Ealing Council Statement of Accounts

2018/19

EALING COUNCIL

www.ealing.gov.uk

Good, genuinely affordable homes | Opportunities and living incomes | A healthy, great place | FOR ALL

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Introduction by the Chief Finance Officer

This Statement of Accounts sets out the Council's financial results for 2018/19 and the position at 31 March 2019.

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

The Narrative Statement provides some background and context to the council's financial position in 2018/19; I hope that readers of the council's accounts find this helpful.

I would like to thank my staff and colleagues throughout the Council for their hard work and support in producing the accounts for 2018/19.

Ross Brown, BSc (Hons) CPFA
Chief Finance Officer
Date: 29 May 2020

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.

Our population has been growing rapidly for more than a decade, particularly among 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. Since our primary school expansion programme began in 2008 we have provided more than 4,000 additional places for reception classes and opened four new schools, 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 £600,000. 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 2,173 households in temporary accommodation.

Ealing has a strong economy, 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. The arrival of Crossrail with five stations in Ealing will halve journey times to Central London, changing the ‘perceived geography’ and journey times, 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, diabetes, new cases of tuberculosis and health inequalities in the Borough.

The Corporate Plan 2018-22

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 for Ealing residents between 2018 and 2022. It is framed by the three priorities of the elected administration for Ealing to provide:

- Good, genuinely affordable homes
- Opportunities and living incomes
- A healthy, great place

These priorities are delivered through nine key aims:

1. A growing economy creates jobs and opportunities for Ealing residents to reduce poverty and increase incomes
2. Children and young people fulfil their potential
3. Children and young people grow up safe from harm
4. Residents are physically and mentally healthy, active and independent
5. Ealing has an increasing supply of quality and affordable housing
6. Crime is down and Ealing residents feel safe
7. The borough has the smallest environmental footprint possible
8. Ealing is a clean borough and a high quality place where people want to live
9. Ealing is a strong community that promotes diversity with inequality and discrimination reduced

The Council Plan is underpinned by our core corporate values which guide every aspect of our work, with the overarching value, 'improving lives for residents,' that reflects our ultimate purpose and what the Council is here to do.

The organisational values that help us to achieve that purpose are to be:

- Trustworthy
- Innovative
- Collaborative
- Accountable

We monitor our performance closely and have a steady track record of meeting a large number of our key indicators; through either meeting their target or being within the acceptable tolerance level. The Council's performance for 2018/19 was reported to Cabinet on 16 July 2019.

The Council has in place an established a transformation programme, called Future Ealing, an outcomes-focused approach that steers the Council's work, ensuring that we build on our strengths to focus relentlessly on those things that will make the biggest difference to our residents. The Council works toward 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.

From March 2018, the Council's performance has been available for the public to view through the new online 'Performance Dashboard'; this is published on the Council website at: https://www.ealing.gov.uk/info/201072/strategies_plans_and_policies/300/corporate_plan.
The dashboard covers performance measures, broken down by Corporate Plan priority, and reports the most recent performance data, as well as historical data, trends and the direction of travel of performance. It enables residents to access performance information in an easy and interactive way.

In our last residents' survey in autumn 2018 there was a strong level of overall satisfaction with the Council (73%). Since the last residents' survey, this level of satisfaction has remained stable and is an achievement. There have been falls in satisfaction with Environmental Services. Conversely, there have been rises in satisfaction (although lower in absolute terms) with targeted services such as Children's and Adult's Social Care and Housing Benefits, perhaps reflecting the relative shift towards provision of these services.

Our Workforce

The Council employed 2,826 people in 2018/19 (headcount on 31/03/2019) as shown below:

Gender: Male: 34% Female: 66%	**Declared Disability:** Yes: 4.4%
Age: Under 25: 3.7% 25-39: 25% 40-49: 23.9% 50-64: 42.5% 65+: 4.9%	**Ethnicity:** BME: 46.3% White: 40.1% Unknown: 13.6%

Operational Model

As a London Borough, Ealing is responsible for the provision of most local services (e.g. Social Care, Education, Temporary Accommodation, Waste Collection and Roads) and is a billing authority in respect of Council Tax and Business Rates. The remaining services (such as Transport, Fire and Police) are the responsibility of the Greater London Authority.

Ealing's operational structures (directorates) reflect these responsibilities. Up until February 2019, there were 5 directorates. Following the departure of 2 Executive Directors in February 2019, Ealing moved to 3 Council directorates on 1 March 2019:

- **Chief Executive's** (Expanded directorate including the former Chief Executive's, Corporate Resources – Finance, HR. ICT, Legal & Democratic Services, Customer Services)
- **Children's, Adults and Public Health** (No change)
- **Place** (New directorate including the former Regeneration and Housing directorate, Environmental Services including Waste Management, Parks and Highways, Major Projects, Emergency Management, Arts, Heritage, Leisure, Libraries and Community Centres, Parking Services).

By bringing its services closer together, thinking creatively, harnessing technology and giving colleagues greater autonomy to make decisions, the Council will be able to focus on the outcomes that will make the greatest difference to residents' lives and will ensure it is a more efficient organisation with a lower operating costs whilst still focused on outcomes.

The financial outturn for 2018/19 has been reported in line with the structure before March 2019. Reporting will be updated for 2019/20 to reflect the new structure.

Financial Position in 2018/19

Revenue Budget

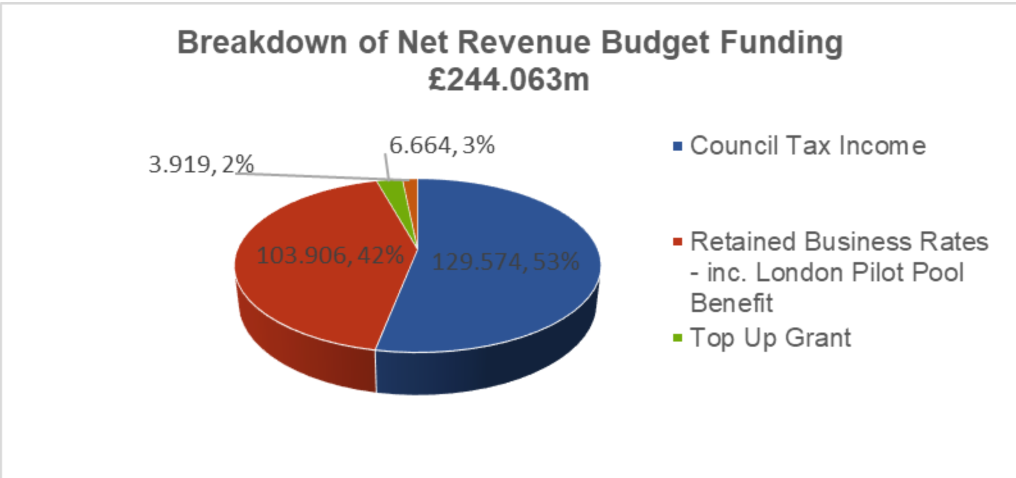
The revenue budget covers planned income and expenditure for running council services during the year. Despite the challenging financial environment and increasing demographic pressures, particularly in Adult Social Care, Temporary Accommodation and Children's Special Education Needs (SEN), that all councils are facing, the Council's financial health has been maintained in 2018/19 and services have been delivered to a high standard.

A balanced annual budget of £244.063m was set by the Council in February 2018, without using any general reserves.

Ealing's Council Tax increased in 2018/19 by 2.99%. This was the first increase for nine years. Band D Council Tax therefore increased to £1,092.26 (excluding the Greater London Authority's element). An additional Adult Social Care Levy of £53.63 meant that the total Band D charge for 2018/19 was £1,145.89.

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

Council Funding and Net Revenue Budget for 2018/19



As the chart shows, over half of the Council's net revenue budget in 2018/19 was funded by local Council Tax payers, with the majority of the remainder funded by Central Government determined funding through retained Business Rates (with the Council joining all London boroughs in the London NNDR Pilot Pool in 2018/19) and Top Up Grant.

Revenue Outturn for 2018/19

The Council maintained a strong financial position during the financial year 2018/19 despite the economic climate and a reduction of 6.23% in Central Government funding compared to 2017/18. It achieved this by delivering £16.204m of savings (88% of which were budgeted for in-year delivery), use of Corporate budgets and reserves, in year mitigations and through bi-monthly monitoring of its financial position. This robust financial management delivered a balanced outturn position at year end as summarised below:

This result has been achieved despite significant one-off pressures relating to forced schools' academisations, a Planning legal challenge impacting Regeneration and Housing and continuing pressures on demand-led budgets such as Adult Social Care and SEN placements. While plans to contain these pressures are well progressed, delivery of full in year mitigations continued to be challenging in 2018/19 and the final position was achieved through the planned 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 2018/19 the Council held a General Fund balance of £15.911m (6.5% of the net revenue budget).

The Council is also prudent in setting aside appropriate earmarked reserves for specific purposes such as insurance, Private Finance Initiative (PFI) schemes, managing business risks and economic volatility. The Council's reserves also include Schools' balances; these are ring-fenced for use by Schools only and cannot be used by the Council.

It is vital at this time to maintain as prudent a level of reserves as can be afforded given the financial context 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 an appropriate but not excessive level of earmarked reserves and provisions.

A summary of the Council's earmarked reserves, including ring-fenced Schools' balances is shown below:

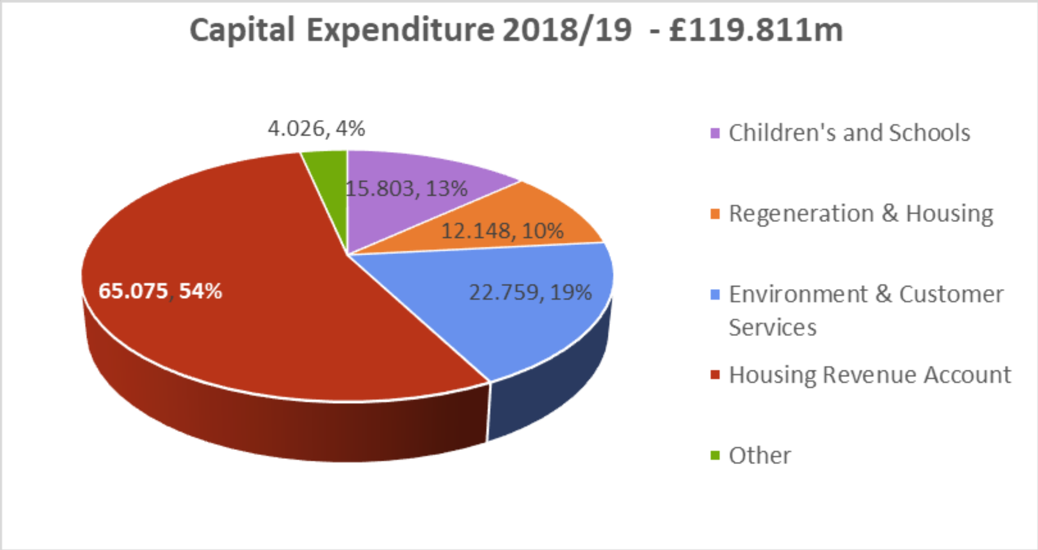
Earmarked Reserves	**Balance at 31/03/18**	**Balance at 31/03/19**
	£m	**£m**
PFI Reserves	24.338	23.279
Other Earmarked Reserves	43.567	40.191
Sub-total	**67.905**	**63.470**
Schools balances (ring-fenced for use by schools only)	14.788	14.951
Total Earmarked Reserves	**82.693**	**78.421**

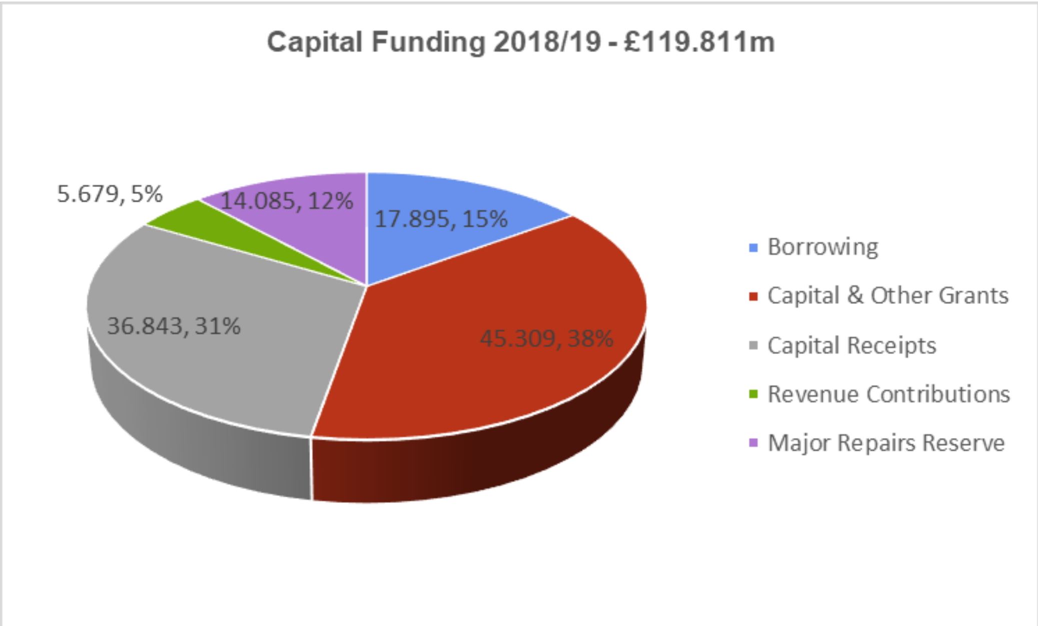
The Council also maintains a number of provisions in relation to legal obligations it may have, for example; insurance claims, bad and doubtful debts and Business Rates appeals.

