993)	178,198

Liabilities:	Liabilities at 31 March 2017 £000	Movement In Year £000	Liabilities at 31 March 2016 £000	Movement In Year £000	Liabilities at 01 April 2015 £000
Ealing Schools' PFI - Ealing Schools' Partnership Ltd	(17,642)	1,249	(18,891)	1,108	(19,999)
Ealing Schools' PFI - Seafort Ealing Ltd	(39,412)	1,408	(40,820)	1,431	(42,251)
Street Lighting PFI - EDF / Southern Electric	(16,804)	672	(17,476)	609	(18,085)
Resource Centre for Older People PFI - Ealing Care Alliance	(22,505)	507	(23,012)	436	(23,448)
Building Schools for the Future - Future Ealing Limited	(27,745)	587	(28,332)	448	(28,780)
Total PFI Liabilites	(124,107)	4,424	(128,531)	4,032	(132,563)

21 Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2016/17 £000	2015/16 £000
Agreed fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the financial year	166	166
Agreed fees payable to the external auditor for the certification of grant claims and returns for the financial year	28	33
Total Audit Costs	194	199

22. Heritage Assets

The Council has a number of heritage assets, comprising of the Council's art collection, ceramics, figurines and other antiques and civic regalia. These assets are held at insurance valuations which are based on market values. The latest valuations range from 2007-2012.

Additionally there is a World War II underground bunker at one of the borough's schools. It is the opinion the Council that obtaining a valuation for the bunker would be disproportionate in relation to the benefits derived by users of the financial statements. This heritage asset is therefore not included on the balance sheet, although it is likely that this would have no monetary value as no market would exist for the sale of the asset.

23. Capital Expenditure

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

	2016/17 £000	2015/16 £000
Borrowing	35,570	45,045
Revenue Contributions	14,122	17,416
Capital receipts	35,437	17,084
Capital grants and other	56,817	49,482
Major repairs reserve	14,064	13,670
Finance lease liability	-	33
Private Finance Initiative	-	-
Total Capital Expenditure	156,010	142,730

	2016/17 £000	2015/16 £000
Fixed assets purchased	128,908	116,986
Fixed assets acquired:		
under finance lease	-	33
under PFI	-	-
Revenue expenditure funded from Capital under Statute :	27,154	25,214
De-minimus capital expenditure	(51)	497
	156,010	142,730

The closing capital financing requirement for 2016/17 was £733.5m (2015/16 £718.9m).

24. Capital Commitments

The table below represents approved capital expenditure including contracts which have already been entered into. These commitments include:-

i) Schemes which have already commenced and have incurred expenditure to 31 March 2017. 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.

	2017/18 £000	2018/19 £000	Total £000
Schools services	12,694		12,694
Adult services	642		642
Public Health	70		70
Children's services	15		15
Environment and leisure	2,493		2,493
Customer services	3,586	222	3,808
E&CS Executive Directorate	5,881	1,232	7,113
Parking services	-		-
Corporate resources	2,607		2,607
Housing (General Fund)	27		27
Housing (HRA)	41,720		41,720
Property and regeneration	3,368		3,368
Safer communities	690		690
Built environment	1,920		1,920
Council wide	-		-
Total Capital Commitments	**75,713**	**1,454**	**77,167**

25. Leases

25.1 Lease Payments

The Council uses various assets acquired under operating leases including office accommodation, photocopiers and vehicles. The future minimum lease payments due under non-cancellable leases in future years are:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total 2016/17 £000	Total 2015/16 £000
Future Minimum Lease Payments:				
Within 1 year	436	218	654	787
Between 2 to 5 years	1,515	195	1,710	1,980
Over 5 years	372	-	372	738
Total	2,323	413	2,736	3,505

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

25.2 Operating Leases - Lessor

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	Total 2016/17 £000	Total 2015/16 £000
Future Minimum Lease Payments:		
Within 1 Year	1,116	1,443
2 to 5 years	2,729	3,472
Over 5 Years	8,080	8,522
Total	11,925	13,437

The Council has 93 vehicles and 4 items of equipment held under finance leases including items that are lease arrangements embedded with contracts. This includes 29 vehicles as part of recycling contract that commenced in 2012/13. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	Vehicle, Plant & Equipment 2016/17 £000	Vehicle, Plant & Equipment 2015/16 £000
Value at 1 April	2,692	3,681
Additions	-	33
Revaluations	-	-
Depreciation	(1,022)	(1,022)
Disposals	-	-
Value at 31 March	1,670	2,692

The Council is committed to making minimum lease payments under these leases comprising settlement of the long term liability for the interest in the vehicles, plant and equipment acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments comprise the following amounts:

	Total 2016/17 £000	Total 2015/16 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	994	993
Non current	959	1,970
Finance costs payable in future years	80	281
Total	2,033	3,244

The minimum lease payments will be payable over the following periods :

	Vehicle, Plant & Equipment Lease Payments 2016/17 £000	Vehicle, Plant & Equipment Finance Charges 2016/17 £000	Vehicle, Plant & Equipment Lease Payments 2015/16 £000	Vehicle, Plant & Equipment Finance Charges 2015/16 £000
Within 1 year	994	53	993	183
Between 2 to 5 years	959	27	1,970	98
Over 5 years				
	1,953	80	2,963	281

26. Long-term Debtors

	31 March 2017 £000	31 March 2016 £000
WLWA Loan	14,775	11,927
Other	842	825
Total Long-term Debtors	15,617	12,752

27. Cash and cash equivalents

Cash and cash equivalents include the following components:

	31 March 2017 £000	31 March 2016 £000
Cash held by the Council	270	229
Bank Current Accounts*	(6,968)	(11,081)
School Bank Accounts	35,217	17,928
Short term deposits	9,600	7,300
Total Cash and cash equivalents	38,119	14,376

* The year-end bank current accounts balance reflects the bank position including all outstanding and unpresented items. LBE does not operate a physical bank overdraft as part of its cash management policy. This presentation is a technical requirement under IFRS.

28. Short-term Debtors

	31 March 2017 £000	31 March 2016 £000
Central Government Departments	11,725	12,797
Other Public Authorities	17,797	15,500
NHS Bodies	11,908	11,879
Payments in Advance	4,503	1,378
Other debtors Net of Collection:		
NNDR	5,440	6,613
Allowance for non-collection	(2,906)	(3,686)
NNDR (net of non collection)	**2,534**	**2,927**
Council Tax	15,107	15,074
Allowance for non-collection	(7,542)	(7,597)
Council Tax (net of non-collection)	**7,564**	**7,477**
Rent Arrears (including Housing Benefit overpayments)	29,401	25,208
Allowance for non-collection	(26,117)	(24,513)
Rent Arrears (net of non-collection)	**3,285**	**695**
Sundry Debtors	45,883	58,841
Allowance for non-collection	(17,988)	(16,946)
Sundry Debtors (net of non-collection)	**27,895**	**41,895**
Housing Association Grant Due	45	37
Total Short-term Debtors	**87,256**	**94,585**

29. Short-term Creditors

	31 March 2017 £000	31 March 2016 £000
Central Government Departments	(25,167)	(35,112)
Other Public Bodies	(13,648)	(19,410)
NHS Bodies	(1,842)	(1,985)
Receipts in Advance	-	
Finance Leases	(965)	(965)
NNDR	(2,757)	(3,404)
Council Tax Payers	(9,529)	(7,296)
Ealing Pension Fund	(6,372)	(12,165)
Housing Rents	(3,057)	(2,768)
Sundry Creditors	(70,062)	(63,617)
Total short-term creditors	(133,399)	(146,722)

30. Long Term Creditors

	Balance at 31 March 2017 £000	Receipts in year £000	Payments in year £000	Balance at 31 March 2016 £000	Receipts in year £000	Payments in year £000	Balance at 1 April 2015 £000
PFI Schemes	(120,351)	-	4,556	(124,907	-	4,112	(129,019)
Finance Leases	(958)	-	1,011	(1,969)	-	987	(2,956)
Section 106 Agreements	(19,007)	(4,772)	5,462	(19,697)	(6,768)	6,031	(18,960)
Other	(710)	(65)	-	(645)	(227)	300	(718)
Total long-term creditors	(141,026)	(4,837)	11,029	(147,218)	(6,995)	11,430	(151,653)

31. Capital Grants Receipts in Advance

Capital Grants Receipts in Advance are amounts received to fund capital expenditure where the conditions of the grant or contribution have not yet been met. These are transferred to the capital grants unapplied account once the conditions are met, or to the capital adjustment account if the conditions being met involved the grant being used to fund capital expenditure. If conditions are not met, the contribution is returned to the grantor.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	(3,642)	(2,496)
Amounts received	(39,314)	(7,279)
Applied in Year	42,860	6,133
Balance at 31 March	**(96)**	**(3,642)**

32.1 Short-term provisions

	Balance at 31 March 2017 £000	Receipts in year £000	Payments in year £000	Balance at 31 March 2016 £000	Receipts in year £000	Payments in year £000	Balance at 1 April 2015 £000
Insurance Provision	1,353	594	-	759	45	-	714
NNDR Provision for Appeals	5,128	868	(347)	4,607	1,161	(813)	4,259
Other Provisions	2,899	1,373	(668)	2,194	630	(339)	1,903
Total Short-term provisions	9,380	2,835	(1,015)	7,560	1,836	(1,152)	6,876

32.2 Long-term provisions

	Balance at 31 March 2017 £000	Receipts in year £000	Payments in year £000	Balance at 31 March 2016 £000	Receipts in year £000	Payments in year £000	Balance at 1 April 2015 £000
Insurance Provision	2,284	6	(522)	2,800	30	(160)	2,930
Other Provisions	1,534	33	(110)	1,611	583	(35)	1,063
Total Provisions	3,818	39	(632)	4,411	613	(195)	3,993

The value of provisions includes the items mentioned below. The balance also includes amounts related to contractual disputes and new contractual arrangements. There are provisions for the following:

1. Claims and self insurance provision - this 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.

2. NNDR Provision for Appeals - The Council has set aside this provision for any potential liabilities arising from business rates payers' appeals against rateable valuations and consequent reduction in the collectable amounts. The Council is responsible for 30% share of the liability along with The Department for Communities and Local Government and the Greater London Authority who are responsible for a 50% share and 20% share respectively

Other Provisions

3. The Council bought the leaseholds of certain properties during the 1950s and 1960s as part of slum clearances programme. The leases on these properties are now coming to an end. The long lease property compensation provision has been set up to cover costs to be incurred by the Council in respect of dilapidations to these properties.

4. Land charges - provision has been made following the Information Commissioner's decision that some information charged for under the property search legislation introduced in 2008 should have been provided free of charge. Ealing Council is a defendant in proceedings brought by a group of property search companies for the refunds of fees paid to the Council to access land charges data including interest and costs. A second group of property search companies is also seeking to claim refunds although no proceedings have yet been issued. A contingent liability for the Council arising from further potential action has been set aside

5. Redundancy - this provision has been set up to cover the redundancy costs to be incurred in 2017/18, where decisions to restructure services have resulted in notice of redundancy being given prior to 31 March 2017.