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 £119.811m was made by the Council in 2018/19 with a significant proportion of this being spent on improving school facilities and improvements to the Council's housing stock.

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





Capital expenditure will continue to be funded from a mixture of grants, contributions and unsupported borrowing. As part of the Council's Capital Strategy, 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.

Short term deposits at 31 March 2019 were £206.6m which was £115.4m higher than the position on 31 March 2018. £1.1m of income was generated from investments during the year and £2.8m from other policy loans.

Management of the Council’s debt was maintained within local limits set under the prudential regime. The Council’s borrowing cost of £23.1m was within the 2018/19 budget. Long-term external borrowing of £100m was raised in 2018/19, which when loans maturing had been repaid resulting in loans outstanding at the year-end amounted to £616m to support the Councils planned capital investment.

Pensions

The Pension Fund revenue account shows an in-year surplus for the year of £57.3m. In cash terms the Fund remains cash positive, returning a cash surplus of £31.4m (excluding asset revaluations and disposal gains and losses). As a result, Pension Fund net assets increased from £1,203.0m to £1,260.3m during the year, representing an increase of 4.8%.

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 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 future pension liabilities exceed the Fund’s forecast assets.

The revenue implications of the latest valuation at 31 March 2016 were reflected in the General Fund budget for 2018/19 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 2018/19 is a balanced budget. The HRA balance as at 31 March 2019 remained at £4.926m.

The Collection Fund

Despite the economic downturn a strong collection performance for Council Tax of 97.0% and Business Rates of 97.2% meant the Collection Fund ended the year with a surplus for Ealing, of £5.0m which will be distributed in future years.

Group Accounts

The Council has not prepared Group Accounts in 2018/19 as its interests in other companies are not material to the Council’s accounts.

Although the accounts are relatively complex to read, a result of the requirement to comply with the reporting obligations, I hope that you find them 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 2018/19, but there were minor presentational adjustments. 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 Chief Finance Officer, Ealing Council, Perceval House, 14-16 Uxbridge Road, Ealing W5 2HL.

To help with understanding the accounts a glossary of terms used is set out below.

Core Financial Statements

The key statements within the Accounts include:

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.

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.

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, Housing Revenue Account (HRA) and Collection Fund Accounts.

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.

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 2018/19

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).

Council 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 Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Responsibilities of the Chief Finance Officer

The Chief Finance Officer (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 2019.

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

Certificate of the Chief Finance Officer

I certify that the accounts give a true and fair view of the financial position of the London Borough of Ealing as at 31 March 2019 and its income and expenditure for the year then ended, and that the Pension Fund accounts set out a true and fair view of the net assets of the London Borough of Ealing Pension Fund as at 31 March 2019 and its income and expenditure for the year then ended.

Ross Brown, BSc (Hons) CPFA
Chief Finance Officer Date: 29th May 2020

Certificate of the Chair of the Audit Committee

I confirm that these accounts were agreed as per the delegated authority agreed by Audit Committee at its meeting held on 25th July 2019.

Councillor T Murtagh
Chair of the Audit Committee Date: 29th May 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF EALING

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of London Borough of Ealing ('the Authority'):

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Balance Sheet;
- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Statement;
- the Collection Fund Account; and
- the related notes 1 to 41

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 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities
As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of 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 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion
On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2019, we are satisfied that, in all significant respects, 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 2019.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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.

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. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2019 as to whether 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2019.

Matters on which we are required to report by exception
The Code of Audit Practice requires us to report to you if:
- 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;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or

- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of London Borough of Ealing in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT

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.

Jonathan Gooding (Appointed auditor)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
29 May 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF EALING ON THE PENSION FUND FINANCIAL STATEMENTS OF LONDON BOROUGH OF EALING PENSION FUND

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 22.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements appended to the statement of accounts of the London Borough of Ealing with the pension fund financial statements contained within the London Borough of Ealing Pension Fund annual report, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the pension fund's full financial statements describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements contained within the London Borough of Ealing Pension Fund annual report, for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have not considered the effects of any events between the date we signed our report on the London Borough of Ealing Pension Fund annual report on 29 November 2019 and the date of this statement, however note 5 of the London Borough of Ealing statement of accounts captures such effects.

Jonathan Gooding (Appointed auditor)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
29 May 2020

Core Statements

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 are 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), 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 2019		31 March 2018	
	Note	**£000**	**£000**	**£000**	**£000**
Long-Term Assets					
Property, Plant and Equipment	(19)	1,959,582		1,942,330	
Intangible Assets	(19)	2,078		1,116	
Heritage Assets	(19)	2,741		2,741	
Financial Assets Held for Sale	(36)	-		2,136	
Long-Term Investments	(36)	2,992		2,600	
Long-Term Debtors	(26)	26,112		25,808	
Total Long-Term Assets			1,993,505		1,976,731
Current Assets					
Short-Term Investments	(36)	177,623		77,736	
Current Assets Held for Sale		4,305		6,335	
Short-Term Debtors	(28)	88,279		92,044	
Cash and Cash Equivalents	(27)	54,227		46,892	
Total Current Assets			324,434		223,007
Current Liabilities					
Short-Term Borrowings	(36)	(22,192)		(45,886)	
Short-Term Creditors	(29)	(146,133)		(132,148)	
Short-Term Provisions	(32)	(18,119)		(11,179)	
Total current liabilities			(186,444)		(189,213)
Long-Term Liabilities					
Long-Term Borrowings	(36)	(611,164)		(519,811)	
Long-Term Creditors	(30)	(128,242)		(136,974)	
Grants Receipts in Advance - Capital	(31)	(6,538)		(9,380)	
Long-Term Provisions	(32)	(5,210)		(3,018)	
Pensions Liability	(34)	(601,711)		(498,174)	
Total Long-Term Liabilities			(1,352,865)		(1,167,357)
Net assets			778,630		843,168
Usable reserves			(173,501)		(150,364)
Unusable reserves			(605,129)		(692,804)
Total reserves			(778,630)		(843,168)

Ross Brown
Chief Finance Officer
Date: 29th May 2020

Councillor Murtagh
Chair of the Audit Committee
Date: 29th May 2020

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	Note	2018/19 Gross Expenditure £000	2018/19 Income £000	2018/19 Net Expenditure £000	2017/18 Restated Net Expenditure £000
Chief Executive Directorate		4,663	(890)	3,773	3,484
Children & Adults		563,469	(411,996)	151,473	183,520
Corporate Resources		61,588	(8,799)	52,789	35,224
Environment & Customer Services		86,230	(49,505)	36,725	42,171
Housing Benefits		256,290	(250,093)	6,197	7,105
Regeneration and Housing		192,586	(132,833)	59,753	19,214
Council Wide Other		4,680	(4,328)	352	5,986
Cost of Services		**1,169,506**	**(858,444)**	**311,062**	**296,704**
Other Operating Expenditure	(11)			**13,643**	**53,329**
Financing and Investment Income and Expenditure	(12)			**44,483**	**43,522**
Taxation and Non-Specific Grant Income and Expenditure	(13)			**(314,993)**	**(303,030)**
(Surplus)/Deficit on Provision of Services				**54,195**	**90,525**
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets				(54,096)	(69,930)
Remeasurement of the Net Defined Benefit Liability/(Asset)				64,439	(100,351)
Other Comprehensive Income and Expenditure				**10,343**	**(170,281)**
Total Comprehensive Income and Expenditure				**64,538**	**(79,756)**

Note: Code requirements from 2016/17, require the service analysis for Cost of Services to be provided in the way the Authority organises itself and manages performance.

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end 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 ‘unusable reserves’. The Movement in Reserves Statement shows how the movements in year of the Council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments

	General Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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
Balance at 31 March 2017 (Previously reported)	**15,473**	**100,448**	**4,926**	**11,829**	**-**	**41,961**	**11,892**	**186,529**	**328,214**	**800,960**	**16,712**	**9,592**	**(1,559)**	**(6,190)**	**(570,846)**	**576,884**	**763,413**
Adjustment to Opening Balance	-	-	-	-	-	-	-	-	(28,094)	28,094	-	-	-	-	-	-	-
Restated Balance at 31 March 2017	**15,473**	**100,448**	**4,926**	**11,829**	**-**	**41,961**	**11,892**	**186,529**	**300,120**	**829,054**	**16,712**	**9,592**	**(1,559)**	**(6,190)**	**(570,846)**	**576,884**	**763,413**
<u>Movement in reserves during 2017/18</u>																	
Restated Total Comprehensive Income and Expenditure	(75,638)	-	(14,888)	-	-	-	-	(90,526)	69,930	-	-	-	-	-	100,351	170,281	79,755
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 8)	57,883	-	8,059	-	-	(11,379)	(202)	54,361	-	(23,592)	-	(3,589)	25	474	(27,679)	(54,361)	-
Net Increase/(Decrease) before Transfers to/from Reserves	**(17,755)**	**-**	**(6,829)**	**-**	**-**	**(11,379)**	**(202)**	**(36,165)**	**69,930**	**(23,592)**	**-**	**(3,589)**	**25**	**474**	**72,672**	**115,920**	**79,755**
Restated Transfers To/From Reserves	17,755	(17,755)	6,829	(6,829)	-	-	-	-	(6,449)	22,430	(15,981)	-	-	-	-	-	-
Increase/(Decrease) in Year	**-**	**(17,755)**	**-**	**(6,829)**	**-**	**(11,379)**	**(202)**	**(36,165)**	**63,481**	**(1,162)**	**(15,981)**	**(3,589)**	**25**	**474**	**72,672**	**115,920**	**79,755**
Restated Balance at 31 March 2018 Carried Forward	**15,473**	**82,693**	**4,926**	**5,000**	**-**	**30,582**	**11,690**	**150,364**	**363,601**	**827,892**	**731**	**6,003**	**(1,534)**	**(5,716)**	**(498,174)**	**692,804**	**843,168**
<u>Movement in reserves during 2018/19</u>																	
Total Comprehensive Income and Expenditure	(42,278)	-	(11,917)	-	-	-	-	(54,195)	54,096	-	-	-	-	-	(64,439)	(10,343)	(64,538)
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 8)	38,768	-	16,021	-	-	14,322	8,221	77,332	-	(37,202)	-	(1,041)	27	(17)	(39,099)	(77,332)	-
Net Increase/(Decrease) before Transfers to/from Reserves	**(3,510)**	**-**	**4,104**	**-**	**-**	**14,322**	**8,221**	**23,137**	**54,096**	**(37,202)**	**-**	**(1,041)**	**27**	**(17)**	**(103,538)**	**(87,675)**	**(64,538)**
Transfers To/From Reserves	3,948	(4,272)	(4,104)	4,104	-	-	324	-	(10,880)	10,880	-	-	-	-	-	-	-
Increase/(Decrease) in Year	**438**	**(4,272)**	**-**	**4,104**	**-**	**14,322**	**8,545**	**23,137**	**43,216**	**(26,322)**	**-**	**(1,041)**	**27**	**(17)**	**(103,538)**	**(87,675)**	**(64,538)**
Balance at 31 March 2019 Carried Forward	**15,911**	**78,421**	**4,926**	**9,104**	**-**	**44,904**	**20,235**	**173,501**	**406,817**	**801,570**	**731**	**4,962**	**(1,507)**	**(5,733)**	**(601,712)**	**605,129**	**778,630**

Cashflow 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

	Note	2018/19 £'000	2017/18 Restated £'000
Net (surplus)/Deficit on the Provision of Services		54,195	90,526
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements		(214,049)	(161,306)
Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities		106,217	82,195
Net Cash Flows From Operating Activities	(14.1)	**(53,637)**	**11,415**
Net Cash Flows From Investing Activities	(14.2)	98,407	(1,076)
Net Cash Flows From Financing Activities	(14.3)	(52,106)	(19,111)
Net Increase/(Decrease) in Cash and Cash Equivalents		**(7,336)**	**(8,772)**
Cash and cash Equivalents at the Beginning of the Reporting Period		(46,891)	(38,119)
Cash and Cash Equivalents at the End of the Reporting Period	(27)	**(54,227)**	**(46,891)**

Notes to the Core Statements

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates, services or departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2018/19							
	Outturn as reported to Cabinet £000	Adjustments to Management Reporting £000	Net Expenditure Chargeable to the General Fund and HRA Balance £000	Adjustment for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Statutory Differences £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Chief Executive Directorate	1,351	2,421	3,772	1	-	-	1	3,773
Children & Adults	145,884	(15,249)	130,635	17,623	3,421	(206)	20,838	151,473
Corporate Resources	31,405	(624)	30,781	3,179	18,730	99	22,008	52,789
Environment & Customer Services	12,012	10,761	22,773	12,338	1,584	30	13,952	36,725
Housing Benefits	5,947	250	6,197	-	-	-	-	6,197
Regeneration and Housing	8,852	(10,305)	(1,453)	58,773	2,340	93	61,206	59,753
Council Wide Other	3,574	(3,222)	352	-	-	-	-	352
Net Cost of Services	**209,025**	**(15,968)**	**193,057**	**91,914**	**26,075**	**16**	**118,005**	**311,062**
Other Income and Expenditure	42,529	(236,180)	(193,651)	(77,254)	13,024	1,014	(63,216)	(256,867)
(Surplus) or Deficit	**251,554**	**(252,148)**	**(594)**	**14,660**	**39,099**	**1,030**	**54,789**	**54,195**

Opening General Fund and HRA Balance 1 April 2018 *	(108,088)
Less (Surplus) or Deficit on General Fund and HRA Balance In-Year	(594)
Reserve Transfers	324
Closing General Fund and HRA Balance 31 March 2019 *	(108,358)

** For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement*

	2017/18 Restated							
	Outturn as reported to Cabinet £000	Adjustments to Management Reporting £000	Net Expenditure Chargeable to the General Fund and HRA Balance £000	Adjustment for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Statutory Differences £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Chief Executive Directorate	1,441	2,043	3,484	-	-	-	-	3,484
Children & Adults	148,529	(12,149)	136,380	38,985	8,459	(304)	47,140	183,520
Corporate Resources	29,168	(344)	28,824	3,801	2,652	(53)	6,400	35,225
Environment & Customer Services	14,587	10,347	24,934	16,153	1,134	(50)	17,237	42,172
Housing Benefits	7,105	-	7,105	-	-	-	-	7,105
Regeneration and Housing	8,254	1,067	9,321	8,271	1,688	(66)	9,893	19,212
Council Wide Other	7,645	(1,658)	5,987	-	-	-	-	5,987
Net Cost of Services	**216,729**	**(694)**	**216,035**	**67,210**	**13,933**	**(473)**	**80,670**	**296,705**
Other Income and Expenditure	22,461	(213,910)	(191,449)	(32,038)	13,746	3,564	(14,728)	(206,178)
(Surplus) or Deficit	**239,190**	**(214,604)**	**24,586**	**35,172**	**27,679**	**3,091**	**65,942**	**90,527**

Opening General Fund and HRA Balance 1 April 2017 *	(132,674)
Less (Surplus) or Deficit on General Fund and HRA Balance In-Year	24,586
Reserve Transfers	-
Closing General Fund and HRA Balance 31 March 2018 *	(108,088)

** For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement*

2. Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019.

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.

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 under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act).

Materiality

The Council has presented information in the accounts to provide a full picture of its performance and financial health, any of which, if omitted, might influence decisions made on the basis of these accounts. Information about transactions and balances of low financial value and which are non-influential for decision-makers (immaterial) have been omitted where possible to improve the readability of the statements.

Going Concern

The Accounting Code (Standard IAS 1) requires management to make an assessment of the Council's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The Council discloses that the Accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future.

This assumption is made because the local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers at the discretion of Central Government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by Central Government; either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The Code states that transfers of services under combinations of public sector bodies (for example a local government reorganisation) do not require the presumption of going concern. However, if there are material concerns about the financial health of the authority, this would be raised as part of the statutory responsibilities of the Section 151 Officer and by the external auditors as part of the accounts audit process.

New Standards Adopted

The Council has implemented the requirements of IFRS 9 – Financial Instruments and IFRS 15 – Revenue Recognition. Management have reviewed the impact of these standards and performed an analysis of income to determine materiality. There were no significant adjustments required.

a) Accruals of Income and Expenditure

The accounts record activity that has taken place in the year, 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.

The exception to this is the Cash Flow Statement which is prepared in accordance with International Accounting Standard (IAS) 7.

b) 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 balances 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.

c) 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.

d) Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

e) Collection Fund – Council Tax and Non Domestic Rates

In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax and NDR income on behalf of the preceptors (the Greater London Authority (GLA) and the Ministry of Housing, Communities and Local Government (MHCLG)) and itself. 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 Non-Domestic Rate (NDR). Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted. The key features of the fund relevant to accounting for these in the Core Financial Statements are:

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore 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 included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

3. Accounting Standards not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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.

Accounting Standards that have been issued but not yet adopted, include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

None of which are likely to have a material effect upon the 2019/20 accounts

4. Critical judgements in applying accounting policies

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

a) There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
b) Group Accounts Boundaries – The Councils group boundaries have been assessed using the criteria outlined in the Code of Practice, which has confirmed the Council has a number of interests in other entities which therefore fall within the boundary. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. The Council therefore considers that the reader of the accounts is better served by expanding the investment in associates and financial instruments notes in respect of these interests rather than completing separate group accounts statements.
c) The Council is required to take a view on which school assets are recognised on the Council's Balance Sheet. The Council has not recognised Academies. The Council has recognised all maintained schools, including foundation schools. The liabilities relating to the PFI schemes which include two Foundation Schools remain on balance sheet as the Council is the liable party.

5. Events after the balance sheet date

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.

The statement of accounts was authorised for issue by the Chief Finance Officer on 27th May 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. This includes any amendments following the audit of the accounts.

<u>Coronavirus</u>

The COVID-19 outbreak has been developing worldwide at different rates since it first emerged in China in December 2019 resulting in the World Health Organisation declaring a global pandemic on 11th March 2020. So far it has caused substantial volatility in financial markets, disruption in supply chains and to normal working practices in the UK. The Council's Senior Leadership Team has reviewed the business continuity plans since travel and office based working have been severely curtailed. The Council is satisfied that it has in place appropriate plans including home working with access to secure IT equipment and platforms so as to minimise disruption to services.

As a provider of frontline public services, there have been substantial operational impacts on London Borough of Ealing as it tries to maintain the delivery of its core services, whilst providing additional support to residents and businesses who are facing a range of difficulties as a consequence of self-isolation measures and Government-imposed restrictions on businesses and the movement of people.

As at date of signing, the Council has experienced a reduction in School services and Library and Leisure services to residents, Fees and Charges, Council Tax and Business Rates collection, and anticipates an impact on the achievement of savings targets in the 2020/21 financial year. The Council is additionally facing a range of other financial pressures on its General Fund and Housing Revenue Account, the Council also expects a negative impact on asset values, including both property and investment assets.

Whilst the full impact of Covid-19 remains unclear, the Council's best estimate of the impact on the 2020/21 outturn position is a £52m budget pressure, however this could well be significantly higher, due to this uncertainty the Council continues to closely monitor this position. The Government has so far provided the Council with £22m of funding, but it remains uncertain if any further funding will be provided to cover the current estimated shortfall of £30m.

At the date the Statement of Accounts has been signed, a reasonable estimate of the full financial effects has been forecast, the current COVID-19 pandemic does raise legitimate considerations about the Council's ability to deliver a balanced budget, with the full impact of COVID19 on both the 2020/21 budget and future 2021/22 budget, remaining unclear.

Pension Fund Accounts

The Pension Fund Annual Report was published in November 2019, and a full independent auditor's report is available within the Annual Report. The Pension Fund accounts are included in this document for completeness, and a consistency opinion is being issued by the external auditors. The subsequent events have been reviewed for those Pension Fund accounts in light of the recent COVID-19 outbreak and below is a summary of the impact.

Officers have been engaging with the Pension Fund advisers as regards their business continuity plans since travel and office based working have been severely curtailed. Officers are satisfied that its advisers have in place appropriate plans including home working with access to secure IT equipment and platforms so as to minimise disruption to member services.

As explained above, the officers are of the view that the outbreak of COVID-19 is likely to have a negative impact on the value of pension-related assets, resulting in an increase in the size of the pension fund deficit. A reasonable estimate of the full financial effects is, at the date of signing the Statement of Accounts, not possible.

6. Prior period adjustments

A prior period adjustment was made in relation to Property, Plant and Equipment. Note 41 provides further details.

7. 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 2019 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.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £29.890m. However, the assumptions interact in complex ways.
Property, Plant and Equipment	The Council 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.	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. A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss in the Comprehensive Income and Expenditure Statement. If the value of the Council's other land and buildings were to reduce by 10%, this could result in a charge to the Comprehensive Income and Expenditure Statement of approximately £83m. If the value of the Council's HRA Dwellings were to reduce by 10%, this could result in a charge to the Comprehensive Income and Expenditure Statement of approximately £85m.

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

2018/19	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Short-Term Accumulating Compensated Absences Account	Pensions Reserve	Total Unusable Reserves	Total Authority Reserves
ADJUSTMENTS TO THE REVENUE RESOURCES															
Pensions Costs (transferred to (or from) the Pension Reserve)	36,743	2,356	-	-	-	**39,099**	-	-	-	-	-	-	(39,099)	**(39,099)**	-
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(27)	-	-	-	-	**(27)**	-	-	-	-	27	-	-	**27**	-
Council Tax & NDR (transfers to (or from) the Collection Fund Adjustment Account	1,041	-	-	-	-	**1,041**	-	-	-	(1,041)	-	-	-	**(1,041)**	-
Holiday Pay (transferred to the Accumulated Absences Reserve)	(43)	60	-	-	-	**17**	-	-	-	-	-	(17)	-	**(17)**	-
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure (these items are charged to the Capital Adjustment Account or Capital Grants Unapplied)	26,682	77,511	-	-	17,708	**121,901**	-	(121,901)	-	-	-	-	-	**(121,901)**	-
ADJUSTMENTS BETWEEN REVENUE & CAPITAL RESOURCES															
Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve	(4,402)	(48,284)	-	52,686	-	**-**	-	-	-	-	-	-	-	**-**	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	1,521	-	-	(1,521)	-	**-**	-	-	-	-	-	-	-	**-**	-
Posting of HRA Resources from Revenue to the Major Repairs Reserve	-	(14,085)	14,085	-	-	**-**	-	-	-	-	-	-	-	**-**	-
Statutory Provision for the Repayment of Debt transfer from the Capital Adjustment Account)	(18,568)	(37)	-	-	-	**(18,605)**	-	18,605	-	-	-	-	-	**18,605**	-
Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account)	(4,179)	(1,500)	-	-	-	**(5,679)**	-	5,679	-	-	-	-	-	**5,679**	-
ADJUSTMENTS TO CAPITAL RESOURCES															
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	-	-	-	(36,843)	-	**(36,843)**	-	36,843	-	-	-	-	-	**36,843**	-
Use of the Major Repairs Reserve to Finance New Capital Expenditure	-	-	(14,085)	-	-	**(14,085)**	-	14,085	-	-	-	-	-	**14,085**	-
Application of Unapplied Capital Grants to Finance New Capital Expenditure	-	-	-	-	(9,487)	**(9,487)**	-	9,487	-	-	-	-	-	**9,487**	-
	38,768	**16,021**	**-**	**14,322**	**8,221**	**77,332**	**-**	**(37,202)**	**-**	**(1,041)**	**27**	**(17)**	**(39,099)**	**(77,332)**	**-**

2017/18 Restated	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Short-Term Accumulating Compensated Absences Account	Pensions Reserve	Total Unusable Reserves	Total Authority Reserves
ADJUSTMENTS TO THE REVENUE RESOURCES															
Pensions Costs (transferred to (or from) the Pension Reserve)	26,071	1,608	-	-	-	**27,679**	-	-	-	-	-	-	(27,679)	**(27,679)**	**-**
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(25)	-	-	-	-	**(25)**	-	-	-	-	25	-	-	**25**	**-**
Council Tax & NDR (transfers to (or from) the Collection Fund Adjustment Account	3,589	-	-	-	-	**3,589**	-	-	-	(3,589)	-	-	-	**(3,589)**	**-**
Holiday Pay (transferred to the Accumulated Absences Reserve)	(435)	(39)	-	-	-	**(474)**	-	-	-	-	-	474	-	**474**	**-**
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure (these items are charged to the Capital Adjustment Account or Capital Grants Unapplied)	50,498	63,316	-	-	1	**113,815**	-	(113,815)	-	-	-	-	-	**(113,815)**	**-**
ADJUSTMENTS BETWEEN REVENUE & CAPITAL RESOURCES															
Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve	-	(29,268)	-	29,268	-	**-**	-	-	-	-	-	-	-	**-**	**-**
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	1,552	-	-	(1,552)	-	**-**	-	-	-	-	-	-	-	**-**	**-**
Posting of HRA Resources from Revenue to the Major Repairs Reserve	-	(13,644)	13,644	-	-	**-**	-	-	-	-	-	-	-	**-**	**-**
Statutory Provision for the Repayment of Debt transfer from the Capital Adjustment Account)	(16,931)	(37)	-	-	-	**(16,968)**	-	16,968	-	-	-	-	-	**16,968**	**-**
Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account)	(6,436)	(13,877)	-	-	-	**(20,313)**	-	20,313	-	-	-	-	-	**20,313**	**-**
ADJUSTMENTS TO CAPITAL RESOURCES															
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	-	-	-	(39,331)	-	**(39,331)**	-	39,331	-	-	-	-	-	**39,331**	**-**
Use of the Major Repairs Reserve to Finance New Capital Expenditure	-	-	(13,644)	-	-	**(13,644)**	-	13,644	-	-	-	-	-	**13,644**	**-**
Application of Unapplied Capital Grants to Finance New Capital Expenditure	-	-	-	-	(203)	**(203)**	-	203	-	-	-	-	-	**203**	**-**
Cash Payments in Relation to Long-Term Debtor Loans	-	-	-	236	-	**236**	-	(236)	-	-	-	-	-	**(236)**	**-**
	57,883	**8,059**	**-**	**(11,379)**	**(202)**	**54,361**	**-**	**(23,592)**	**-**	**(3,589)**	**25**	**474**	**(27,679)**	**(54,361)**	**-**