6. Disrepair cases – this provision has been set up to cover abnormal costs incurred for legal expenses and other costs associated with disrepair cases.

33. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, through the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

	2016/17 Central Expenditure £000	2016/17 Individual School Budget £000	2016/17 Total £000	2015/16 Total £000
Final DSG for the year before Academy Recoupment			305,543	299,772
Academy Figure Recouped			(35,987)	(33,640)
Total DSG After Academy Recoupment			269,556	266,132
Brought forward from previous year			1,897	5
Carry forward agreed in advance			-	-
Agreed initial budgeted distribution in year			271,453	266,137
In year adjustments			-	-
Final budgeted distribution	18,546	252,907	271,453	265,143
Less actual central expenditure	(17,248)	-	(17,248)	(42,401)
Less Actual ISB deployed to schools	-	(252,907)	(252,907)	(220,845)
Plus Local Authority Contribution	-	-	-	-
Carry Forward to 2017/18	**1,298**	**-**	**1,298**	**1,897**

34. Retirement Benefits

34.1 Local Government Pension Scheme

London Borough of Ealing is part of the Local Government Pension Scheme and is the administering authority for the London Borough of Ealing Pension Fund. The scheme provides defined benefit pensions for its members which are funded from employer and employee contributions as well as investment returns.

34.2 Transactions relating to retirement benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

	2016/17 £000	2015/16 £000
Comprehensive Income & Expenditure Statement (CIES)		
Net Cost of Services:		
current service cost	27,469	31,388
effect of settlements or curtailments	1,290	852
administration expenses	516	865
Net Operating Expenditure:		
interest on pension liabilities	44,805	40,922
interest on plan assets	(31,403)	(28,235)
Net Charge to CIES	**42,677**	**45,792**
Movement in Reserves Statement		
reversal of net charges made for retirement benefits in accordance with IAS 19	(42,677)	(45,792)
remeasurement of the net defined benefit liability (asset)	(181,040)	50,533
actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	30,167	28,816

34.3 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2016/17 £000	2015/16 £000
As at 1 April	(1,224,846)	(1,293,440)
Current service cost	(27,469)	(31,388)
Interest on pension liabilities	(44,805)	(40,922)
Contributions by scheme participants	(8,519)	(8,588)
Experience gain/(loss)	10,697	-
Gain/(loss) on financial assumptions	(340,430)	112,473
Gain/(loss) on demographic assumptions	(2,247)	-
Benefits/transfers paid	36,332	37,871
Curtailments	(1,290)	(852)
		-
As at 31 March	(1,602,577)	(1,224,846)

Retirement Benefits (continued)

Reconciliation of fair value of the scheme assets:

	2016/17 £000	2015/16 £000
As at 1 April	847,550	882,587
Interest on plan assets	31,403	28,235
Gain/(loss) on assets	150,940	(61,940)
Administration expenses	(516)	(865)
Employer contributions	30,167	28,816
Contributions by scheme participants	8,519	8,588
Benefits/transfers paid	(36,332)	(37,871)
As at 31 March 2017	1,031,731	847,550

34.4 Scheme History

	2016/17 £000	2015/16 £000
Present Value of Liabilities	(1,602,577)	(1,224,846)
Fair Value of Assets	1,031,731	847,550
Surplus/(deficit) in the scheme:	(570,846)	(377,296)

34.5 Basis for estimating assets and liabilities

The principal assumptions used by the actuary have been:

	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	23.1	23.0
- Women	26.0	25.6
Longevity at 65 for future pensioners:		
- Men	25.3	25.3
- Women	28.3	28.0
Rate of CPI inflation	2.3%	2.0%
Rate of increase in salaries	3.55%	3.75%
Rate of increase in pensions	2.3%	2.0%
Rate for discounting scheme liabilities	2.5%	3.7%

34.6 Proportion of total assets held

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2017 %	31 March 2016 %
Equity investments	64.7	64.3
Bonds	21.8	24.4
Pooled Investments - Property	8.6	9.7
- Other	0.0	0.2
Cash / Liquid Assets	4.9	1.4
	100.0	100.0

34.7 Sensitivity analysis

The following is a sensitivity analysis showing how the pension liability of £1,602,577,000 is affected by changes in individual assumptions

Sensitivity	New liability £000	% Change
+0.1% p.a. discount rate	1,575,061	-1.7%
+0.1% p.a. inflation	1,630,575	1.7%
+0.1% p.a. pay growth	1,606,684	0.3%
1 year increase in life expectancy	1,633,855	2.0%

The above sensitivities were calculated by Ealing's actuary Mercer. They reflect an alternative possible outcome based on historical data and views of the future. Actual experience may differ from this and in reality changes in assumptions are unlikely to occur in isolation but impact on each other.

The method and assumptions used in preparing this sensitivity analysis have not changed from last year.

34.8 Future cashflows

The funding arrangements and policy affecting the Council are decided every three years with the triennial valuation. The latest full triennial valuation with an effective date of 31 March 2016 was carried out by the Pension Fund's actuary (Mercers). This indicated a solvency funding level of 80% (72% at 31 March 2013). Employer contribution levels have been set so as to secure the solvency of the Pension Fund and to maintain stable employer rates. In practice, contribution levels have been set so as to target a 100% funding level in 17 years.

The estimated contributions expected to be paid to the scheme during the annual period beginning 1 April 2017 is £30.4m.

The weighted average duration of the defined benefit obligation is 18 years.

35. Pension Costs - Teachers and NHS

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Teachers Pensions Agency (TPA), and those employees working in public health that transferred in from the NHS are members of the NHS Pension Scheme. These provide employees with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

Although both schemes are unfunded they use a notional fund as the basis for calculating the employer's contribution rate to be paid by all local education authorities/NHS bodies. However it is not possible for the Council to identify a share of the underlying assets and liabilities of either scheme attributable to its own employees. For the purposes of this statement of accounts they are therefore accounted for on the same basis as a defined contribution scheme.

35.1 Teachers

In 2016/17 the Council has paid £15.36m (2015/16 Outturn - £14.39m) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 14.1% of pensionable pay from April-September and 16.48% of teachers pensionable pay from September onwards (2015/16 – 14.1%). At 31 March 2017 the pension contributions due to the scheme in respect of the March 2017 salaries were £1.27m (£1.26m as at 31 March 2016).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2016/17 these amounted to £1.70m (2015/16 - £1.61m) representing 1.83% (2015/16 – 1.73%) of pensionable pay.

35.2 NHS

In 2016/17 the Council has paid £55,600 (2015/16 Outturn – £89,800) to the NHS Pension Scheme in respect of public health employees' retirement benefits, which represented 14.3% of their pensionable pay for the year (14.3% in 2015/16). At 31 March 2017 the pension contributions due to the scheme in respect of the March 2017 salaries were £3,200 (£8,000 as at 31 March 2016).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the NHS Pension Scheme.

36. Investments In Associates

The Council has an involvement with a number of associated companies which are set out below. The assets and liabilities of these companies are not included in the Council's accounts as the materiality of the relationship does not justify such consolidation.

Information is provided as to the general purpose of the company, its financial position, and any other material financial issues affecting the Council.

36.1 Broadway Living Limited

The Council has a wholly owned subsidiary (Broadway Living Ltd) which was set up to build more homes over a range of tenures to assist in meeting the borough's current and future housing demand. This company is a wholly owned subsidiary of the Council and has an approved remaining £16.8m loan facility to drawdown upon for investment. The company also draws income from rental property circa £0.013m per month. Broadway Living Ltd.'s assets at 31 March 2017 were £1.6m (£1.2m loan and £0.436m shares). The forecast operational profit for the year ending 31 March 2017 is estimated at £0.103m and the forecast profit before tax showing a loss of £0.135m.

36.2 Future Ealing Limited

The Council entered into a PFI agreement with Balfour Beatty Education in 2010/11 for the provision of a new school under the Building Schools for the Future (BSF) scheme. The special purpose vehicle (SPV) company set up for this contract, Future Ealing Phase 1 Limited is owned jointly by the Council and Balfour Beatty Education, with the Council having a 20% stake in the company. In addition to this, the Council has invested £600,000 into Future Ealing's working capital which is shown as a short term investment in these accounts. The financial figures of the company show that the sums involved are not material to the Council's accounts - this will continue to be monitored going forward. The assets and liabilities acquired under the PFI scheme will be recognised in the Council's single entity accounts in line with other PFI schemes and the Council's accounting policies.

37. Financial instruments balances

The financial instruments disclosed in the balance sheet are made up of the following categories of “financial instruments” and trade creditors and debtors.

	Long-term		Current	
Financial Liabilities	**31 March 2017 £000**	**31 March 2016 £000**	**31 March 2017 £000**	**31 March 2016 £000**
Financial liabilities at amortised cost	487,020	457,839	53,982	40,422
Trade Creditors	20,675	22,311	121,113	136,022
Financial liabilities at fair value through profit and loss	-	-	-	-
Total financial liabilities	507,695	480,150	175,095	176,444
Loans and receivables	610	1,826	142,983	184,133
Loans and receivables - shown as cash equivalents	-	-	9,600	7,300
Trade Debtors	14,775	11,927	77,158	84,181
Available-for-sale financial assets	436	436	-	-
Fair value through Profit and Loss	-	-	-	-
Total financial assets	15,821	14,189	210,541	275,614

Notes

Loans and Receivables

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Market loans (LOBOs) of £88m have been included in long term borrowing but have a call date in the next 12 months.

Available for Sale

The Council's shareholding of £436k in Broadway Living ltd has been classified as available for sale and the shares in this company are not traded in an active market.

38. Financial instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

38.1 Financial Instruments gains/losses

	Financial Liabilities	Financial Assets		2016/17 Total	2015/16 Total
	Measured at amortised cost	Loans and receivables	Fair value through P&L		
	£000	£000	£000	£000	£000
Interest expense	(23,551)			(23,551)	(23,661)
Losses on derecognition				-	-
Impairment losses				-	-
Interest payable and similar charges	(23,551)	-		(23,551)	(23,661)
Interest income		2,536		2,536	1,201
Gains on derecognition				-	-
Interest and investment income	-	2,536	-	2,536	1,201
Net gain/(loss) for the year	(23,551)	2,536		(21,015)	(22,460)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price.
For non-PWLB loans payable, PWLB premature repayment rates/prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
For loans receivable prevailing benchmark market rates have been used to provide the fair value;
No early repayment or impairment is recognised;
Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

38.2 Fair value of liabilities carried at amortised cost

The fair values are calculated as follows:

	31 March 2017		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB	412,643	627,087	388,520	556,610
LOBOs	90,924	153,580	90,972	138,263
Other	37,435	37,445	18,769	18,769
Financial Liabilities	541,002	818,112	498,261	713,642

Mark to Model Valuation for Financial Instruments - As at 31st March 2017 the Council held £153.25m financial assets and £541.2m financial liabilities for which Level 3 valuations will apply. All the financial assets are classed as Loans and Receivables and held in fixed term deposits and notice accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses early repayment rates to discount the future cash flows.

Fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

38.3 Fair value of assets carried at amortised cost

	31 March 2017		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	152,920	153,249	193,259	193,377
Financial assets	152,920	153,249	193,259	193,377

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes
a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at the 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.
The fair values for loans and receivables have been determined with reference to reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

38.4 Fair value of Financial Assets

	31 March 2017		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Available for Sale	436	436	436	436
Cash	-	-	-	-
Financial assets	436	436	436	436

The Authority's shareholding in Broadway Living Ltd – the shares in this company are not traded in an active market and fair value is the acquisition amount at the current time as no assessment of its future trading prospects can be made with reasonable certainty.

39. Nature and extent of risks arising from financial instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Full Council in the annual treasury management strategy report. The procedures for risk management are set out through a legal framework underpinned by the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk actively. The annual treasury management strategy for 2016/17, which incorporates the prudential indicators was approved by Council on 23rd February 2016 and is available on the Council's website.

The Council's activity exposes it to a variety of financial risks. The key risks are:

39.1 Credit Risk

Credit risk is the possibility that other parties may not pay amounts due to the Council.

The Council invests its cash balances on the basis of prudence first and returns second. As part of this prudent approach officers keep a daily watch on the Council's investments, drawing upon the advice of experts in the field whilst remaining cognisant of emerging economic themes that may pose risks from other sources including the financial press. This includes subscribing to Sector Treasury Services' credit rating analysis of financial institutions.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with either Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and durations in respect of each financial institution. Additional selection criteria are also applied after this initial criteria is applied. Following the financial crises of 2008/09 treasury officers are still operating to a restricted counterparty list (institutions to which the Council can lend) to ensure that any new investment exposure is to local authorities, UK banks rated at least AA- or who have the Bank of England support, or AAA. Money Market funds were introduced to the Counterparty list in the financial year 2016/17. Senior managers review the position on a weekly basis and Treasury officers and the Strategic Finance Partner – Corporate monitor the position daily and report on any market developments. In addition the Treasury Risk and Investment Board meet monthly which includes the Executive Director of Corporate Resources. The portfolio holder for finance is also kept informed.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and, the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amounts at 31 March 2017 £000	Historical experience of default 31 March 2017 %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated Maximum exposure to default 31 March 2017 £000	Estimated Maximum exposure to default 31 March 2016 £000
AA+		0.000%	0.000%	-	-
AA-	**30,000**	0.001%	0.100%	-	30
A+		0.000%	0.000%	-	-
A	**34,600**	0.019%	0.000%	7	-
A-	**3,000**	0.021%	0.100%	-	-
BBB+		0.150%	0.150%	-	22.5
Local Authorities	**84,700**	0.005%	0.005%	4	0.5
Future Ealing	**600**	0.000%	0.000%	-	-
Ealing Community Resource Centre Ltd	**20**	0.000%	0.000%	-	-
Total	**152,920**			**11**	**53**

39.2 The Treasury Management Strategy

The treasury management strategy for 2016/17 was approved by Full Council on 23/2/2016 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £152.92m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

39. Nature and extent of risks arising from financial instruments (continued)

39.3 Liquidity Risk

The Council manages its liquidity position through a risk management process by setting and approving prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

In addition, the Council has access to a facility to borrow from the Public Works Loans Board. As a result, there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

	31 March 2017 £000	31 March 2016 £000
Loans Outstanding:		
Public Works Loans Board	407,438	382,616
Market debt	88,000	88,000
Temporary borrowing	22,000	9,000
Other	15,368	9,768
Total Loans outstanding	**532,806**	**489,384**
Less than 1 year	47,393	33,178
Between 1 and 2 years	14,103	12,161
Between 2 and 5 years	31,164	31,164
More than 5 years	440,146	412,881
Total Loans outstanding	**532,806**	**489,384**

In the more than 5 years category, there are £88m of market loans Lenders Option Borrowers Option (LOBOs) which have call dates in the next 12 months, i.e. the lender has the option to call the loan. The risk exposure and options for restructuring these loans are carried out on an ongoing basis. The maturity analysis of financial liabilities is outlined above and this falls within the maximum and minimum limits for fixed as agreed in the Treasury Management strategy.

39.4 Market Risk (Interest rate risk)

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

• Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
• Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
• Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
• Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

39. Nature and extent of risks arising from financial instruments (continued)

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from central government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy provides maximum limits for fixed and variable interest rate exposure. The treasury management team monitors market and forecast interest rates within the year to adjust exposures appropriately.

The policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. There is a £6.7m PWLB variable rate loan, and £88m Market Loans LOBO's with call dates that fall within the financial year 2016/17. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of central government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and so provide compensation for a proportion of any higher costs.

	31 March 2017 £000	31 March 2016 £000
Increase in interest payable on variable rate borrowings	880	880
Increase in interest receivable on variable rate investments	(5,041)	(2,016)
Decrease in government grant receivable for financing costs		
Impact on Comprehensive Income and Expenditure Statement (CIES)	**(4,161)**	**(1,136)**
Share of overall impact debited to HRA	**267**	**268**

The impact of a 1% increase in interest rates would be as above but with the movements being reversed if there is a 1% drop in interest rates.

39.5 Price Risk

The Council does not invest in equity shares, other than an investment in Broadway Living, where the Council invested in share capital to the value of £436k.

39.6 Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

40. Contingent Liabilities

At 31 March 2017, the Council had the following material contingent liabilities:

1. The Council has a potential liability to repay care fees and interest as a result of a 1999 test case and subsequent guidance from the Department of Health in 2002 that confirmed that no charges can be made for services provided under section 117 of the 1983 Mental Health Act. There may be cases where claimants will come forward that were either not identified as S117 in 2002 or not highlighted as S117 at the start of the care package following discharge from hospital. It is not practicable to provide an estimate of the financial effect of this contingent liability.

2. The Council, along with three other local authorities in West London, has entered into a loan agreement with the West London Waste Authority (WLWA). The agreement details the total value of the loan (£15m), the agreed interest rate, payment dates for making the loan (milestone dates), and repayment dates and amounts. However, if there were a force majeure type event there is a possibility that a milestone may not be completed, creating a potential liability for the Council. It is not practicable to provide an estimate of the financial effect of this contingent liability.

3. The Council has 4 employment disputes where the Council could be ordered to pay compensation. Due to the small number of claims the council is unable to state the expected liability due to the confidentiality of this information, due to the inherent uncertainties surrounding their outcome, the Council has not made a provision for these in the accounts.

4. The Council is involved with a number of litigations and claims that were ongoing as at 31 March 2017 but their outcome is yet to be determined.

41. Contingent Assets

At 31 March 2017, the Council had no material contingent assets.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement records the transactions relating to the provision and maintenance of council housing. The account has to be self-financing and there is a legal prohibition on subsidy to or from council tax.

	Notes	2016/17	2015/16
		£000	£000
Expenditure			
Repairs and Maintenance		12,028	12,352
Supervision and management		22,036	21,512
Rent, rates, taxes and other charges		485	1,006
Depreciation and impairment of non-current assets	7	4,937	10,945
Debt Management Costs		33	87
Movement in the allowance for bad debts	3	409	462
Revenue expenditure funded from capital under statute	8	9,562	3,459
Total Expenditure		49,490	49,823
Income			
Dwelling rents		(59,612)	(60,003)
Non-dwelling rents		(1,056)	(1,441)
Revaluation Gain		-	(163,325)
Charges for services and facilities		(5,532)	(5,584)
Contributions towards expenditure		(1,830)	(2,142)
Total Income		(68,030)	(232,495)
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(18,540)	(182,672)
HRA services' share of Corporate and Democratic Core		278	257
HRA share of other amounts included in the whole authority Cost of services but not allocated to specific services		1,492	2,025
Net Cost of HRA Services		(16,770)	(180,390)
(Gain) or loss on disposal of HRA fixed assets		22,048	(8,235)
Interest payable and similar charges		7,025	6,956
Interest and investment income		(268)	(141)
Pension Interest cost and expected return on pension assets		647	646
(Surplus) or deficit for the year on HRA services		12,682	(181,164)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

Movement on the HRA Statement

	Notes	2016/17 £000	2015/16 £000
Balance on the HRA at the end of the previous year		4,926	4,926
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(12,682)	181,166
Adjustments between accounting basis and funding basis under statute		13,182	(174,210)
Net increase or decrease before transfers to or from reserves		500	6,956
Transfers to or from reserves	9	(500)	(6,956)
Increase or decrease in year on the HRA		0	(0)
Balance on the HRA at the end of the current year		4,926	4,926

Adjustments between accounting basis and funding basis under statute

	2016/17 £000	2015/16 £000
Charges for depreciation and impairment of non current assets		
Depreciation charged to HRA services below the Major Repairs Allowance element of housing subsidy, Net of Non-Dwelling Depreciation		
Revaluation losses on Dwellings and Other Land and Buildings	(9,127)	(161,606)
HRA Subsidy - Capital Grants Contributions Determination Settlement ; Charges for Early Redemption of Debt		
Statutory Provision for the Repayment of Debt	-	(3,760)
Application of grants to capital financing transferred to the Capital Adjustment Account		
Revenue expenditure funded from capital under statute	9,562	3,459
Net gain or loss on sale of non-current assets	22,048	(8,235)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements		
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	2,139	2,330
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,364)	(1,287)
Capital expenditure charged against the HRA balance	(10,011)	(5,084)
Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(65)	(27)
Total Adjustments	13,182	(174,210)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Stock Analysis

	2016/17	2015/16
Flats	9,511	9,862
Houses	2,404	2,657
Temporary Accommodation (Hostels)	63	29
Shared Ownership	29	23
Long Leases	11	11
	12,018	12,582

2 Stock Valuation at Net Book Value

	31 March 2017 £000	31 March 2016 £000
Council Dwellings		
Dwellings - vacant possession value	3,201,500	3,111,217
Less: reduction to reflect Social Housing use	(2,401,125)	(2,333,413)
Dwellings - equivalent Social Housing value	800,375	777,804
Other Land & Buildings		
Garages	22,614	22,844
Shops	5,406	5,595
Land & Buildings	(33,196)	4,375
Total	795,199	810,618
Vehicles, Plant, Furniture and Equipment		
Assets Under Construction	6,609	5,254
TOTAL	801,808	815,872

The vacant possession value of dwellings within the HRA as 31st March 2017 is £3.057M. The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to government of providing council housing at less than market rents.

3 Rent & Service Charge Arrears and Provision for Bad or Doubtful Debts

a Rent Arrears	2016/17 £000	2015/16 £000
Tenants:		
Dwellings	2,846	3,189
Temporary Accommodation (net)	991	895
Long Leases (net)	28	20
Total	3,865	4,104
Leaseholders:		
Service Charge - Capital	2,609	2,725
Service Charge - Revenue	859	660
Total	3,467	3,385

3 Rent & Service Charge Arrears and Provision for Bad or Doubtful Debts (continued)

b Provision for Bad or Doubtful Debts

	2016/17 £000	2015/16 £000
Tenants:		
Provision at 1 April	2,748	2,496
Write-offs in year	(435)	(210)
Increase in provision	409	462
Provision at 31 March	2,722	2,748

4. Major Repairs Reserve (MRR)

	2016/17 £000	2015/16 £000
Balance at 1 April	-	16
Depreciation charges for all dwellings	14,064	9,267
Capital projects funded from the MRR	(14,064)	(13,670)
Additional Transfer Above Depreciation to MRR allowed under statute	-	4,387
Balance at 31 March	-	-

5 Capital expenditure and funding

	2016/17 £000	2015/16 £000
Dwellings	59,238	46,974
Other Properties	26	71
Total	59,264	47,045
Funded by:		
Borrowing	7,752	1,632
Capital Receipts	7,696	2,921
Developer Contribution S.106	2,980	-
Revenue contributions	24,382	22,602
Major Repairs Reserve	14,064	13,670
Leaseholder's Income	2,390	6,000
Capital Grants	-	221
	59,264	47,045

6 Capital Receipts

	2016/17 £000	2015/16 £000
Land		
Council Dwellings	13,759	11,615
Other Receipts		
Total	13,759	11,615

Local authorities are required to contribute to the Housing Capital Receipt Pool a proportion of receipts generated from the disposal of HRA assets. In 2016/17 £1.5m (2015/16 £1.9m) of receipts was paid into the pool.

7 Depreciation and Impairment Charge

	2016/17 £000	2015/16 £000
Depreciation Charges		
Council Dwellings	13,488	8,643
Other Land & Buildings	576	624
Total	14,064	9,267
Impairment Charges / Revaluation Losses/(Gains)		
Dwellings and Other Land and Buildings	(9,127)	(161,606)
Total	4,937	(152,340)

8 Revenue Expenditure Funded from Capital under Statute

	2016/17 £000	2015/16 £000
Dwellings		
Other Properties	9,562	3,459
	9,562	3,459

This represents expenditure that may be capitalised under statutory provisions but does not result in creation of tangible assets. It reflects major external capital works on properties not owned by the council, and grants to assist house purchases in the open market and written out in year.

9 Transfers to / from reserves

	2016/17 £000	2015/16 £000
To Major Repairs Reserve		
Additional Transfer Above Depreciation to MRR	-	(4,387)
To Repairs & Maintenance Reserve		
Year	-	-
To HRA Earmarked Reserves		
Estate Regeneration Delivery	(500)	(2,569)
To General Fund		
Capital cost of early retirement	-	-
	(500)	(6,956)

10 Transfers to Capital Adjustment Account

	2016/17 £000	2015/16 £000
Contribution towards repayment of Debt	-	(3,760)
Total		

COLLECTION FUND ACCOUNT

These accounts represent the transactions of the Collection Fund which is a statutory fund established for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2017

	2016/17 Council Tax £000	2016/17 NNDR/BRS £000	2016/17 Total £000	2015/16 TOTAL £000
INCOME				
Income from Council Tax Payers	150,956		150,956	151,188
Income collectable from business ratepayers		148,818	148,818	147,018
Income collectable in respect of Business Rate Supplement		4,088	4,088	4,164
TOTAL	**150,956**	**152,906**	**303,862**	**302,370**
EXPENDITURE				
Precepts and Demands				
- Ealing Council	115,863	42,906	158,769	150,459
- Greater London Authority	30,170	28,604	58,774	57,253
- Central Government		71,510	71,510	65,992
Contribution towards previous year's estimated (deficit)/ surplus				
- Ealing Council	7,503	9,454	16,957	5,965
- GLA	2,088	6,303	8,391	1,229
- CLG		15,757	15,757	(1,965)
Impairments of debts/ appeals				
- Write offs	2,168		2,168	1,164
- Allowance for impairment	(79)	577	498	(3,081)
- Provision for appeals		1,736	1,736	1,161
Business Rate Supplements				
- Transitional Protection Payments		461	461	452
- Cost of Collection		490	490	492
Business Rate Supplements				
Payment to levying authority (GLA BRS) (note 4)		4,076	4,076	4,148
Administrative costs		12	12	16
TOTAL	**157,713**	**181,886**	**339,599**	**283,285**
Fund Surplus / (Deficit)				
Fund surplus / (deficit) brought forward	16,368	35,537	51,905	32,821
Surplus/(Deficit) for year	(6,757)	(28,980)	(35,737)	19,085
Fund surplus / (deficit) at 31 March	**9,611**	**6,557**	**16,168**	**51,906**
Analysis of Surplus / (Deficit)				
Ealing Council	7,627	1,967	9,594	23,541
DCLG		3,279	3,279	17,768
Greater London Authority	1,984	1,311	3,295	10,595
Fund surplus / (deficit) at 31 March	**9,611**	**6,557**	**16,168**	**51,904**

NOTES TO THE COLLECTION FUND ACCOUNT

1. Income from Council Tax

	2016/17 £000	2015/16 £000
Council Tax Income	150,956	151,188

2. Council Tax

Council Tax is a banded capital value based property tax with a 25% discount for single adult households. For the 2016/17 estimate, 103,767 properties provided a taxbase equivalent to 111,886 Band D properties after adjustments for discounts and exemptions. This was calculated as shown below:

Band	Estimated No. of properties after discounts, exemptions and council tax support	Ratio	Equivalent No. of Band D properties
A	2,499	6/9	1,666
B	7,874	7/9	6,124
C	22,984	8/9	20,430
D	35,386	9/9	35,386
E	18,964	11/9	23,178
F	8,809	13/9	12,725
G	6,368	15/9	10,614
H	881	18/9	1,761
Total Council Tax Base	103,767		**111,886**
Adjustment for actual collection rate			2,574
Council Tax Base for 2016/17			**109,312**

The current budgeted collection rate is 97.7%. This rate is kept under review as more actual data following implementation of the Localised Council Tax Support becomes available.

3. Non Domestic Rates (NDR)

The Council collects Non-Domestic Rates (NDR) for its area based on local Rateable Values provided by the Valuation Office Agency multiplied by a standard national rate in 2016/17 of 49.7p or 48.4p for qualifying Small Businesses (49.3p and 48.0p for 2015/16 respectively). The local rateable value for Ealing at 31 March 2017 was £352.0m (£350.7m at 31 March 2016).

Under the Business Rates Retention Scheme, Ealing retains 30% of the business rates that it collects (reflected as a precept). This income is subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government(CLG) and the Greater London Authority (GLA).

4. Business Rate Supplements (BRS)

Since 2010/11 the GLA has raised a levy under the Business Rates Supplements Act 2009 to finance its contribution to the Crossrail project.

FUND ACCOUNT

	Notes	2016/17 £'000	2015/16 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions			
From Employers	6	(38,280)	(36,881)
From Members	6	(9,955)	(9,748)
Individual Transfers in from Other Pension Funds		(9,099)	(2,465)
		(57,334)	**(49,094)**
Benefits			
Pensions	7	36,977	35,793
Commutation, Lump Sum Retirement and Death Benefits	7	7,155	10,892
Payments to and on Account of Leavers			
Individual Transfers Out to Other Pension Funds		3,552	1,653
Bulk transfers		0	0
Refunds to Members Leaving Service		215	103
		47,899	**48,441**
Net (Additions)/Withdrawals from Dealings with Members		**(9,435)**	**(653)**
Management Expenses	8	**4,067**	**3,975**
Returns on Investments			
Investment Income	9	(31,107)	(32,969)
Other Income	9	(258)	(44)
Taxes on Income	9	125	1,568
		(31,240)	**(31,445)**
Profit and losses on disposal of investments and changes in value of investments	13	**(156,282)**	**42,022**
Net return on investments		**(187,522)**	**10,577**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		**(192,891)**	**13,899**
Opening Net Assets of the Scheme		**(953,597)**	**(967,496)**
Closing Net Assets of the Scheme		**(1,146,488)**	**(953,597)**

NET ASSETS STATEMENT

NET ASSET STATEMENT

	Notes	2016/17 £'000	2015/16 £'000
Investment assets			
Bonds	12a	242,782	225,319
Equities	12a	366,435	319,905
Pooled Investment Vehicles	12a	476,526	384,746
Cash	12a	40,921	13,155
Other Investment Balances:	12a	0	0
Income Due and other debtors	12a	19,262	7,559
		1,145,926	**950,684**
Investment Liabilities			
Amounts payable for purchases of investments	12a	(18)	0
Net Value of Investment Assets		**1,145,908**	**950,684**
Current Assets	15	**1,139**	**4,465**
Current Liabilities	16	**(559)**	**(1,552)**
Net Assets of the Fund Available to Fund Benefits at the Period End		**1,146,488**	**953,597**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Appendix A.

NOTE 1 – GENERAL DESCRIPTION OF THE PENSION FUND

General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Ealing (the Council). It is a contributory defined benefits scheme established, in accordance with statute, to provide for the payment of benefits to employees and former employees of the Council and other admitted and scheduled bodies in the Fund. Scheduled bodies are automatically entitled to be members of the Fund by law, whereas admitted bodies participate in the Fund under admission agreements and include not for profit organisations or private contractors undertaking local authority functions.

Benefits payable, which are defined and set out in law, include retirement pensions, early payment of benefits on medical grounds and payment of death benefits where death occurs in service.

The Fund was established under section 7 of the Superannuation Act 1972 and is currently governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- the LGPS (Management and Investment of Funds) Regulations 2016 (as amended).

Funding

The Fund is financed by contributions from employees, the Council, other admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013. Contributions range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employers pay contributions into the Fund based on rates determined by the appointed actuary following triennial funding valuations. The last such valuation was as at 31 March 2016.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, as summarised in the table below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. Benefits for service prior to 1 April 2014 are protected and continue to be based on the table shown above.

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested and accounted for separately from the pension fund. AVCs are used to secure additional benefits on a money purchased basis. The scheme providers are Scottish Widows and Equitable Life.

Governance

The Council has delegated day to day management of the Fund to the Pension Fund Panel (the Panel) who decide on the most suitable investment strategy and set policy and have delegated authority to make investment decisions. The Panel reports to the Council and obtains, as necessary, advice from the Fund's appointed investment advisors, fund managers and actuary.
In line with the provisions of the Public Service Pensions Act 2016 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. Board members are independent of the Pension Fund Panel.

Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare and keep up to date a written statement recording the investment policy of the Pension Fund. The Investment Strategy Statement is publically available via the Council website, see link below:

http://ealing.cmis.uk.com/ealing/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/5043/Committee/18/Default.aspx

Membership

The Council is the administering authority for the scheme and has the major share of contributors and pensioners. 40 other organisations currently participate in the Fund (36 in 2015/16) **:

Scheduled bodies	Admitted bodies
Alec Reed Academy	Carillion
Ark Priory Academy	City West Services
Ark Byron Academy	Engie Services Ltd
Beaconsfield Primary	Equinox
Brentside Primary Academy	Fit for Sport
Brentside High School	Greenwich Leisure
Christ the Saviour CofE Primary School	Innovate Services Ltd
Derwentwater Primary School	IFS Ltd (International Facilities Services)
Dormers Wells Trust/Day care	Mitie
Dormers Wells Infant School	NSL Parking
Dormers Wells Junior School	Serco
Dormers Wells High School	SLM - community leisure
Drayton Manor High	SLM - fitness & health
Ealing Fields	Viridian Housing
Ellen Wilkinson High School	
Featherstone High	
Greenford High School	
Northolt High School	
Selborne Primary	
St Anne's School	
St Marys	
Twyford CE Academies Trust	
University of West London	
Wood End Academy	
Wood End Infant School	
Woodlands Academy	

**31 bodies were listed as at 31 March 2016 but these did not include schools that use the Council's payroll.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. The following table summarises the membership numbers of the scheme:

	31 March 2017	31 March 2016
Active Members	6,895	6,925
Deferred Pensioners	8,161	7,911
Pensioners receiving benefits	7,054	6,924
	22,110	**21,760**

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarises the Fund's transactions for 2016/17 and its position as at 31st March 2017. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on an accruals basis, apart from transfer values which are accounted for on a cash basis as described below.