9. Transfers to and from Earmarked 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.

	Balance at 31-Mar 2019 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31-Mar 2018 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 01-Apr 2017 £'000
Corporate - Ealing Civic Improvement Fund	(2,704)	(884)	2,417	(4,237)	-	1,107	(5,344)
Corporate - Insurance Reserve	(5,721)	(453)	-	(5,268)	(308)	-	(4,960)
Corporate - Invest to Save Reserve	(2,709)	(3,685)	7,633	(6,657)	(422)	1,427	(7,662)
Corporate - Welfare Reform	(2,761)	-	-	(2,761)	-	-	(2,761)
Corporate – Business Rates Pool Equalisation Fund	(3,227)	(3,227)	-	-	-	-	-
Corporate – Other Reserves	(6,482)	(711)	1,418	(7,189)	(1,779)	1,834	(7,244)
Corporate - Economic Volatility Reserve	(3,069)	(3,196)	3,106	(2,979)	-	11,019	(13,998)
Social Care Transformation Reserve	(351)	-	200	(551)	-	1,952	(2,503)
Service – Other Reserves	(7,839)	(3,839)	2,901	(6,901)	(1,217)	7,116	(12,800)
Parking Places Reserve Account	(5,328)	(1,638)	3,334	(7,024)	(1,800)	250	(5,474)
PFI Reserves	(23,279)	(798)	1,857	(24,338)	(1,879)	565	(23,024)
Controllable reserves	(63,470)	(18,431)	22,866	(67,905)	(7,405)	25,270	(85,770)
School Balances (ring-fenced)	(14,951)	(1,038)	875	(14,788)	(110)	-	(14,678)
Total Earmarked reserves	**(78,421)**	**(19,469)**	**23,741**	**(82,693)**	**(7,515)**	**25,270**	**(100,448)**

Transfer to and from HRA Earmarked reserves

	Balance at 31-Mar 2019 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31-Mar 2018 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 01-Apr 2017 £'000
Major Repairs Reserve	-	(14,085)	14,085	-	(13,644)	13,644	-
Estate Regeneration Delivery	(9,104)	(4,104)	-	(5,000)	-	4,329	(9,329)
Repairs and Maintenance Reserve	-	-	-	-	-	2,500	(2,500)
Total HRA Earmarked reserves	**(9,104)**	**(18,189)**	**14,085**	**(5,000)**	**(13,644)**	**20,473**	**(11,829)**

10. Income and Expenditure Analysed by Nature

	2018/19												
	Chief Executive Directorate	Children's & Adults	Corporate Resources	Environment & Customer Services	Housing Benefit	Regeneration & Housing	Council Wide Other	Other Income & Expenditure	Outturn as reported to Cabinet	Adjustments to Management Account	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges and Other Service Income	(791)	(52,625)	(8,329)	(43,763)	-	(58,626)	(4,223)	-	(168,357)	(82,939)	(251,296)	-	(251,296)
Interest and Investment Income	-	-	-	-	-	-	-	(3,802)	(3,802)	(181)	(3,983)	-	(3,983)
Government Grants and Contributions	(99)	(134,036)	(470)	(5,743)	(250,093)	(4,290)	(105)	(15,568)	(410,404)	(226,994)	(637,398)	(53,530)	(690,928)
Income from Council Tax	-	-	-	-	-	-	-	-	-	(132,278)	(132,278)	(299)	(132,577)
Income from Business Rates	-	-	-	-	-	-	-	-	-	(99,977)	(99,977)	1,340	(98,637)
Total Income	**(890)**	**(186,661)**	**(8,799)**	**(49,506)**	**(250,093)**	**(62,916)**	**(4,328)**	**(19,370)**	**(582,563)**	**(542,369)**	**(1,124,932)**	**(52,489)**	**(1,177,421)**
Employee Benefits Expenses	1,899	59,842	29,734	17,413	-	18,075	2,585	-	129,548	223,476	353,024	39,116	392,140
Other Service Expenses	2,764	272,347	9,796	40,361	256,290	54,190	2,169	30,207	668,124	14,771	682,895	-	682,895
Depreciation, Amortisation and Impairment	-	-	-	-	-	-	-	-	-	-	-	91,993	91,993
Capital Expenditure Financed from Revenue Balances	-	-	-	1,451	-	324	3,891	-	5,666	12	5,678	(5,679)	(1)
Revenue Expenditure Funded from Capital Under Statute & De-minimis	-	-	-	-	-	-	-	-	-	-	-	15,504	15,504
Interest & MRP Payments	-	-	-	-	-	-	-	30,173	30,173	23,901	54,074	(18,632)	35,442
Precepts and Levies	-	-	-	-	-	-	-	-	-	14,583	14,583	-	14,583
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-	-	1,521	1,521
(Gain) or Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	(2,461)	(2,461)
Posting of HRA Resources from Revenue to the MRR	-	-	-	-	-	-	-	-	-	14,085	14,085	(14,085)	-
Total Expenditure	**4,663**	**332,189**	**39,530**	**59,225**	**256,290**	**72,589**	**8,645**	**60,380**	**833,511**	**290,828**	**1,124,339**	**107,277**	**1,231,616**
Contributions to/from Reserves	(2,421)	356	674	2,292	(250)	(821)	(743)	1,519	606	(606)	-	-	-
(Surplus) or Deficit	**1,352**	**145,884**	**31,405**	**12,011**	**5,947**	**8,852**	**3,574**	**42,529**	**251,554**	**(252,147)**	**(593)**	**54,788**	**54,195**

	2017/18 Restated												
	Chief Executive Directorate	Children's & Adults	Corporate Resources	Environment & Customer Services	Housing Benefit	Regeneration & Housing	Council Wide Other	Other Income & Expenditure	Outturn as Reported to Cabinet	Adjustments to Management Account	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges and Other Service Income	(669)	(51,545)	(8,869)	(35,420)	-	(56,153)	(2,671)	-	(155,327)	(84,242)	(239,569)	-	(239,569)
Interest and Investment Income	-	-	-	-	-	-	-	(5,323)	(5,323)	(155)	(5,478)	-	(5,478)
Government Grants and Contributions	-	(125,223)	(300)	(5,708)	(268,192)	(2,798)	-	(16,753)	(418,974)	(286,874)	(705,848)	(52,927)	(758,775)
Income from Council Tax	-	-	-	-	-	-	-	-	-	(126,136)	(126,136)	3,354	(122,782)
Income from Business Rates	-	-	-	-	-	-	-	-	-	(46,728)	(46,728)	234	(46,494)
Total Income	**(669)**	**(176,768)**	**(9,169)**	**(41,128)**	**(268,192)**	**(58,951)**	**(2,671)**	**(22,076)**	**(579,624)**	**(544,135)**	**(1,123,759)**	**(49,339)**	**(1,173,098)**
Employee Benefits Expenses	1,727	63,202	28,047	16,180	-	18,413	2,780	-	130,349	227,938	358,287	27,205	385,492
Other Service Expenses	2,426	265,938	9,997	38,250	275,297	49,683	4,256	26,930	672,777	18,013	690,790	-	690,790
Depreciation, Amortisation and Impairment	-	-	-	-	-	-	-	-	-	-	-	64,354	64,354
Capital Expenditure Financed from Revenue Balances	-	-	-	-	-	-	6,436	-	6,436	13,877	20,313	(20,312)	1
Revenue Expenditure Funded from Capital Under Statute & De-minimis	-	-	-	-	-	-	-	-	-	-	-	34,404	34,404
Interest & MRP Payments	-	-	-	-	-	-	-	28,221	28,221	24,025	52,246	(16,993)	35,253
Precepts and Levies	-	-	-	-	-	-	-	-	-	13,064	13,064	-	13,064
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-	-	-	-	1,552	1,552
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	-	-	-	-	-	-	-	38,714	38,714
Posting of HRA Resources from Revenue to the MRR	-	-	-	-	-	-	-	-	-	13,644	13,644	(13,644)	-
Total Expenditure	**4,153**	**329,140**	**38,044**	**54,430**	**275,297**	**68,096**	**13,472**	**55,151**	**837,783**	**310,561**	**1,148,344**	**115,280**	**1,263,624**
Contributions to/from Reserves	(2,043)	(3,843)	294	1,285	-	(892)	(3,156)	(10,614)	(18,969)	18,969	-	-	-
(Surplus) or Deficit	**1,441**	**148,529**	**29,169**	**14,587**	**7,105**	**8,253**	**7,645**	**22,461**	**239,190**	**(214,605)**	**24,584**	**65,941**	**90,525**

11. Other Operating Expenditure

	2018/19 £000	2017/18 Restated £000
West London Waste Authority	13,206	11,774
London Pension Fund Authority	396	398
Coroners Services	451	347
Lee Valley Park	273	292
National Rivers Authority	257	252
Sub-Total Levies	**14,583**	**13,063**
Payments to the Government Housing Capital Receipts Pool	1,521	1,552
(Gains)/Losses on Disposal of Non-Current Assets	(2,461)	38,714
Total	**13,643**	**53,329**

12. Financing and Investment Income and Expenditure

	2018/19 £000	2017/18 £000
Interest Payable and Similar Charges	35,443	35,254
Net Interest on the Net Defined Benefit Liability (Asset)	13,024	13,746
Interest Receivable and Similar Income	(3,984)	(5,478)
Total	**44,483**	**43,522**

13. Taxation and Non- Specific Grant Income

	2018/19 £000	2017/18 £000
Council Tax Income	(132,578)	(122,781)
Retained Business Rates	(98,636)	(46,494)
Business Rates Top-Up	(6,747)	(29,416)
Non-Ring Fenced Government Grants (see below)	(23,502)	(55,402)
Capital Grants & Contributions	(53,530)	(48,937)
Total	**(314,993)**	**(303,030)**

13.1 Non Ring-Fenced Government Grants

	2018/19 £000	2017/18 £000
Revenue Support Grant	-	(35,007)
Adult Social Care Support & Improved Better Care Fund	(9,810)	(8,082)
New Homes Bonus	(4,582)	(7,384)
Business Rates Compensation Grant (S31)	(7,934)	(3,642)
Levy Surplus Account Grant	(1,164)	-
Education Services Grant (now ceased)	-	(1,275)
Other	(12)	(12)
Total	**(23,502)**	**(55,402)**

14. Cash Flow Statement – Cashflows from Operating, Investing or Financing Activities

14.1 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £'000	2017/18 £'000
Interest Received	(3,811)	(5,535)
Interest Paid	23,391	23,677

The Surplus/(Deficit) on the Provision of Services has been Adjusted for the Following Non-Cash Movements:

	2018/19 £'000	2017/18 £'000
Depreciation, Amortisations, Impairment & Downward Valuations	(91,993)	(64,354)
(Increase)/Decrease in Impairment for Bad Debts	(14,905)	(6,823)
(Increase)/Decrease in Creditors	(31,920)	7,828
Increase/(Decrease) in Debtors	23,242	(1,050)
Movement in Pension Liability	(39,099)	(27,679)
Carrying Amount of Non-Current Assets and Non-Current Assets Held for Sale, Sold or Derecognised	(50,225)	(68,704)
Other Non-Cash Items Charged to the Net (Surplus)/Deficit on the Provision of Services:		
(Increase)/Decrease in Provisions	(9,132)	(999)
(Increase)/Decrease in Accumulated Absences	(17)	474
Total	**(214,049)**	**(161,307)**

The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Items that are Investing and Financing Activities:

	2018/19 £'000	2017/18 £'000
Proceeds from the Sale of Property Plant and Equipment, Investment Property and Intangible Assets	52,687	29,268
Any Other Items for Which the Cash Effects are Investing or Financing Cash Flows:		
Grants Received for the Financing of New Capital Expenditure	53,530	52,927
Total	**106,217**	**82,195**

14.2 Cash Flow Statement – Investing Activities

	2018/19 £'000	2017/18 Restated £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	111,412	126,916
Purchase/(Disposal) of Short-Term and Long-Term Investments	97,930	(61,197)
Other Long Term Loans Granted/(Repaid)	304	8,985
Proceeds From the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(52,687)	(29,268)
Grants Received for the Financing of New Capital Expenditure	(58,552)	(46,512)
Net Cash Flows From Investing Activities	**98,407**	**(1,076)**

14.3 Cash flow statement – Financing activities

	2018/19 £'000	2017/18 £'000
Cash (Receipts)/Repayments of Short-Term and Long-Term Borrowing	(67,714)	(25,131)
Cash (Receipts)/Repayments of Other Short-Term and Long-Term Liabilities	27	29
Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases and on-Balance Sheet PFI Contracts	4,950	5,924
Billing Authority Collection Fund Adjustments	10,631	67
Net Cash Flows From Financing Activities	**(52,106)**	**(19,111)**

15. Related party transactions

15.1 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.

15.2 Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council 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 10 Income and Expenditure Analysed by Nature.

15.3 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 £1.021m (£0.853m in 2017/18) for expenses incurred in administering the fund. The Council owed the Pension Fund £2.907m at 31 March 2019. (The cash balance held on behalf of the Pension Fund was £10.823m at 31 March 2018).

15.4 Members of the Council have direct control over the Councils financial and operating policies. The total of members' allowance paid in 2018/19 is shown below in Note 16. Information relating to Councillors has been obtained from their individual Declarations of Interest. Individual returns are completed by relevant officers of the Council. The significant declarations are:

i) In 2018/19, 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 and one Councillor is on the Governing Board. Both Executive Directors left the Council in February 2019 and are continuing in their roles in WLWA. In 2018/19 the Council paid a levy of £13.206m (£11.771m in 2017/18) and loaned a total of £16.137m (£16.391m in 2017/18) to WLWA. As at 31st March 2019 Ealing held £7m (£17m in 2017/18) from WLWA to invest on their behalf.

ii) In 2018/19 the Executive Director of Environment & Customer Services, Director of Safer Communities and Housing and the 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 2018/19 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 London Boroughs of Ealing and Hounslow as the delivery company for the continued regeneration of the park.

iv) Two Councillors are on the Mortlake Crematorium Board for the year ended 31st March 2019. The board has £2.393m (£1.918m at 31st March 2018) invested with the Council. Mortlake also purchased accountancy, internal audit and payroll services from the Council, at a total cost of £19k (£18k in 2017/18).

v) Four Members let properties in the borough and one member is the Director of a Property company in the borough.

vi) 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 school 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.

15.5 London Borough of Ealing and Ealing Clinical Commissioning Group (CCG) have a 5-year agreement between them with a view to establishing a framework and governance arrangement to enable the further integration of health and wellbeing and social care services for adults and children. This arrangement is needed for establishing a pooled fund and thereby accessing the Better Care Fund (BCF) money from the Central Government. The Partners 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 £115.17m in 2018/19 (LBE Contribution £81.12m and CCG Contribution £34.05m). The BCF plan increased by £17.30m 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 2018/19 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 £2.94m (£2.98m in 2017/18).

16. Members Allowances

The total of the allowances paid to the Members of the Council in 2018/19 was £1.020m (£1.030m in 2017/18).

17. Employee Remuneration

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

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

Remuneration band	Number of Employees 2018/19		Number of Employees 2017/18	
	Ealing Council	Schools	Ealing Council	Schools
£50,000 to 54,999	85	215	92	220
£55,000 to 59,999	48	137	51	133
£60,000 to 64,999	29	87	19	63
£65,000 to 69,999	13	48	24	39
£70,000 to 74,999	26	37	21	26
£75,000 to 79,999	13	23	7	20
£80,000 to 84,999	9	16	6	10
£85,000 to 89,999	5	13	4	7
£90,000 to 94,999	3	12	1	4
£95,000 to 99,999	-	3	2	5
£100,000 to 104,999	2	7	3	2
£105,000 to 109,999	4	3	1	1
£110,000 to 114,999	5	2	1	1
£115,000 to 119,999	-	1	2	-
£120,000 to 124,999	-	1	1	1
£125,000 to 129,999	1	-	-	-
£130,000 to 134,999	-	2	-	1
£135,000 to 139,999	3	-	3	-
£140,000 to 144,999	-	-	-	-
£145,000 to 149,999	-	-	-	-
Greater Than £150,000	2	2	1	1
Total	**248**	**609**	**239**	**534**

17.2 Exit Packages

	Total Number of departures			Total Value of Exit Packages 2018/19 £000	Total Number of Departures	Total Value of Exit Packages 2017/18 £000
Exit package Band	Compulsory	Other	Total			
Under £20,000	19	22	41	353	46	277
£20,000 - £39,999	7	4	11	283	16	449
£40,000 - £59,999	3	-	3	136	3	150
£60,000 - £79,999	1	3	4	283	2	128
£80,000 - £99,999	-	2	2	179	-	-
£100,000 - £149,999	2	1	3	388	-	-
Greater Than £150,000	-	1	1	496	-	-
Total	32	33	65	2,118	67	1,004

17.3 Senior Officer Remuneration

The remuneration of senior employees, which is defined as those who are members of the Strategic Leadership Team, those holding statutory posts, or those whose remuneration is £150,000 or more per year, is set out below. Salary, (including Fees and Allowances) includes elements such as market supplements and honoraria. No payments were made for bonuses, benefits in kind & expense allowances in either year.

2018/19 Post Holder Information	Salary (including fees and allowances) £	Bonuses £	Bonuses, Benefits in Kind & Expense Allowances £	Compensation for loss of office £	Total Remuneration (Excluding Pension contributions) £	Pension Contributions £	Total £
Chief Executive- Paul Najsarek (a)	180,921				180,921	35,460	216,381
Executive Director for Corporate Resources (b)	131,479			109,059	240,538	24,679	265,216
Executive Director for Regeneration & Housing (c)	120,832				120,832	23,683	144,515
Executive Director for Environment and Customer Services	138,255				138,255	27,098	165,353
Executive Director for Children and Adults	138,255				138,255	27,098	165,353
Director of Public Health (d)	10,187				10,187	1,465	11,652
Director of Public Health(agency) (d)	99,559				99,559		99,559
Executive Director of Place (e)	18,516				18,516	3,629	22,145
Director of Finance(f)	116,774				116,774	22,878	139,652
Chief Finance Officer (f)	12,987				12,987	2,702	15,689
Director of Legal Services (g)	10,202				10,202	2,000	12,201
Director of Strategy and	8,324				8,324	1,771	10,095
Director of HR(g)	9,653				9,653	1,892	11,544
Director of ICT and Property Services (	9,417				9,417	1,846	11,263

(a) The salary includes elections payments of £8,700
(b) The role of Executive Director for Corporate Resources was deleted on 26/02/2019
(c) The role of Executive Director for Regeneration and Housing was deleted on 11/02/2019
(d) The Director of Public Health left the role on 13/05/2018 and was replaced by agency staff
(e) The Executive Director of Place was appointed on 12/02/2019
(f) The Director of Finance role was deleted on 26/02/19 and the post holder was appointed as Chief Finance Officer role on 12/02/2019
(g) This role reports to the Chief Executive from 27/02/19

2017/18 Post Holder Information	Salary (including fees and allowances) £	Bonuses and Expenses £	Compensation for loss of office £	Total Remuneration (Excluding Pension £	Pension Contributions £	Total £
Chief Executive -Paul Najsarek	174,063	-	-	174,063	34,116	208,179
Executive Director for Corporate Resources	135,543	-	-	135,543	26,566	162,109
Executive Director for Regeneration & Housing(a)	128,841	-	-	128,841	25,253	154,094
Executive Director for Environment and Customer Services -	135,543	-	-	135,543	26,566	162,109
Executive Director for Children and Adults	135,543	-	-	135,543	26,566	162,109
Director of Public Health	89,509	-	-	89,509	12,871	102,380

(a) The Executive Director for Regeneration & Housing left the role on 02/07/17, a member of staff acted into the role between 3rd July 2017 and 28th Mar 2018

18. 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:

	2018/19 £000	2017/18 £000
Fees payable for the current financial year Statement of Accounts	128	166
Fees payable for the prior financial year Statement of Accounts	12	
Fees payable for the certification of grant claims and returns for the financial year	36	34
Total Audit Costs	**176**	**200**

19. Property, Plant and Equipment

Accounting Policy

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 fair value, unless the acquisition does not have commercial substance.

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 & Revaluations

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.

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.

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) or Assets Held For Sale.

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.

e) 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:

i) Depreciation attributable to the assets used by the relevant service.
ii) 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.
iii) Amortisation of intangible assets attributable to the service.

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 MHCLG regulation which came into effect from 2012/13.

f) 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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

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 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 or HRA Balances 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 or HRA Balances in the Movement in Reserves Statement.

g) Revenue Expenditure funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but 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.

h) 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.

i) 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. This is because to procure valuers to carry out detailed valuation work would involve a disproportionate cost in comparison to the benefits to the users of the Council’s financial statements and consequently the Council uses the insurance valuation as its basis for estimating the carrying value. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at valuation, the carrying amount have been reviewed with sufficient frequency to ensure the valuations remain current. 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. The cost of obtaining professional valuations is prohibitive due to the diverse nature of the assets held and the lack of comparable values on some collections. 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. 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.

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

Property, Plant and Equipment values are detailed below:

2018/19	Council Dwellings £'000	Other Land & Buildings £'000	Other Land & Buildings (PFI) £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Infrastructure Assets (PFI) £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	Intangible Assets £'000	Heritage Assets £'000
Cost or Valuation												
At 1 April 2018	841,688	717,087	134,184	107,383	239,073	31,977	9,929	4,335	74,744	2,160,399	3,341	2,741
Additions	51,252	12,168	86	1,768	12,089	-	1,556	38	25,073	104,029	277	-
Donations	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation Increases / (decreases) to Revaluation Reserve	13,911	19,185	(2,621)	-	-	-	-	999	-	31,473	-	-
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	(56,951)	(3,672)	-	-	-	-	-	(119)	-	(60,742)	-	-
Derecognition-Disposals	(3,206)	(5,435)	-	-	-	-	-	-	-	(8,641)	-	-
Derecognitions-Other	(10,564)	(9,698)	(22,519)	-	-	-	-	-	-	(42,781)	-	-
Reclassified to / from Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Other Reclassifications	14,856	3,460	-	141	-	-	37,963	-	(57,430)	(1,010)	1,010	-
Other Movements	(1)		-	(4)	-	-	-	-	-	(5)		-
At 31 March 2019	**850,985**	**733,094**	**109,129**	**109,288**	**251,162**	**31,977**	**49,448**	**5,253**	**42,387**	**2,182,725**	**4,628**	**2,741**
Depreciation and Impairment												
At 1 April 2018	(575)	(7,267)	(17,057)	(88,085)	(98,986)	(6,035)	-	(61)	-	(218,065)	(2,225)	-
Depreciation Charge	(13,546)	(15,805)	(3,084)	(4,766)	(8,538)	(656)	-	(68)	-	(46,462)	(325)	-
Depreciation written out to Revaluation Reserve	5,523	8,625	8,446	-	-	-	-	28	-	22,623	-	-
Depreciation written out to Surplus / Deficit on Provision of Services	7,881	7,504	-	-	-	-	-	101	-	15,486	-	-
Impairment losses/reversals to Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses/reversals to Surplus / Deficit on Provision of Services	50	-	-	-	-	-	-	-	-	50	-	-
Derecognition-Disposals	1	555	-	-	-	-	-	-	-	556	-	-
Derecognitions-Other	301	322	2,049	-	-	-	-	-	-	2,671	-	-
Eliminated on reclassification to Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2019	**(365)**	**(6,066)**	**(9,646)**	**(92,851)**	**(107,523)**	**(6,691)**	**-**	**(0)**	**-**	**(223,142)**	**(2,550)**	**-**
Net Book Value:												
At 31 March 2019	**850,621**	**727,028**	**99,483**	**16,437**	**143,639**	**25,286**	**49,448**	**5,253**	**42,387**	**1,959,582**	**2,078**	**2,741**
At 31 March 2018	**841,113**	**709,819**	**117,127**	**19,298**	**140,087**	**25,942**	**9,929**	**4,274**	**74,744**	**1,942,334**	**1,116**	**2,741**

2017/18 Restated	Council Dwellings £'000	Other Land & Buildings £'000	Other Land & Buildings (PFI) £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Infrastructure Assets (PFI) £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	Intangible Assets £'000	Heritage Assets £'000
Cost or Valuation												
At 1 April 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
Additions	60,064	20,830	242	1,589	11,231	-	418	18	44,034	138,426	168	-
Revaluation Increases / (decreases) to Revaluation Reserve	29,473	18,511	3,847	-	-	-	-	299	-	52,129	-	-
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	(19,148)	(18,924)	-	-	-	-	-	11	-	(38,061)	-	-
Derecognition-Disposals	(15,130)	(1,541)	(34,656)	(2,533)	-	-	-	-	-	(53,860)	-	-
Derecognitions-Other	(18,000)	-	-	-	-	-	-	-	-	(18,000)	-	-
Reclassified to / from Held for Sale	-	(2,500)	-	-	-	-	-	-	-	(2,500)	-	-
Other Reclassifications	3,482	13,199	-	-	9,197	-	-	(20)	(26,178)	(320)	320	-
Other Movements	(117)	(2,535)	-	(76)	-	-	-	(80)	(2)	(2,810)	259	
At 31 March 2018	**841,689**	**717,079**	**134,184**	**107,300**	**239,074**	**31,977**	**9,929**	**4,335**	**74,745**	**2,160,311**	**3,341**	**2,741**
Depreciation and Impairment												
At 1 April 2017	(690)	(12,844)	(21,202)	(85,010)	(91,076)	(5,397)	-	(94)	-	(216,313)	(1,579)	-
Depreciation Charge	(13,109)	(13,514)	(3,474)	(5,055)	(7,911)	(640)	-	(36)	-	(43,738)	(387)	-
Depreciation written out to Revaluation Reserve	4,796	6,525	6,480	-	-	-	-	0	-	17,801	-	-
Depreciation written out to Surplus / Deficit on Provision of Services	8,306	9,575	-	-	-	-	-	29	-	17,909	-	-
Impairment losses/reversals to Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses/reversals to Surplus / Deficit on Provision of Services	(77)	-	-	-	-	-	-	-	-	(77)	-	-
Derecognition-Disposals	42	-	1,129	1,986	-	-	-	-	-	3,157	-	-
Derecognitions-Other	-	-	-	-	-	-	-	-	-	-	-	-
Eliminated on reclassification to Held for Sale	-	470	-	-	-	-	-	-	-	470	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
Other Movements	157	2,529	10	76	-	-	-	41	-	2,813	(259)	-
At 31 March 2018	**(575)**	**(7,260)**	**(17,057)**	**(88,003)**	**(98,987)**	**(6,037)**	**-**	**(60)**	**-**	**(217,978)**	**(2,225)**	**-**
Net Book Value:												
At 31 March 2018	**841,114**	**709,819**	**117,127**	**19,297**	**140,087**	**25,940**	**9,929**	**4,275**	**74,745**	**1,942,332**	**1,116**	**2,741**
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**

20. Heritage Assets

The Council has a number of heritage assets, comprising of the Council's art collection, ceramics, figurine 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 of 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.