The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year or the actuarial present value of promised retirement benefits. The code gives administering authorities the options to either disclose this information in the Net Asset Statement, Notes to the Accounts, or by appending an Actuarial report prepared for this purpose. The Council has opted to disclose this information by attaching an Actuarial report as at Appendix A.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.
Augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend. Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Distributions from pooled funds are recognised at the date of issue.

Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The Fund is an exempt approved fund under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management Expenses

The Pension Fund management expenses are accounted for in accordance with the CIPFA guidance accounting for Local Government Pension Scheme Management Costs 2016.

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

Oversight and Governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight is charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Where an investment management fee has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the accounts.

Net Assets Statement

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the fund becomes party to the contractual acquisition of the assets. From this date, any gains/losses are recognised in the Fund Account. The Net Asset Statement shows values of investments have been determined at fair value in accordance with the requirements of the code and IFRS13.

Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for in sterling at the spot market exchange rate prevailing on the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash held in UK bank accounts and deposits with financial institutions which are repayable on demand without penalty.

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (Appendix A).

Additional Voluntary Contributions

AVCs are not included in the accounts, but are disclosed as a memorandum note only (Note 17).

Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of relevant Council costs have been charged to the Fund based on an apportionment of time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out in Note 8.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 3 above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Appendix A. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However the nature of estimation means that the actual results could differ from the assumptions and estimates.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. This applies particularly to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The council's actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied (Appendix A).

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Employees contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees contributions.

By Authority	2016/17 £'000	2015/16 £'000
Administering Authority	(39,778)	(39,065)
Scheduled bodies	(7,627)	(6,812)
Admitted bodies	(830)	(752)
	(48,235)	**(46,629)**

By Type	2016/17 £'000	2015/16 £'000
Employees' normal contributions	(9,955)	(9,748)
Employer's contributions:		
Normal contributions	(22,488)	(20,211)
Deficit recovery contributions	(14,780)	(14,324)
Augmentation contributions	(1,013)	(2,346)
	(48,235)	**(46,629)**

NOTE 7 – BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable by category.

By Authority	2016/17 £'000	2015/16 £'000
Administering Authority	(40,448)	(42,874)
Scheduled Bodies	(3,145)	(3,520)
Admitted Bodies	(539)	(292)
	(44,132)	**(46,685)**

By Type	2016/17	2015/16
	£'000	£'000
Pensions	(36,977)	(35,793)
Commutation/lump sums	(6,051)	(9,526)
Death benefits	(1,104)	(1,365)
	(44,132)	**(46,685)**

NOTE 8 – MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

	2016/17	2015/16
	£'000	£'000
Administration Expenses	579	631
Oversight and Governance**	301	328
Investment Management Expenses	3,187	3,016
	4,067	**3,975**

**Includes external audit fees of £21,000 (£21,000 in 2015/16)

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs.

	2016/17	2015/16
	£'000	£'000
Management fees	2,502	2,808
Performance fees	55	54
Custody fees	109	148
Transaction costs*	522	6
	3,187	**3,016**

*Transaction costs did not include fund management expenses in 2015-16

NOTE 9 - INVESTMENT INCOME

The table below shows a breakdown of the investment income for the year

	2016/17	2015/16
	£'000	£'000
Fixed interest securities	12,371	11,740
Equity dividends	15,254	18,648
Pooled investments	3,443	2,566
Interest and cash deposits	39	15
Investment income	**31,107**	**32,969**
Other income	258	44
Total before taxes	**31,365**	**33,013**
Taxes on income	(125)	(1,568)
Total	**31,240**	**31,445**

NOTE 10 – INVESTMENT MANAGEMENT ARRANGEMENTS

The market value and proportion of investments managed by each fund manager at 31 March 2017 is shown below:

Fund Manager	Mandate	31 March 2017 Market Value £'000	%	31 March 2016 Market Value £'000	%
Lazard	Global Equity (Active)	64,156	6%	63,143	7%
Lazard	UK Equity (Active)	310,776	28%	265,147	28%
Lazard	**Sub-Total**	**374,932**	**34%**	**328,290**	
RCM/Allianz	Global Equities (active)	356,153	32%		0%
RCM/Allianz	London CIV		0%	278,376	30%
RCM/Allianz	**Sub-Total**	**356,153**	**32%**	**278,376**	
Royal London	Pooled equities (UK and Europe)	11,737	1%	11,658	1%
Royal London	Fixed Interest	248,087	23%	229,771	24%
Royal London	**Sub-Total**	**259,824**	**24%**	**241,429**	
Lothbury	UK Property	42,252	4%	37,329	4%
Hermes	UK Property	35,556	3%	25,460	3%
Standard Life	UK Property	29,660	3%	27,698	3%
Property	**Sub-Total**	**107,468**	**10%**	**90,487**	
	Total	**1,098,377**	**100%**	**938,582**	**100%**

The Bank of New York Mellon (BNYM) acts as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income and complete a monthly reconciliation of its own portfolio valuation to external fund manager reports.

Only one individual investment in 2016/17 exceeded 5% of total net assets. This was the Fund's investment in the London LGPS CIV Global Equity Alpha Fund held by Allianz/RCM. This investment was valued at £356.2m at 31 March 2017, representing 31% of the total Fund.

The Fund also held directly owned cash investments as at 31 March 2017. The cash is now retained within the Custodian Bank account and therefore included in the analysis above. None of these cash investments exceeded the 5% threshold as at 31 March 2017.

NOTE 11 – RECONCILIATION IN MOVEMENT IN INVESTMENTS

2016/17	Market value 1 April 2016	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Bonds	225,319	71,092	(67,290)	13,661	242,782
Equities	319,905	130,094	(143,484)	59,922	366,437
Pooled property investments	371,761	118,305	(109,167)	82,644	463,543
Cash	0	64,772	(23,851)	0	40,921
Forward FX	0				0
Total	**916,985**	**384,263**	**(343,792)**	**156,227**	**1,113,683**
Amounts receivable from sales of investments	7,559			49	6,968
Amounts payable for purchases of investments					(18)
Cash incl Spot FX	26,139			6	25,278
Other investment liabilities					
Net investment assets	**950,683**			**156,282**	**1,145,911**

2015/16	Market value 01-Apr-15	Restate opening balance	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31-Mar-16
	£'000		£'000	£'000	£'000	£'000
Fixed interest securities	233,618		36,136	(33,413)	(11,022)	225,319
Equities	629,785		300,002	(572,445)	(37,437)	319,905
Pooled property investments	77,987		477,034	(189,136)	5,876	371,761
Cash	23,559	(23,523)	23	(59)	0	0
Forward FX	0		307	(99)	(208)	0
Total	**964,949**		**813,502**	**(795,152)**	**(42,791)**	**916,985**
Amounts receivable from sales of investments	11,402				23	7,559
Amounts payable for purchases of investments	(8,525)					
Cash incl Spot FX					746	26,139
Other investment liabilities						
Net investment assets	**967,826**				**(42,022)**	**950,683**

NOTE 12a - CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table shows the classification of the Fund's financial instruments and also shows the split by UK and overseas. All investments are quoted unless stated.

	31 March 2017			31 March 2016		
	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Investment Assets</u>						
Bonds						
UK Public sector	5,819		0	15,330	0	0
UK Corporate	236,963		0	209,989	0	0
Quoted equities						
UK	306,676		0	263,376	0	0
Overseas	59,759		0	56,529	0	0
Pooled investment vehicles						
Property	105,562		0	89,290	0	0
Fixed Interest	11,737		0	0	0	0
Equity - Global	354,655		0	285,727	0	0
Equity - Overseas	4,572		0	9,729	0	0
Cash Instruments						
Cash deposits	40,921	12,293	0	0	13,155	0
Accrued income		6,969	0	0	7,559	0
Total investment assets	**1,126,664**	**19,262**	**-**	**929,970**	**20,714**	**0**
<u>Investment Liabilities</u>						
Net Investment assets	**1,126,664**	**19,262**	**-**	**929,970**	**20,714**	**0**
<u>Other financial assets</u>						
Contributions Due		1,139	0	0	1,198	0
Other debtors and prepayments	0	0	0	0	247	0
Cash held by the Pension Fund	0		0	0	3,020	0
	1,126,664	**20,401**	**-**	**929,970**	**25,179**	**0**
<u>Financial Liabilities</u>						
Creditors	0		(577)	0	0	(1,552)
	0	**0**	**(577)**	**0**	**0**	**(1,552)**
Total	**1,126,664**	**20,401**	**(577)**	**929,970**	**25,179**	**(1,552)**
Grand Total		**1,146,488**			**953,597**	

NOTE 12b – VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments is classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

Level 2 - where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The Fund considers that pooled investments should be classified as level 2 as these instruments are less frequently traded and prices for the underlying assets are derived from independent valuation techniques. All other assets, which comprise quoted shares or fixed interest equities, have been valued at level 1.

The table below provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value has been observed.

	31 March 2017			31 March 2016		
	Quoted market price	Using observable inputs	With significant unobservable inputs	Quoted market price	Using observable inputs	With significant unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Designated at fair value through profit and loss	609,217	517,447		545,224	384,746	0
Financial Liabilities						
Designated at fair value through profit and loss						0
	609,217	**517,447**	**0**	**545,224**	**384,746**	**0**
Grand Total		**1,126,664**			**929,970**	

13 – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

This table summarises net gains and losses on financial instruments classified by type of instrument.

	31 March 2017 £'000	31 March 2016 £'000
Financial Assets		
Designated at fair value through profit and loss	156,227	(42,791)
Loans and receivables	55	769
	156,282	**(42,022)**
Financial Liabilities		
Designated at fair value through profit and loss	0	0
Financial liabilities at amortised cost		
	0	**0**
Total	**156,282**	**(42,022)**

NOTE 14 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities to the extent that it is unable to meet its obligations to members as they fall due. Therefore the aim of investment management is to minimise the risk of an overall reduction in the value of the Fund whilst at the same time maximising the opportunity for investment income. The Fund achieves this through:

- engaging multiple investment management firms with different strategies, philosophies and expertise to manage the various asset in the Fund
- setting each investment manager clear performance benchmarks and incentivising outperformance against those benchmarks once agreed
- reporting investment performance to the Pension Fund Panel on a quarterly basis so that Panel Members can review performance, question investment managers and seek explanations as necessary
- monitoring investment performance against independent benchmarks and actual performance achieved by a peer group of other local authorities.

Responsibility for the Fund's risk-management strategy rests with the Pension Fund Panel. Risk management policies are established as part of the Funding Strategy Statement and the Investment Strategy Statement which aim to identify and analyse the investment risks faced by the Fund. These are regularly reviewed in the light of changing market and other conditions.

Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices or interest and foreign exchange rates. The Fund is exposed to market risk across all of its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and by limiting the maximum value of investments in individual securities. Equity fund managers are appointed on an active mandate which helps to manage risk by focussing on the performance of specific investments rather than broad sector movements.

To mitigate market risk, the Panel and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices other than those arising from interest rate risk or foreign exchange risk, whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all similar instruments in the market.

The Fund is exposed to share price risk because all of its investments other than cash holdings are traded on open markets where the future price is uncertain. All such securities represent a potential risk of loss of capital, with the maximum risk determined by the fair value of each financial instrument. The Fund's investment managers aim to mitigate this price risk through diversification in the selection of securities and other financial instruments.

The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, and non-equity investment balances as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value	Value on 10% price increase	Value on 10% price decrease
	£'000	£'000	£'000
As at 31 March 2017	1,126,664	1,239,331	1,013,998
As at 31 March 2016	929,970	1,022,967	836,973

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return in terms of both investment income and increased capital value. Cash based deposits and investments other than fixed interest investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Pension Fund Panel and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year.

The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Assets exposed to interest rate risk	Value	Value on 1% price increase	Value on 1% price decrease
	£'000	£'000	£'000
As at 31 March 2017	255,075	257,626	252,524
As at 31 March 2016	238,474	240,859	236,089

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling but diversifies this risk by investing in securities in multiple currencies. The Pension Fund Panel recognises that a strengthening or weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits accordingly.

The Fund does not hedge against currency risk on a long-term basis, as the movements in foreign exchange rates can lead to losses as well as gains but overseas equities, fixed interest securities, cash in foreign currencies, and some elements of the pooled investment vehicles are exposed to currency risk. Typically about 30% of the Fund is denominated in foreign currencies but fixed interest security mandates are restricted to a maximum of 10% holdings in non-sterling investments.

The following table demonstrates the change in value of these assets had there been a 10% strengthening/weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value	Value on 10% foreign exchange rate increase	Value on 10% foreign exchange rate decrease
	£'000	£'000	£'000
As at 31 March 2017	64,331	70,764	57,898
As at 31 March 2016	66,258	72,884	59,632

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund sets both maximum investment limits and minimum credit rating limits

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies and bond agreements are in place for scheme employers to ensure liabilities would be met in the event of an employer being dissolved, wound up, liquidated or otherwise ceasing to exist.

The Fund has no financial assets past their due date as at 31 March 2016 and has not identified any events or conditions to date that would suggest that any impairment or provision in respect of credit risk is required.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund Panel monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings, and all of its investments can be liquidated within a matter of days.

NOTE 15 – CURRENT ASSETS

	31 March 2017 £'000	31 March 2016 £'000
Debtors:		
Contributions due - employers	953	881
Contributions due - employees	186	317
Sundry debtors and payments in advance	-	247
	1,139	1,445
Cash balances - Lloyds Bank	-	3,020
	1,139	**4,465**

	31 March 2017 £'000	31 March 2016 £'000
Analysis of debtors		
Central government bodies	131	150
Local authorities	437	247
Other entities and individuals	571	1,048
	1,139	**1,445**

NOTE 16 – CURRENT LIABILITIES

	31 March 2017 £'000	31 March 2016 £'000
Unpaid benefits	(83)	(946)
Sundry creditors and accrued expenses	(475)	(606)
Total	**(558)**	**(1,552)**

Analysis of creditors	31 March 2017 £'000	31 March 2016 £'000
Central government bodies	0	0
Local authorities	(66)	(67)
Other entities and individuals	(492)	(1,485)
Total	**(558)**	**(1,552)**

NOTE 17 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Scottish Widows and Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

	Contributions 2015/16 £'000	Market Value 2015/16 £'000	Contributions 2015/16 £'000	Market Value 2015/16 £'000
Scottish Widows (as at 31 March 2017)	40	539	56	591
Equitable Life (as at 31 October 2016)	2	244	2	240
Total	**42**	**783**	**58**	**831**

NOTE 18 – RELATED PARTY TRANSACTIONS

The Fund is administered by the London Borough of Ealing (the Council). In 2016/17 the Council charged the pension fund £796,000 for expenses incurred in administering the Fund (£0.8m in 2015/16).

The cash balance held by the Council on behalf of the Pension Fund was £6.4m at 31 March 2017 (£12.1m at 31 March 2016). The balance has since been settled (£5.5m on 20 April 2017 and £0.9m on 22 May 2017).

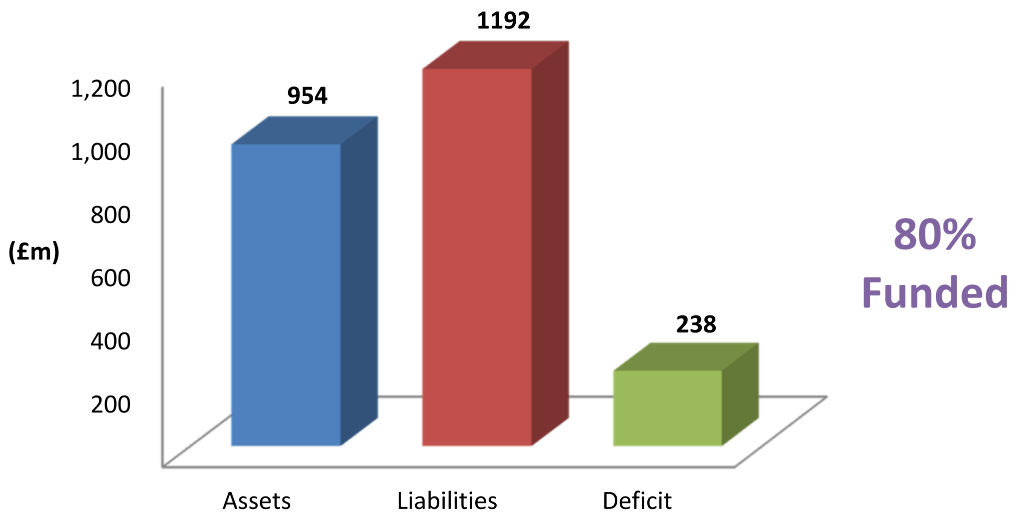
LONDON BOROUGH OF EALING PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the London Borough of Ealing Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £954 million represented 80% of the Fund's past service liabilities of £1,192 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £238 million.



The valuation also showed that a Primary rate of contribution of 14.8% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 17 years, and the total initial recovery payment (the "Secondary rate") for 2017/18 is approximately £13 million. For all employers, the Secondary rate will increase at 3.45% per annum. With the agreement of the Administering Authority employers may also opt to pay some of their employer contributions early (after suitably agreed reductions), with either all three years being paid in April 2017 or payment being made in the April of the year in question.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases (long term)*	3.45% per annum	3.45% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2017 (the 31 March 2016 assumptions are included for comparison):

	31 March 2016	31 March 2017
Rate of return on investments (discount rate)	3.7% per annum	2.50% per annum
Rate of pay increases*	3.75% per annum	3.55% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.3% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields fell, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (3.5% p.a. versus 2.7% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3%. Both of these factors combined served to significantly increase the value of the liabilities over the year. The pay increase assumption at the year-end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation, together with a lower assumed level of “real” pay growth above CPI inflation, both of which serve to reduce the liabilities.

The value of the Fund’s promised retirement benefits for the purposes of IAS 26 as at 31 March 2016 was estimated as £1,398 million. Interest over the year increased the liabilities by c£49 million, and allowing for net benefits accrued/paid over the period also increased them by c£6 million (including any increase in liabilities arising as a result of early retirements/augmentations). There was then a further increase in liabilities of c£335 million made up of “actuarial losses” (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as referred to above).

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2017 is therefore £1,788 million.

Ian Kirk

Fellow of the Institute and Faculty of Actuaries

Mercer Limited
May 2017

Ealing Council: Annual Governance Statement 2016/17

1. Scope of Responsibility

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

1.2 In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government 2016 Edition. A copy of the code can be located on Ealing Council's Internet website at https://www.ealing.gov.uk/download/downloads/id/2550/corporate_code_of_governance.doc, or can be obtained from the Monitoring Officer.

1.4 This statement explains how the council has complied with the code and also meets the requirements of regulation 6(2) Accounts and Audit Regulations 2015, in relation to the approval of the Annual Governance Statement. It also highlights how the council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Finance officer in Local Government (2016).

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not fully achieving policies, aims and objectives and, therefore, provides a reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 Ealing Council operate a number of group companies to deliver certain services. Group companies are assessed as part of the risk based internal audit planning process to ensure adequate assurance can be provided to the Council regarding the control environment these bodies operate in.

2.4 The governance framework has been in place at Ealing Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

Creating and Implementing a Vision for the Local Area

2.5 Ealing Council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The administration's six priorities form the basis of the Council's Corporate Plan 2014 – 18 and provides focus for improvement. The Corporate Plan specifically seeks to make Ealing:

- Prosperous
- Healthier
- Safer
- Cleaner
- Fairer
- Accessible

All Cabinet and Committee reports are required to be referenced to one or more of these six priorities. The Corporate Plan and any amendments or updates to it are considered and approved by Full Council.

Looking to the future the council has committed to an outcome led approach to strategic planning to better align resources with priorities and meet the challenges the Council faces. This work is being delivered through a programme called Future Ealing which was agreed by Cabinet in March 2017 and will form the basis for the strategic planning framework used to engage the administration returned after the local elections in May 2018.

Roles and Responsibilities of Members and Officers

2.6 A Scheme of Delegation sets out the powers delegated to officers, at part 8 of the Constitution. The Financial Regulations and the Budget and Policy Framework Rules are also part of the Constitution, together with the Code of Corporate Governance and the Contract Procedure Rules. The Constitution is reviewed regularly, with all changes approved by the Council and published on the external website.

2.7 The Code of Conduct for Councillors is contained within the Constitution. All councillors receive training on the requirements of the Code of Conduct and related issues. The council also has a Planning Code of Conduct and a Licensing Code of Conduct for members. Both of these codes are subject to ongoing revision and training is provided (and compulsory) for all members working in these areas.

2.8 The Employee Code of Conduct is also contained within the Constitution and a copy of this is provided to all new employees when they start work for the council.

2.9 The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.

2.10 All Cabinet and Committee reports which have significant financial or legal implications must be 'signed off' by a finance and a legal services officer, as well as by the responsible service director, before they are accepted onto a meeting agenda. Where draft reports fail to address key requirements they are either amended or rejected and removed from the agenda as part of the approval process. Both reports and minutes of all decisions taken are published on the internet, including the reason for the decision.

2.11 The council has a Regulatory Committee that oversees the regulatory functions of the council, such as those concerning elections and planning. In some cases, like planning and licensing, specific committees have been appointed to consider these matters in more detail.

Standards of Conduct and Behaviour

2.12 Good governance means promoting appropriate values for the council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the council achieve this:

2.13 All members and chief officers are required to complete an annual statement relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.

2.14 The Ealing Council Code of Conduct for Members (Constitution Part 5), revised in April 2014, defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register.