21. Capital Expenditure and Financing Requirement

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

	2018/19 £000	2017/18 Restated £000
Capital Financing Requirement Brought forward	**776,421**	**738,775**
Capital Expenditure:		
Property, Plant & Equipment	104,306	138,681
Revenue Funded from Capital Under Statute	15,371	34,317
De minimus Capital Expenditure	134	-
Capital Loans	-	8,754
Total Capital Expenditure	**119,811**	**181,752**
Funded By:		
Revenue Contributions	5,679	20,312
Capital Receipts	36,843	39,331
Capital Grants and Other Contributions	45,309	53,129
Major Repairs Reserve	14,085	13,644
MRP Contribution	18,605	17,690
	120,521	**144,106**
Capital Financing Requirement Carried Forward	**775,711**	**776,421**
Increase/(decrease) in underlying need to borrowing	(710)	37,646

22. 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 2019. 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.

	2018/19			2017/18
	2019/20 £000	2020/21 £000	Total £000	Total £000
Schools services	10,537	-	10,537	11,142
Adults services	103	-	103	102
Public Health	-	-	-	-
Children's services	1,456	-	1,456	39
Environment and leisure	2,280	-	2,280	2,662
Customer services	3	-	3	13
E&CS Executive Directorate	9,345	-	9,345	3,498
Parking services	152	-	152	-
Corporate resources	248	-	248	127
Housing (General Fund)	213	-	213	175
Housing (HRA)	14,652	-	14,652	32,097
Property and regeneration	282	-	282	1,947
Safer communities	744	-	744	676
Built environment	1,178	-	1,178	1,651
Council wide Capital	2	-	2	-
Total Capital Commitments	**41,195**	**-**	**41,195**	**54,129**

23. Private Finance Initiative (PFI)

Accounting Policy:

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 authority 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 authority at the end of the contracts for no additional charge, the authority 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 authority.

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 – expensed in-year and debited to the relevant service in the Comprehensive Income and Expenditure Statement.

Schemes

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.

23.1 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 2018/19 was £5.9m (2017/18 £5.8m).

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 2018/19 was £9.08m (2017/18 £8.7m).

23.2 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 2018/19 was £4.41m (2017/18 £4.3m).

23.3 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 2018/19 was £13.3m (2017/18 £13.1m).

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.

During 2018/19 the PFI provider carried out a soft market testing exercise as part of a recent contractual dispute with the Council and this is likely to increase the Unitary Charge to the Council by approximately 13% to 2018/19 position. No agreement had been signed by 2018/19, however if the proposal progresses, as part of the contractual terms the Council will be liable for backdated UC uplift for 2017/18 and 2018/19.

23.4 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 2018/19 was £5.0m (2017/18 £4.4m).

24. Private Finance Initiative (PFI) Payments Due and Assets & Liabilities

24.1 Private Finance Initiative (PFI) payments due

To Write Down Liability	Schools 1 31 March 2019 £000	Schools 2 31 March 2019 £000	Street Lighting 31 March 2019 £000	Care Homes 31 March 2019 £000	BSF 31 March 2019 £000	Total 31 March 2019 £000
within 1 year	419	1,778	899	838	747	**4,681**
between 2 to 5 years	3,512	7,929	4,493	2,087	3,315	**21,335**
between 6 to 10 years	7,356	13,629	8,239	5,270	5,498	**39,992**
between 11 to 15 years	4,654	13,191	1,585	7,321	7,723	**34,474**
between 16 to 20 years	-	-	-	5,540	9,162	**14,703**
between 21 to 25 years	-	-	-	-	-	**-**
Total	**15,940**	**36,527**	**15,216**	**21,055**	**26,446**	**115,185**

Interest Charges	Schools 1 31 March 2019 £000	Schools 2 31 March 2019 £000	Street Lighting 31 March 2019 £000	Care Homes 31 March 2019 £000	BSF 31 March 2019 £000	Total 31 March 2019 £000
within 1 year	935	3,046	1,329	1,596	2,395	**9,300**
between 2 to 5 years	3,337	10,612	4,467	5,930	8,857	**33,202**
between 6 to 10 years	2,709	9,107	2,971	6,133	9,207	**30,127**
between 11 to 15 years	502	2,521	114	3,900	6,341	**13,378**
between 16 to 20 years	-	-	-	769	2,210	**2,979**
between 21 to 25 years	-	-	-	-	-	**-**
Total	**7,482**	**25,286**	**8,880**	**18,329**	**29,010**	**88,986**

Service Charges & Lifecycle Costs	Schools 1 31 March 2019 £000	Schools 2 31 March 2019 £000	Street Lighting 31 March 2019 £000	Care Homes 31 March 2019 £000	BSF 31 March 2019 £000	Total 31 March 2019 £000
within 1 year	1,931	2,180	1,792	6,677	1,052	**13,632**
between 2 to 5 years	6,289	9,475	7,116	28,427	4,608	**55,914**
between 6 to 10 years	6,357	12,284	8,884	34,151	6,269	**67,945**
between 11 to 15 years	2,789	7,635	2,319	34,333	6,911	**53,987**
between 16 to 20 years	-	-	-	16,467	5,408	**21,875**
between 21 to 25 years	-	-	-	-	-	**-**
Total	**17,366**	**31,575**	**20,111**	**120,054**	**24,247**	**213,353**

To Write Down Liability	Schools 1 31 March 2018 £000	Schools 2 31 March 2018 £000	Street Lighting 31 March 2018 £000	Care Homes 31 March 2018 £000	BSF 31 March 2018 £000	Total 31 March 2018 £000
within 1 year	581	1,503	827	778	677	**4,367**
between 2 to 5 years	3,282	7,676	4,091	2,057	3,228	**20,333**
between 6 to 10 years	6,484	12,381	7,593	4,778	5,076	**36,312**
between 11 to 15 years	6,175	16,470	3,531	6,736	7,242	**40,154**
between 16 to 20 years	-	-	-	7,484	10,901	**18,385**
between 21 to 25 years	-	-	-	-	-	**-**
Total	**16,522**	**38,030**	**16,043**	**21,833**	**27,124**	**119,551**

Interest Charges	Schools 1 31 March 2018 £000	Schools 2 31 March 2018 £000	Street Lighting 31 March 2018 £000	Care Homes 31 March 2018 £000	BSF 31 March 2018 £000	Total 31 March 2018 £000
within 1 year	969	3,171	1,401	1,655	2,457	**9,652**
between 2 to 5 years	3,529	11,252	4,824	6,086	9,149	**34,840**
between 6 to 10 years	3,089	10,139	3,634	6,495	9,667	**33,025**
between 11 to 15 years	864	3,894	422	4,411	6,997	**16,588**
between 16 to 20 years	-	-	-	1,337	3,197	**4,534**
between 21 to 25 years	-	-	-	-	-	**-**
Total	**8,451**	**28,456**	**10,281**	**19,984**	**31,466**	**98,639**

Service Charges & Lifecycle Costs	Schools 1 31 March 2018 £000	Schools 2 31 March 2018 £000	Street Lighting 31 March 2018 £000	Care Homes 31 March 2018 £000	BSF 31 March 2018 £000	Total 31 March 2018 £000
within 1 year	1,734	2,330	1,791	6,677	1,061	**13,594**
between 2 to 5 years	6,326	9,089	7,160	28,301	4,403	**55,278**
between 6 to 10 years	6,849	12,500	8,867	34,280	6,232	**68,728**
between 11 to 15 years	4,191	9,986	4,084	34,407	6,736	**59,404**
between 16 to 20 years	-	-	-	23,066	6,877	**29,943**
between 21 to 25 years	-	-	-	-	-	**-**
Total	**19,100**	**33,905**	**21,902**	**126,731**	**25,308**	**226,947**

24.2 Movements in PFI assets and liabilities

Assets:	Assets at 31 March 2019 £000	Movement In Year £000	Assets at 31 March 2018 £000	Movement In Year £000	Assets at 1 April 2017 £000
Ealing Schools' 1 PFI - Ealing Schools' Partnership Ltd	38,999	(95)	39,094	3,664	35,430
Ealing Schools' 2 PFI - Seafort Ealing Ltd**	29,234	(20,797)	50,031	652	49,379
Street Lighting PFI - EDF / Southern Electric	25,286	(656)	25,942	(639)	26,581
Resource Centre for Older People PFI - Ealing Care Alliance	31,250	3,249	28,001	2,252	25,749
Building Schools for the Future - Future Ealing Limited *	-	-	-	(33,027)	33,027
Total	**124,769**	**(18,299)**	**143,068**	**(27,098)**	**170,166**

* Dormers Wells High converted to Academy in 2017/18
** Acton High as part of PFI2 converted to Academy in 2018/19

Liabilities:	Liabilities at 31 March 2019 £000	Movement In Year £000	Liabilities at 31 March 2018 £000	Movement In Year £000	Liabilities at 1 April 2017 £000
Ealing Schools' 1 PFI - Ealing Schools' Partnership Ltd	(15,940)	581	(16,522)	1,120	(17,642)
Ealing Schools' 2 PFI - Seafort Ealing Ltd	(36,527)	1,503	(38,030)	1,381	(39,412)
Street Lighting PFI - EDF / Southern Electric	(15,216)	827	(16,043)	761	(16,804)
Resource Centre for Older People PFI - Ealing Care Alliance	(21,055)	778	(21,833)	672	(22,505)
Building Schools for the Future - Future Ealing Limited	(26,446)	677	(27,124)	621	(27,745)
Total	**(115,184)**	**4,366**	**(119,552)**	**4,555**	**(124,108)**

25. Leases

Accounting Policy:

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 deferred 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.

25.1 Operating Leases – Lessee

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 & Buildings £000	Vehicles, Plant & Equipment £000	Total 2018/19 £000	Total 2017/18 £000
Future Minimum Lease Payments:				
Within 1 year	1,568	267	1,835	1,550
Between 2 to 5 years	5,709	449	6,158	5,308
Over 5 years	1,796	-	1,796	2,723
Total	**9,073**	**716**	**9,789**	**9,581**

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 2018/19 £000	Total 2017/18 £000
Future Minimum Lease Payments:		
Within 1 Year	1,023	956
2 to 5 years	2,737	2,659
Over 5 Years	8,951	8,561
Total	**12,711**	**12,176**

25.3 Finance Leases - Lessee

The Council has no vehicles at end 2018/19 (71 - 2017/18) held under finance leases including items that are lease arrangements embedded within contracts.

The assets acquired under these leases were carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	Vehicle, Plant & Equipment 2018/19 £000	Vehicle, Plant & Equipment 2017/18 £000
Value at 1 April	512	1,670
Additions	-	-
Revaluations	-	-
Depreciation	(512)	(600)
Disposals	-	(558)
Value at 31 March	**-**	**512**

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 are made up of the following amounts:

	Total 2018/19 £000	Total 2017/18 £000
(net present value of minimum lease payments)		
Current	-	584
Non current	-	-
Finance costs payable in future years	-	27
Total	**-**	**611**

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

	Vehicle, Plant & Equipment Lease Payments 2018/19 £000	Vehicle, Plant & Equipment Finance Charges 2018/19 £000	Vehicle, Plant & Equipment Lease Payments 2017/18 £000	Vehicle, Plant & Equipment Finance Charges 2017/18 £000
Within 1 year	-	-	584	27
Between 2 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	**-**	**-**	**584**	**27**

26. Long term Debtors

	31 March 2019 £000	31 March 2018 £000
WLWA Loan	16,137	16,391
Broadway Living Loan	9,150	8,588
Other	825	829
Total Long-Term Debtors	**26,112**	**25,808**

27. 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.