2.15 In addition, the following codes, protocols and systems are well established within the council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.

These include:

- A declaration of interest process for members and senior officers as described above;
- Rules and protocols are in place and are being further developed for all partnership working;
- Organisation-wide performance appraisal and employee development schemes are in operation;
- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the council website.

Decision Making, Scrutiny and Risk Management

2.16 Good governance means taking informed and transparent decisions that are effectively scrutinised and which manage risk. The following describes how the Council achieves this:

2.17 The Leader and Cabinet are responsible both individually and collectively for all 'executive' decisions. Operational matters requiring a decision are delegated to council officers as outlined in Part 3 of the Constitution – 'Responsibility for Functions'

2.18 All forthcoming 'Key' decisions by Cabinet are published in the Cabinet's Forward plan and republished every month on the Council's website.

2.19 Reports and minutes of meetings are also published on the council's website. This includes delegated decisions made by individual Cabinet Members and urgent decisions. Such delegated decisions are reported to the next formal meeting of Cabinet.

2.20 The council has an Audit Committee with clear terms of reference and an annual work programme for internal audit and risk management.

2.21 The Council maintains an Internal Audit and Risk Management service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the Section151 Officer and the Chair of the Audit Committee.

2.22 An embedded Risk Management Framework is in place, with each Directorate maintaining a risk register. The risk management framework was reviewed in November 2016 and approved by Corporate Board and the Audit Committee.

2.23 Robust business continuity management arrangements exist within the council, with all critical services having business continuity plans in place. The Minimum Standards for London Tranche 1 and 2 have been adopted as the guide to measure emergency planning and business continuity arrangements. These arrangements have been implemented and have been assessed via a peer review.

2.24 The council has a three year Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the council's budget. The financial management framework includes regular budget monitoring reports to the Financial Strategy Group, departmental management teams, Corporate Board and Cabinet.

2.25 The budgeting process requires departments to submit budget proposals that are aligned to the council's objectives, and which are based on a required savings target. Throughout the year, Cabinet Members receive a monthly Finance Monitor which shows the financial position for each department and what is being done to address potential overspends. In addition a Savings Tracker that monitors the delivery of agreed savings is also presented. In addition a quarterly finance and budget update report is produced for Cabinet.

Developing the Capacity & Capability of Members and Officers

2.26 Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the council achieves this:

2.27 A full member training and development programme is in place and there is a comprehensive induction programme for all councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory. The council has adopted specific codes of conduct for councillors involved in planning or licensing decision-making and these councillors receive additional training in these areas as a pre-condition of their participation.

2.28 There is a corporate induction programme, most of which is e-learning based, in place for staff, and one for new managers, supplemented by various internal training courses and a borough coach tour. Key information and policies are highlighted to new staff and managers and held on the intranet.

Engaging with Local people and Stakeholders

2.29 The council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership (LSP). The council is therefore better able to relate its own performance to the outcomes it seeks for the borough. This also facilitates greater alignment of priorities between the council and other key partners and service delivery agencies, such as NHS Ealing and the Police.

2.30 The council includes a definition of a partnership within its Constitution. Work has been undertaken to identify and assess key partners and ensure that robust protocols are in place for partnership working. In conjunction with performance, legal, and procurement a list of significant partners has been agreed. Evidence has been gathered to support good governance arrangements for these significant contractors. Assurance is gained through the Contracts Review Board and internal audit reviews.

2.31 Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the council's Corporate Plan. Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality, diversity and human rights impacts of proposed decisions. The council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management. Corporate Board takes regular updates on progress and developments in relation to implementation of the Equality Act, and the Cabinet report process and pro-forma have been amended to ensure that service directors sign off on service related equality assessments before Cabinet pre-agenda. All salient points from equality assessments carried out on Cabinet reports are included in the body of the report. Proposals that impact on staffing / workforce are signed off by HR Business Partners before submission to Cabinet for action.

3. Review of Effectiveness

3.1 The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

3.2 The council's review of the effectiveness of its system of internal control is informed by:

- Annual Assurance Opinion of the Head of Internal Audit.
- Performance against targets;
- Annual Assurance Statement; and
- A review of the previous year's Annual Governance Statement.

3.3 The review of effectiveness of the council's governance framework is informed by the work of the Executive Directors who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Investigations' Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Statement Working Group (AGSWG) considers these sources of information and informs the creation of the Annual Governance Statement.

3.4 The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the AGS and relevant supporting evidence. The AGSWG meets on a regular basis during the year to ensure compliance with the corporate timetable. The AGSWG also undertook a review of the 2016/17 AGS, in particular the disposition of the significant governance issues identified. The key evidence to support the review of effectiveness is outlined below:

3.5 **Planning** – The Strategy and Engagement Directorate drives delivery of the Corporate Plan, working closely with directorates to spread best practice, track and strengthen performance. The Directorate also ensures that performance statements and other published information are accurate and reliable.

3.6 **Performance Management –** The Strategy and Engagement Directorate works with all directorates to monitor performance against the agreed corporate performance indicator suite. It also helps drive continuous improvement in the way in which functions are exercised, by having regard to a combination of economy, efficiency and effectiveness. In addition, a number of governance mechanisms are in place to support performance management across the council, including: monitoring the delivery of the corporate plan; Savings Tracker; Strategic Projects Board; Board Performance Monitor; and, the Budget Steering Group.

3.7 Council projects are run in line with a project control framework that defines the mandated control processes needed. Within this framework, individual departments develop their own detailed processes that reflect their different needs, risk profile and working practices. The key governance control is that each project in the council reports into an appropriate project board of managerial group. Large projects are governed by the Strategic Projects Board, but most large initiatives usually report to departmental level boards at Executive Director level. Smaller projects report to project boards chaired in line with delegated authority levels.

3.8 The council continues to implement an extensive efficiency / value for money programme to improve services and identify significant on-going savings in both the current and future years. This is achieved through financial management and budget proposal scrutiny, including on-going line-by-line analysis of individual budgets.

3.9 The Performance Monitor reviewed monthly at Corporate Board sets out analysis of performance against key targets and Corporate Plan commitments. A copy is also distributed to Cabinet Members. Directorate, divisional and service unit business plans contain a variety of performance indicators and targets. A regular review is also completed to ensure that systems, processes and controls are in place to ensure the efficient and effective delivery of high-quality services and to ensure that performance information is accurate and reliable. A quarterly stock take report incorporating risk management, performance and key areas for assurance is reported to Corporate Board.

3.10 Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders have weekly meetings with Executive Directors and review finance and performance indicators each month.

3.11 **The Cabinet** – The council operates a Leader and Cabinet model of local government. Cabinet has eight members; each member has a specific area of responsibility known as a ‘portfolio’ and is accountable for the council’s decisions. Cabinet carries out all the local authority’s functions which are not the responsibility of any other part of the local authority.

3.12 **Shadow Cabinet** – There is a Shadow Cabinet comprising members of the largest opposition party. The Shadow Cabinet has access to all relevant documents and officer advice and its proceedings shall take place in accordance with the Access to Information Procedure Rules in part 4 of the Council's Constitution.

3.13 **Regulatory Committee** – To take an overview of regulatory functions such as development control, licensing, parliamentary proceedings, election, registration and inspection of homes and member training. To exercise any Cabinet function referred to it.

3.14 **Overview and Scrutiny Committee** – There is a respected and active scrutiny function managed by the Overview and Scrutiny Committee (OSC) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny committees oversee and scrutinise the decisions made by Cabinet and Cabinet members under delegated powers.

3.15 **The Standards Committee** – The Standards Committee has six members, including an independent (non-voting) chair. In line with regulatory requirements, the committee is supported by two independent people. The committee reviews and oversees member development and the council's Whistle-blowing Policy. The committee also deals with matters of member conduct, including complaints. The committee submits an annual report on its work to Full Council. The council's standards arrangements were revised in 2012 to take account of changes to be introduced as a result of the Localism Act 2011. 3 complaints were made concerning Councillors in 2016-17, all of which were reviewed by the Director of Legal and Democratic Services. None of the complaints were required to be referred for investigation following these reviews.

3.16 **The Audit Committee** – The council has a well-established Audit Committee that provides independent, effective assurance on the adequacy of the council's governance environment. All major political parties are represented on the committee.

3.17 The Audit Committee met regularly during 2016/17, considering reports, including the Annual Internal Audit Report, from the Head of Audit & Investigation and the External Auditor.

3.18 The remit of the Audit Committee is to:

- Provide independent assurance of the adequacy of the risk management framework and the associated control environment;

- Provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority exposure to risk and weakens the control environment; and
- Oversee the financial reporting process.

3.19 The Audit Committee also reviews Internal Audit performance against targets and quality assurance results. Since its inauguration, the committee has worked in tandem with the Ealing Council Audit Board (the "Audit Board"). The results are reported formally to the Committee and to Full Council.

3.20 The Audit Board has been in place since 2005 and comprises of senior officers. The Audit Board meets quarterly and seeks to strengthen the assurance framework of the Council. Internal Audit and Investigation provides progress reports on internal control and counter fraud to the Audit Board. As and when required, officers are held to account by the Audit Board through the use of challenge sessions to focus on any areas of weakness or non-compliance. Audit Board also reviews the effectiveness of the risk management framework and the profile of the council's strategic risks.

3.21 **Statutory Officers** – The Constitution sets out how the council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the council to choose. The Constitution comprises eight parts which sets out the basic rules for governing the council's business, as well as detailed procedures and codes of practice.

3.22 The Constitution is regularly reviewed by the Monitoring Officer and any change proposals are considered by the Constitutional Review Group (an informal group of senior councillors) and advertised on the web prior to adoption by full council on the presentation of a detailed report. The Constitution sets out the responsibilities of both members and officers. In particular the council has identified the following six statutory posts.

- Head of Paid Service – Chief Executive
- Chief Financial Officer (Section 151) – Executive Director, Corporate Resources
- Monitoring Officer – Director of Legal and Democratic Services
- Director of Children's Services – Executive Director, Children, Adults and Public Health.
- Director of Adult Social Services – Executive Director, Children. Adults and Public Health.
- Director of Public Health

3.23 Management – Each Executive Director has provided a self-assurance statement in respect of 2016/17, supported by assurances received from their direct reports, that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities; and
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.

3.24 All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. The Monitoring Officer and the Legal Services Team monitor compliance with, and awareness of, key laws and regulations. Executive Directors, directors and service heads are responsible for monitoring implementation of the council's policies.

3.25 One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of the Annual Assurance Statement by senior officers. The Statement noted that for the year ended 31 March 2017, senior officers were aware of their responsibilities and had complied with the council's policies and procedures.

3.26 Executive Directors were asked to compile their statement after reviewing the statements from their direct reports. Direct reports were asked to compile their statement after taking assurance from their senior management teams.

3.27 Internal Audit – The council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Audit and Investigations to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

3.28 The Head of Audit & Investigations provided his annual report to the Audit Committee on the May 24 2017. This report outlined the key findings of the audit work undertaken during 2016-17, including areas of significant weakness in the internal control environment.

3.29 An assurance mechanism is used to reflect the effectiveness of the council's internal control environment. The table below details the four levels of assurance provided:

Level	Definition
Substantial	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
None	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

3.30 It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence, there is reasonable assurance over the adequacy and effectiveness of the council's overall internal control environment during the financial year 2016-17.

3.31 **External Audit –** KPMG LLP is currently the council's appointed external auditor. As well as an examination of the council's financial statements, the work of the council's external auditor includes an assessment of the degree to which the council delivers value for money in its use of resources.

3.32 **Risk Management** – The council managed its risks during 2016-17 in accordance with the approved Risk Management Policy. Corporate Board formally considers risks, with quarterly reports also being presented to the Audit Committee.

3.33 The indicative Internal Audit Plan for 2016-17, presented to the Audit Committee in February 2016, is chiefly based upon the key risks faced by the council as identified in the corporate and directorate risk registers, such that

Internal Audit will provide assurance on the effectiveness of the internal control framework during 2016-17.

3.34 **Developing Capacity** – The council has operated procedures during the period covered by this statement to ensure the training needs of staff are assessed against core competencies and any key training needs are met. Additionally the council has provided and makes available ongoing training opportunities to councillors to enable them to effectively fulfil their duties as councillors of the council.

3.35 **Engagement** – Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service.

4. Significant Governance Issues 2016/17

4.1 Based on the Council's established risk management approach, the issue detailed below has been assessed as being significant for the purpose of the 2016/17 Annual Governance Statement. We propose over the coming year to take steps to address the above matter to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and progress will be monitored throughout the year.

Table 1
2016/17 Governance Issues

Issue	Actions	Officer Responsible	Timescale
1. Emergency Accommodation The Benefit Cap increases the numbers of homeless households thereby increasing the cost to the General Fund of providing emergency accommodation.	A strategy has been developed and implemented, the key elements of which includes the additional acquisition of affordable direct lettings / hostel accommodation and a private Sector Allocation Policy to prioritise movement of non-self-contained B & B for families in Bed & Breakfast accommodation of 6 weeks or over. This issue is subject to bi-monthly review.	Executive Director of Regeneration & Housing	Ongoing to 2017

2. Budget Pressures – Adult and Children's Services Demand pressures in adult and children's services results in significant budget pressures for the Council.	**Children's Services** ▪ Plans are in place to respond to increased demand on services & placement availability. ▪ Robust, continuous and regular monitoring of priorities and budgets, to forecast service demand enabling budget holders to continually review and respond to changes. ▪ Brighter Futures programme being implemented to reduce the numbers of Looked After Children and reduce placement costs. **Adult Services** ▪ Strategic planning for demand management via corporate budget setting process. ▪ A prevention programme using Transformation funding being developed. ▪ Plans are in place to respond to increased demand on services & placement availability. ▪ Robust, continuous and regular monitoring of priorities and budgets,	Executive Director of Children, Adults' and Public Health	Ongoing to 2017

	to forecast service demand enabling budget holders to continually review and respond to changes.		
3. Council Owned Companies The Council wants to increase the assurance it receives from some Council-owned companies. This will continue to emerge as a risk as some take on larger projects.	A Council Owned Companies Governance Group has been established and is meeting monthly to gather sufficient assurance from the Council's perspective on Council Owned Companies	Chief Executive (Via Companies Governance Group)	Ongoing

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the London Borough of Ealing to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.

Signed..

Chief Executive – Ealing Council
Paul Najsarek

Signed..

Leader of the Council
Cllr. Julian Bell

Appendix 2

GLOSSARY OF TERMS

Accounting Policies
Those principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are to be reflected in financial statements.

Accounting Standards
The set of rules explaining how accounts are to be kept. By law, local council's must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

Accruals
The concept that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

Actuarial Gains and losses
These may arise on the Local Government Pension Scheme's (LGPS) liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience. A loss represents a negative difference between the actuarial assumptions and actual experience.

Actuarial Valuation
Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the council on the fund's financial position and recommended employers' contribution rates in order to balance the fund over the long term.

Actuary
An adviser on financial information and assumptions relating to the pension scheme.

Admitted Body
A body which can be admitted to the LGPS with the agreement of the administering council, it must be non-profit-making and will normally be in receipt of a grant from either central or local government.

Balance Sheet
This is a 'snapshot' of the council's assets, liabilities and reserves on 31 March. Assets represent everything owned by the council and money owed to it. Liabilities are the sums that the council owes to others. It excludes the Pension Fund, whose assets the council cannot use.

Capital Adjustment Account (CAA)
This account accumulates the resources that have been set aside to finance capital expenditure offset by the write down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. The balance on the account represents timing differences between the amount that has been financed in accordance with statutory requirements and the amount of the historical cost of non-current assets that has been consumed.

Capital Expenditure
Expenditure on the purchase, construction and enhancement of council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital Financing
This term describes the method of financing capital expenditure, the principal methods now being loan and revenue financing and government grants.

Capital Financing Requirement
The council's total liabilities in respect of capital expenditure financed by loans less the provision made to meet these liabilities.

Capital Receipts
These are proceeds arising from the sale of non-current (fixed) assets and repayments of capital grants and loans.

CIPFA
Chartered Institute of Public Finance and Accountancy. The professional accountancy body concerned with local councils and the public sector.

Collection Fund
A fund administered by the council recording receipts from Council Tax and of non-domestic rates collected on behalf of Central Government, reflecting the statutory requirement for billing councils to maintain a separate account for these transactions. A proportion of the Council Tax which Ealing collects is done so on behalf of the Greater London Authority (GLA).

Community Assets
These are assets which the council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal, for example parks and historic buildings.

Comprehensive Income & Expenditure Statement
The Comprehensive Income and Expenditure Statement summarises all of the resources that the council has generated, consumed or set aside in providing services during the year.

Contingent Assets
A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

Contingent Liabilities
These are potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Comprehensive Income and Expenditure Statement.

Contributing Member
A member of an occupational pension scheme who is building up pensions benefits, in either a defined benefit or a defined contribution scheme, from their current job.

Creditors
Amounts owed by the council for goods and services supplied, but for which payment has not been made at the end of the financial year.

Current Service Cost (Pensions)
The increase in the present value of the pension scheme's liabilities expected to arise from employee service in the current period.

Debtors
These are amounts owed to the council but not received at the end of the financial year.

Deferred Member
A member who is no longer active in the Pension Scheme but is not yet in receipt of a pension.

Depreciation
This is the loss in value of a tangible asset due to age, wear and tear, deterioration or obsolescence through technological or other changes. Depreciation is a 'non-cash' charge as it merely reflects accounting assessments of the loss in value.

Earmarked Reserves
These are amounts which are set aside for a specific purpose to meet future specific projects or potential liabilities, for which it is not appropriate to establish provisions.

Escrow Account
A money account held by an independent third party and disbursed upon fulfilment of certain contractual conditions.

Expenditure and Funding Analysis
Accompanies the Comprehensive Income and Expenditure Statement (CIES), it takes the net expenditure that is chargeable to taxation and rents and reconciles it to the CIES.

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance and Operating Leases
These are financing arrangements with a third party. A finance lease substantially transfers all of the risks and rewards of ownership of a fixed asset to the lessee. Such assets have been valued and included under non-current (fixed) assets in the Balance Sheet. With an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the relevant service account.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

General Fund
The council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

Heritage Assets
This is a separate class of assets with historic, artistic, scientific, technological, geophysical or environmental qualities (land, building or artefact / exhibit) that are held principally for their contribution to knowledge or culture.

Housing Revenue Account (HRA)
A statutory account that contains all expenditure and income on the provision of council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local councils are not allowed to make up any deficit on the HRA from the General Fund.

Impairment
A reduction in the value of a non-current (fixed) asset below its carrying amount on the Balance Sheet.

Infrastructure Assets
A fixed asset that cannot be taken away or transferred, and which can only continue to provide benefit from it being used. Infrastructure includes roads, bridges, and footpaths.

Intangible Assets
Assets of value that do not have physical substance, for example Software Licences. Expenditure incurred on these assets is capitalised at cost and charged to the Balance Sheet.

Interest Cost (Pensions)
For a defined benefit scheme, the expected increase during the period, in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Levies
Payments to London-wide bodies such as the London Pension Fund Authority.

Minimum Revenue Provision
The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes.

Movement in Reserves Statement
Shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and ‘unusable’ reserves. The latter generally hold unrealised gains or losses and can only be used once they are realised.

National Non-Domestic Rate (NNDR)
The rates paid by businesses. The amount paid is based on the rateable value set by the Inland Revenue multiplied by a rate set by the government which is the same throughout the country. Under the new business rates retention scheme Ealing retains a 30% share of business rates.

Non Distributed Costs
These are costs relating to retirement and unused and unusable share of assets.

Past Service Costs
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet events
Events arising after the balance sheet date which provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Precept
A precept is an amount which the council is required to collect from Council Tax on behalf of other non-billing authorities, such as the Greater London Authority (GLA) in London, to finance its net expenditure.

Prior Year Adjustments
These are material adjustments, which are applicable to prior years arising from the correction of fundamental errors or inaccuracies. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision
This is an amount, which is set aside for a liability or loss in respect of a past event, which is likely to be incurred, but where the exact amount and date on which it will arise is uncertain.

Prudential Code
This is a code of practice agreed between central government and CIPFA for the Prudential Capital Finance System introduced on 1st April 2004. The system allows local councils to set their own borrowing limits based upon affordability, sustainability and prudence.

Public Works Loan Board (PWLB)
A central government agency which provides long and medium term loans to local councils at interest rates only slightly higher than those at which government itself can borrow.

Related Parties
Bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Related Party Transaction
The transfer of assets or performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves (Unusable)
Unusable reserves are reserves that balance the council's Balance Sheet and cannot be released to spend on services.

Reserves (Usable)
Usable reserves are those reserves that can be released to spend on services or added to for future spending on services.

Revaluation Reserve
The Revaluation Reserve records the accumulated gains on the non-current assets (fixed assets) held by the council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure
This is expenditure which is incurred on day to day running costs on recurring items involved in the delivery of services and is charged to the accounts within one financial year.

Revenue Support Grant (RSG)
This is the main general grant paid by the government to the council as a contribution to the revenue costs of providing all of its services. The amount of grant payable is based upon the government's assessment of the council's needs.

Service Reporting Code of Practice (SeRCOP)
CIPFA's Service Reporting Code of Practice (SeRCOP) sets out the financial reporting guidelines for local councils. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting.

Scheduled Body
Employers who are required to provide membership of the Local Government Pension Scheme (LGPS) to all their employees. These employers are listed in the LGPS Regulations.

Statement of Investment Principles (SIP)
Trustees of Pension Funds are required to prepare and keep up to date this written statement to show the governance decisions on the investment of scheme assets.

Useful life
The period over which the council will derive benefits from the use of a non-current (fixed) asset.

Valuation Bands
Currently for Council Tax purposes there are eight property valuation bands (A to H) as set out in Part 1 of the Local Government Finance Act 1992. The amount each household pays depends upon which property band their home falls into. The property values are based upon property market values as at April 1991.

Write-offs
When money owing to the council cannot be collected the income is already showing in the accounts and has to be reduced or written off.