Cash and cash equivalents include the following components:

	31 March 2019 £000	31 March 2018 £000
Bank Current Accounts	(8,743)	(2,914)
Short-Term Deposits	29,420	13,670
Cash Held by the Council	846	925
School Bank Accounts	32,704	35,209
Total Cash and Cash Equivalents	**54,227**	**46,890**

28. Short Term Debtors

	31 March 2019 £000	31 March 2018 £000
Central Government Departments	7,087	12,317
Other Public Bodies	15,596	10,528
NHS Bodies	5,436	5,936
Payments in Advance	1,043	1,969
Other debtors Net of Collection:		
NNDR	10,334	4,310
NNDR Allowance for non-collection	(4,261)	(2,089)
NNDR (net of non collection)	**6,073**	**2,221**
Council Tax	14,178	14,217
Council Tax Allowance for non-collection	(7,137)	(8,286)
Council Tax (net of non-collection)	**7,041**	**5,931**
Rent Arrears (including Housing Benefit overpayments)	36,750	30,967
Rent Arrears Allowance for non-collection	(32,845)	(28,344)
Rent Arrears (net of non-collection)	**3,905**	**2,623**
Sundry Debtors	74,116	62,315
Sundry Debtors Allowance for non-collection	(32,037)	(22,656)
Sundry Debtors (net of non-collection)	**42,079**	**39,659**
Ealing Pension Fund	-	10,823
Housing Association Grant Due	19	37
Total Short-term Debtors	**88,279**	**92,044**

29. Short Term Creditors

	31 March 2019 £000	31 March 2018 £000
Central Government Departments	(28,739)	(30,777)
Other Public Bodies	(21,684)	(14,721)
NHS Bodies	(6,339)	(4,291)
Finance Leases	-	(584)
NNDR	(8,296)	(3,194)
Council Tax Payers	(9,681)	(9,269)
Ealing Pension Fund	(2,907)	-
Housing Rents	(3,334)	(3,144)
Sundry Creditors	(65,153)	(66,169)
Total Short-Term Creditors	**(146,133)**	**(132,149)**

30. Long term Creditors

	Balance at 31 March 2019 £000	Balance at 31 March 2018 £000
PFI Schemes	(110,505)	(115,185)
Finance Leases	-	-
Section 106 Agreements	(17,084)	(21,108)
Other	(653)	(681)
Total Long-Term Creditors	**(128,242)**	**(136,974)**

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(9,380)	(96)
Amounts received	(30,324)	(52,479)
Applied in Year	33,166	43,195
Balance at 31 March	**(6,538)**	**(9,380)**

32. Provisions

Accounting Policy

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.

32.1 Short Term Provisions

	Balance at 31 March 2019 £000	Balance at 31 March 2018 £000
Insurance Provision	1,167	1,613
NNDR Provision for Appeals	10,833	5,054
Other Provisions	6,119	4,512
Total Short-term provisions	**18,119**	**11,179**

32.2 Long Term Provisions

	Balance at 31 March 2019 £000	Balance at 31 March 2018 £000
Insurance Provision	2,712	2,579
Other Provisions	2,499	439
Total Provisions	**5,210**	**3,018**

The value of provisions includes the items detailed below.

1. Claims and self-insurance provision - to provide funding to cover liability claims risk management and "all risks" cover for specified equipment in Council establishments. Provisions have been made on the basis of professional advice from the Council's insurance brokers and officers. All known insurance risks are provided for.

2. Business Rate Appeals - to cover potential losses following successful appeals by Business Ratepayers resulting in a reduction in their rateable values and consequent reduction in the collectable amounts.

Other Provisions

3. The Council purchased the leaseholds of certain properties during the 1950s and 1960s as part of slum clearance programs. 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 charges, under the property search legislation introduced in 2008, should have been provided free of charge. Ealing Council has made provision for current and potential claims raised.
5. Disrepair cases – to cover abnormal costs incurred for legal expenses and other costs associated with disrepair cases.
6. Contractual and Legal Liabilities – to cover costs relating to a contractual and legal disputes across Planning service , Street Services and Housing.
7. Older Persons PFI Mediation & Legal Liability – to cover litigation costs including, backdated cost, relating to unitary charge uplift.

33. Disclosure of deployment of DSG (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 a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

	2018/19 Central Expenditure £'000	2018/19 Individual School Budget £'000	2018/19 Total £'000	2017/18 Total £'000
Final DSG for the year before Academy Recoupment			324,837	313,828
Academy Figure Recouped			(58,391)	(44,151)
Total DSG After Academy Recoupment			266,447	269,677
Brought forward from previous year			624	1,298
July 2017 DSG Update difference				(1,626)
Carry forward agreed in advance				-
Agreed initial budgeted distribution in year			267,071	269,349
In year adjustments				-
Final budgeted distribution	51,270	215,801	267,071	269,349
Less actual central expenditure	(50,340)		(50,340)	(36,863)
Less Actual ISB deployed to schools		(214,481)	(214,481)	(231,862)
Plus Local Authority Contribution			0	-
Carry Forward	**930**	**1,320**	**2,250**	**624**

NB High Needs is shown as ISB for place funding and for all other spend (including top ups) as a central spend.

34. Retirement 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 nonmonetary 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.

Re-measurements 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) Discretionary Benefits

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.

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:

	2018/19 £000	2017/18 £000
Comprehensive Income & Expenditure Statement (CIES)		
Net Cost of Services:		
current service cost	41,102	43,750
effect of settlements or curtailments	1,946	680
administration expenses	522	515
Past service cost	14,101	-
Net Operating Expenditure:		-
interest on pension liabilities	42,452	39,670
interest on plan assets	(29,429)	(25,924)
Net Charge to Provision of Services	**70,694**	**58,691**
Other Comprehensive Income & Expenditure		
remeasurement of the net defined benefit liability (asset)	64,439	100,351
Total Comprehensive Income & Expenditure	**135,133**	**159,042**
Movement in Reserves Statement		
reversal of net charges made for retirement benefits in accordance with IAS 19	(135,133)	(159,042)
actual amount charged against the General Fund Balance for pensions in the year:	-	
employers' contributions payable to scheme	31,596	31,012
Total movement in year	(103,537)	(128,030)

Note: this disclosure is now in line with the Comprehensive Income and Expenditure Statement reporting lines.

34.3 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2018/19 £000	2017/18 £000
As at 1 April	(1,590,784)	(1,602,577)
Current service cost	(41,102)	(43,750)
Interest on pension liabilities	(42,452)	(39,670)
Contributions by scheme participants	(9,493)	(9,377)
Past service cost	(14,101)	-
Experience gain/(loss)	-	-
Gain/(loss) on financial assumptions	(87,328)	64,375
Gain/(loss) on demographic assumptions	-	-
Benefits/transfers paid	46,389	40,895
Curtailments	(1,946)	(680)
As at 31 March	(1,740,817)	(1,590,784)

Reconciliation of fair value of the scheme assets:

	2018/19 £000	2017/18 £000
As at 1 April	1,092,610	1,031,731
Interest on plan assets	29,429	25,924
Gain/(loss) on assets	22,889	35,976
Administration expenses	(522)	(515)
Employer contributions	31,596	31,012
Contributions by scheme participants	9,493	9,377
Benefits/transfers paid	(46,389)	(40,895)
As at 31 March	1,139,106	1,092,610

34.4 Scheme History

	2018/19 £000	2017/18 £000
Present Value of Liabilities	(1,740,817)	(1,590,784)
Fair Value of Assets	1,139,106	1,092,610
Surplus/(deficit) in the scheme:	(601,711)	(498,174)

34.5 Basis for estimating assets and liabilities

The principal assumptions used by the actuary have been:

	2018/19 years	2017/18 years
Longevity at 65 for current pensioners:		
- Men	23.3	23.2
- Women	26.2	26.1
Longevity at 65 for future pensioners:		
- Men	25.5	25.4
- Women	28.5	28.4
Rate of CPI inflation	2.2%	2.2%
Rate of increase in salaries	3.45%	3.45%
Rate of increase in pensions	2.3%	2.3%
Rate for discounting scheme liabilities	2.4%	2.7%

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 2019 %	31 March 2018 %
Equity investments	60.9	64.5
Bonds	24.0	23.4
Pooled Investments - Property	7.4	9.4
- Other	0.0	0.0
Cash / Liquid Assets	7.7	2.7
	100.0	100.0

34.7 Sensitivity Analysis

The following is a sensitivity analysis showing how the pension liability of £1,740.817m would be affected by changes in individual assumptions:

Sensitivity	New liability £000	% Change
+0.1% p.a. discount rate	1,710,927	-1.7%
+0.1% p.a. inflation	1,771,230	1.7%
+0.1% p.a. pay growth	1,743,527	0.2%
1 year increase in life expectancy	1,774,793	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 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 last 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 2019 is £31.4m.

The weighted average duration of the defined benefit obligation is 17 years.

34.9 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.

34.10 Teachers

In 2018/19 the Council has paid £14.26m (2017/18 Outturn - £15.43m) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 16.48% of pensionable pay (2017/18 – 16.48%). At 31 March 2019 the pension contributions due to the scheme in respect of the salaries were £1.19m (£1.26m as at 31 March 2018).

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 2018/19 these amounted to £1.70m (2017/18 - £1.70m) representing 1.83% (2017/18 – 1.83%) of pensionable pay.

34.11 NHS

In 2018/19 the Council has paid £0.023m (2017/18 Outturn – £0.035m) 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 2017/18). At 31 March 2019 the pension contributions due to the scheme in respect of the March 2019 salaries were £1,798 (£2,835 as at 31 March 2018).

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

35. Investments in Subsidiaries, Associates and Joint Ventures

The Council has interests in other companies that have the nature of subsidiaries and 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 2018/19.

Broadway Living Limited

The Council has a wholly owned subsidiary (Broadway Living Ltd) which was incorporated on 26 March 2014 to provide more affordable homes over a range of tenures to assist in meeting the borough's current and future housing demand.

The company earns income through renting its own residential properties. Broadway Living Ltd had 44 residential properties across two developments, Eastcote Lane and Ruislip Road, which has a total approximate gross book value of £10.4m assets at 31 March 2019 (31 March 2018 cost price value of £9.2m). The Council provided Broadway Living with loans amounting to £8.035m (2017/18: £8.029m) and a share premium of £2.136m from Broadway Living Ltd (in 2017/18: £2.136m).

Broadway Living presented its audited company accounts for 2018/19 to its Board in December 2019. The company made a net profit of £148,000 in 2018/19 (in 2017/18: a net loss of £472,867).

Future Ealing Limited

The Council entered into a PFI agreement 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 was 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 £0.600m into Future Ealing Phase 1 Limited's working capital which is shown as a short-term investment in these accounts. In 2016, Balfour Beatty sold their interest in the SPV to Amber Infrastructure Ltd who are now the primary shareholder.

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.

36. Financial Instruments

Accounting Policy

Financial Liabilities

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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party 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 (CIES) 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

financial assets held by the authority, 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.
Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are accounted for through a reserve account, and recognised in the Comprehensive Income and Expenditure Statement when the asset is disposed of.
The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

- Level 1 inputs – 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.

When financial assets measured at fair value through other comprehensive income are impaired by a loss allowance the loss is not presented separately in the balance sheet as a reduction in the carrying amount, but the loss allowance is declared in the notes to the financial statement.

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

36.1 Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	31 March 2019		31 March 2018	
	Long-term	Current	Long-term	Current
Financial Assets	£000	£000	£000	£000
Investments				
Amortised Cost	26,143	207,044	27,579	91,406
Fair value through other comprehensive income	2,136	-	2,136	-
Fair value through Profit and Loss	-	-	-	-
Debtors				
Amortised Cost	-	75,165	-	83,892
Fair value through other comprehensive income	-	-	-	-
Fair value through Profit and Loss	-	-	-	-
Total Financial Assets	**28,279**	**282,209**	**29,715**	**175,298**
Financial Liabilities				
Borrowings				
Financial liabilities at amortised cost	611,164	22,192	519,811	45,886
Financial liabilities at fair value through profit and loss	-	-	-	-
Creditors				
Financial liabilities at amortised cost	17,737	128,156	21,789	119,685
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Financial Liabilities	**628,901**	**150,348**	**541,600**	**165,571**

Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

	Carrying amount brought forward at 1 April	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
	£000	£000	£000	£000
Previous classifications				
Loans and receivables	202,877	202,877	-	-
Available for Sale	2,136	-	2,136	-
Fair value through profit and loss	-	-	-	-
Reclassified amounts at 1 April 2018	**205,013**	**202,877**	**2,136**	**-**
Remeasurements at 1 April 2018				
Remeasured carrying amounts at 1 April 2018	**205,013**	**202,877**	**2,136**	**-**

Application of classification requirements at 1 April 2018

- The Council's shareholding of £2.136m in Broadway Living Ltd has been reclassified from available for sale to fair value through other comprehensive income as the equity is held for a service objective, rather than for trading.
- Short term investments of £77.736m and long-term investments of £2.000m were reclassified from loans and receivables to amortised cost as they are being held as part of a business model to collect contractual cash flows.
- A policy loan of £0.600m was reclassified from loans and receivables to amortised cost as they are being held as part of a business model to collect contractual cash flows.
- Cash equivalents of £13.670m were reclassified from loans and receivables to amortised cost as they are being held as part of a business model to collect contractual cash flows.
- The Council has issued out long-term loans to West London Waste Authority and Broadway Living Ltd of £15m & £8.035m respectively. The carrying value of these assets, £16.391m and £8.588m which were reclassified from loans and receivables to amortised cost as they are being held as part of a business model to collect contractual cash flows.
- Trade debtors of £83.892m were reclassified to amortised cost.

Carrying Value

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.

Fair Value

Fair value has been measured by:

• Direct reference to published price quotations in an active market; and/or

• Estimating using a valuation technique.

Market Loans

Market loans (LOBOs) of £68m have been included in long term borrowing but have a call date in the next 12 months.

Investments in equity instruments designated at fair value through other comprehensive income

With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2019 as fair value through other comprehensive income:

	Nominal	Fair Value	Change in fair value during 2018/19	Dividends
	£000	£000	£000	£000
Broadway Living Ltd Shares	2,136	2,136	-	-

The Authority has a shareholding in Broadway Living Ltd (representing 100% of the company's Capital). The shares are carried at cost of £2.136m and have not been valued as a fair value cannot be measured reliably. The company was formed in March 2014 and has no established trading history. There are also no established companies with similar aims in the Authority's area whose shares are traded and which might provide comparable market data. The Authority has no current intention to dispose of the shareholding.

37. Financial Instruments

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

37.1 Financial Instruments gains/losses

	2018/19 Surplus or Deficit on the Provision of services	2018/19 Other Comprehensive Income and Expenditure	2018/19 Total	2017/18 Surplus or Deficit on the Provision of services	2017/18 Other Comprehensive Income and Expenditure	2017/18 Total
	£000	£000	£000	£000	£000	£000
Interest revenue:						
Financial assets measured at amortised cost	3,984	-	3,984	5,478	-	5,478
Other financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
Total interest revenue	3,984	-	3,984	5,478	-	5,478
Interest expense	(23,321)	-	(23,321)	(22,238)		(22,238)
Net gain/(loss) for the year	(19,337)	-	**(19,337)**	**(16,760)**	-	**(16,760)**

37.2 Financial Assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/19 £000	As at 31/3/18 £000
Fair value through Other Comprehensive Income				
Equity Shareholding in Broadway Living Ltd	Level 3	Acquisition amount	2,136	2,136
Total			2,136	2,136

Equity shareholding in Broadway Living Ltd

The Council's shareholding in Broadway Living Ltd - the shares in this company are not traded in the active market and fair value of £2.136m is the acquisition amount at the current time as no assessment of its future trading prospects can be made with reasonable certainty.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried in the Balance Sheet at fair value (described in the table above), all other financial liabilities and financial assets represented at amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the instruments, using the following assumptions:

To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services which uses the following valuation basis:

Valuation of PWLB Loans

For loans from the PWLB, Link Asset Services has provided fair value estimates using early repayment rates (debt redemption discount rates) which is consistent with the Council's accounting policy. As the Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated, this can be used for disclosure purposes.

Valuation of non-PWLB Loans

For non-PWLB loans, Link Asset Services also provided fair value estimates using debt redemption discount rates. The redemption rates provide a reasonable proxy for rates that a number of market participants appear to have used when asked about early redemption costs for market loans.

Valuation of loans receivable

For loans receivable prevailing benchmark market rates have been used to provide the fair value.

Valuation of fixed term deposits (maturity investments)

Valuation is made by comparison of fixed investment with a comparable investment with the same/similar lender for the remaining period of the deposit. Where an instrument has a maturity of less than 12 months, the fair value is taken to be the carrying amount or the billed amount.

37.3 Fair value of liabilities carried at amortised cost
The fair values are calculated as follows:

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	533,096	771,898	445,950	658,681
Non-PWLB debt	90,866	154,858	92,738	154,342
Short term borrowing	9,393	9,398	27,009	27,009
Financial Liabilities	633,355	936,154	565,697	840,032

As at 31st March 2019 the Council held £304.0m financial assets and £633.4m financial liabilities for which Level 2 valuations will apply.

The fair value of the liabilities 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 in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £771.9m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken as at 31 March 2019. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

37.4 Fair value of assets carried at amortised cost

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Short term investments	207,044	207,044	91,407	91,407
Long term investments	26,143	54,463	27,578	52,278
Short term debtors	70,857	70,857	83,892	83,892
Financial Assets	304,044	332,364	202,877	227,577

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 gain (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

38. Nature and Extent of Risks Arising from Financial Instruments

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available. 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 2018/19, which incorporates the prudential indicators was approved by Council on 13 February 2018 and is available on the Council's website.

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit Risk - the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing Risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements

38.1 Credit Risks

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Authority's website.

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 the creditworthiness service provided by Link Asset Services.

The authority's credit risk management practices are set out in the Annual Investment Strategy, with particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy 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 & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and durations with a financial institution located in each category.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2018/19 was approved by Full Council on 13/02/18 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £233.2m 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 2019 that this was likely to crystallise.

38.2 Amounts Arising from Expected Credit Losses

The Council has reviewed all financial assets and determined that there are no expected credit losses arising from the financial assets held as at 31 March 2019.

38.3 Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of 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.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity structure of financial assets, excluding sums due from customers, is as follows:

	31 March 2019 £000	31 March 2018 £000
Investments Outstanding:		
Local Authorities	148,394	49,500
Debt Management Office	24,201	-
UK Banks and Building Society	34,431	43,670
Other	26,162	25,297
Total Investments outstanding	**233,187**	**118,467**
Less than 1 year	207,044	116,661
Between 1 and 2 years	1,428	-
Between 2 and 5 years	-	1,206
Between 5 and 10 years	256	-
More than 10 years	24,459	600
Total Investments outstanding	**233,187**	**118,467**

38.4 Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

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 analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved minimum limits	Approved maximum limits	31 March 2019 £000	31 March 2018 £000
Loans Outstanding:				
Public Works Loans Board			528,311	441,045
Market Debt			88,000	88,000
Temporary Borrowing			-	10,000
Other			9,393	18,918
Total Loans outstanding			**625,704**	**557,963**
			-	-
Less than 1 year	0%	10%	16,095	41,652
Between 1 and 2 years	0%	20%	11,729	6,702
Between 2 and 5 years	0%	20%	44,187	45,360
Between 5 and 10 years	0%	20%	66,043	51,546
More than 10 years	30%	90%	487,650	412,703
Total Loans outstanding			**625,704**	**557,963**

In the more than 10 years category, there are £68m 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 are outlined above and this falls within the maximum and minimum limits for fixed as agreed in the Treasury Management strategy.

38.5 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).

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. 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 draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The treasury management team monitor the markets and forecast interest rates within the year to adjust exposures appropriately.

38.6 Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares.

However, it does have shareholdings to the value of £2.136m in Broadway Living Ltd. Whilst these holdings are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The shares have all been elected/classified as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve.

38.7 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.

39. 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.

As at 31 March 2019, the Council had the following material contingent liabilities which have not been recognised on the Balance Sheet:

i) £2m relating to a legal case that may proceed against the Council.
ii) £0.5m has been identified in relation to a contractor that has gone into liquidation where the Council could be liable for consequential costs if claims were raised.
iii) The Council has a number of employment disputes where they could be ordered to pay compensation but is unable to state the expected liability and has not made provision in the accounts due to the inherent uncertainties surrounding their outcome.

40. 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.
As at 31 March 2019, the Council had no material contingent assets.

41. Prior Period PPE Adjustment

In preparation of the current-year financial statements, the following prior-year errors related to accounting for property, plant and equipment have been found.

Capital expenditure of £9.526m that qualified as additions to property, plant and equipment had been instead classified as REFCUS in 2017/18. The properties were subsequently disposed of in 2017/18 and this error resulted in an overstatement of “Regeneration and Housing expenses” and an understatement of “Other Operating Expenditure”

In 2017/18 some property, plant and equipment were disposed of, but were accounted for as revaluations, resulting in an inaccurate revaluation adjustment of the PPE balance as of 31 March 2018. This error resulted in understatement of the upward revaluation charge in other comprehensive income of £25.631m, understatement of “Regeneration and Housing expenses” by £7.720m and understatement of “Other Operating Expenditure” by £17.911m.

The balance of the Revaluation Reserve as of 31 March 2018 was found to be overstated by £30.225m (31 March 2017: £28.094m) (and the Capital adjustment account understated by the same amount) as a result of non-compliance with the Council’s accounting policy to make a transfer from the “Revaluation reserve” to “Capital adjustment account” for the disposed property, plant and equipment items as well as due to discrepancies with the underlying property valuation data.

Comprehensive Income and Expenditure Statement

	2017/18			Adjustment	2017/18 Restated		
	Gross Expenditure £000	Income £000	Net Expenditure £000	£000	Gross Expenditure £000	Income £000	Net Expenditure £000
Regeneration and Housing	154,419	(133,399)	21,020	9,526 & (7,720)	152,612	(133,399)	19,214
Other Operating Expenditure			25,892	(17,911) & (9,526)			53,329
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets			(44,299)	25,631			(69,930)

Movement in Reserves Statement

	2017/18			Adjustment			2017/18 Restated		
	Housing Revenue Account £000	Revaluation Reserve £000	Capital Adjustment Account £000	Housing Revenue Account £000	Revaluation Reserve £000	Capital Adjustment Account £000	Housing Revenue Account £000	Revaluation Reserve £000	Capital Adjustment Account £000
Balance at 31 March 2017	4,926	328,214	800,960	-	(28,094)	28,094	4,926	300,120	829,054
Total Comprehensive Income and Expenditure	10,743	44,299	-	(25,631)	25,631	-	(14,888)	69,930	-
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 8)	(17,572)	-	2,039	25,631	-	(25,631)	8,059	-	(23,592)
Net Increase/(Decrease) before Transfers to Reserves	**(6,829)**	**44,299**	**2,039**	**-**	**25,631**	**(25,631)**	**(6,829)**	**69,930**	**(23,592)**
Transfers To/From Reserves	6,829	(4,318)	20,299	-	(2,131)	2,131	6,829	(6,449)	22,430
Increase/(Decrease) in Year	**-**	**39,981**	**22,338**	**-**	**23,500**	**(23,500)**	**-**	**63,481**	**(1,162)**
Balance at 31 March 2018 Carried Forward	**4,926**	**368,196**	**823,299**	**-**	**(4,595)**	**4,593**	**4,926**	**363,601**	**827,892**

Cash Flow Statement

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Net (surplus)/Deficit on the Provision of Services	64,895	25,631	90,526
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements	(126,149)	(25,631) & (9,526)	(161,306)
Investing Activities	(10,602)	9,526	(1,076)

Note 1 - Expenditure and Funding Analysis

	2017/18	Adjustment	2017/18 Restated
	Adjustment for Capital Purposes £'000	£000	Adjustment for Capital Purposes £'000
Regeneration and Housing	10,077	(9,526) & 7,720	8,271
Other Income and Expenditure	(59,476)	17,911 & 9,526	(32,038)

Note 8 - Adjustment between accounting basis and funding basis under regulations

	2017/18				2017/18 Restated	
	Housing Revenue Account £000	Capital Adjustment Account £000	Adjustment £000	Adjustment £000	Housing Revenue Account £000	Capital Adjustment Account £000
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure (these items are charged to the Capital Adjustment Account or Capital Grants Unapplied)	37,685	(88,184)	25,631	(25,631)	63,316	(113,815)

Note 10 - Income and Expenditure Analysed by nature

	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Adjustment £000	2017/18 Restated Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Depreciation, Amortisation and Impairment	56,634	7,720	64,354
Revenue Expenditure Funded from Capital Under Statute & De-minimis	43,930	(9,526)	34,404
(Gain) or Loss on Disposal of Non-Current Assets	11,276	17,911 & 9,526	38,714

Note 11 - Other Operating Expenditure

	2017/18 £000	Adjustment £000	2017/18 Restated £000
(Gains)/Losses on Disposal of Non-Current Assets	11,277	17,911 & 9,526	38,714

Note 14.1 - Cash Flow Statement - Operating Activities

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Depreciation, Amortisations, Impairment & Downward Valuations	(56,634)	(7,720)	(64,354)
Carrying Amount of Non-Current Assets and Non-Current Assets Held for Sale, Sold or Derecognised	(41,267)	(17,911) & (9,526)	(68,704)

Note 14.2 - Cash Flow Statement - Investing Activities

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	117,390	9,526	126,916

Note 19 - Property, Plant and Equipment

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Additions	50,538	9,526	60,064
Revaluation Increases / (decreases) to Revaluation Reserve	3,841	25,632	29,473
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	(11,428)	(7,720)	(19,148)
Derecognition-Disposals	(5,604)	(9,526)	(15,130)
Derecognitions-Other	(89)	(17,911)	(18,000)

Note 21 - Capital Expenditure and Financing Requirement

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Property, Plant & Equipment	129,155	9,526	138,681
Revenue Funded from Capital Under Statute	43,843	(9,526)	34,317

The correct accounting treatment within the HRA statements and notes is shown below:

HRA Income and Expenditure Statement

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Depreciation and impairment of non-current assets	16,750	7,720	24,470
Revenue expenditure funded from capital under statute	18,420	(9,527)	8,893
(Gain) or loss on disposal of HRA fixed assets	(22,078)	17,911 & 9,526	5,359

Movements on the HRA Statement

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	10,743	(25,631)	(14,888)
Adjustments between accounting basis and funding basis under statute	(17,572)	25,631	8,059

HRA Adjustments between accounting basis and funding basis under statute

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Net gain or loss on sale of non-current assets	(22,078)	17,911 & 9,526	5,359
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure (these items are charged to	30,495	(9,526) & 7,720	28,689

HRA Note 6 - Depreciation and Impairment Charges

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Impairment Charges / Revaluation Losses/(Gains)			
Dwellings and Other Land and Buildings	3,070	7,720	10,790

HRA Note 8 - Revenue Expenditure Funded from Capital under Statute

	2017/18 £000	Adjustment £000	2017/18 Restated £000
Other Properties	18,420	(9,527)	8,893

Housing Revenue Account

Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	Notes	2018/19	2017/18 Restated
		£000	£000
Expenditure			
Repairs and Maintenance		13,869	14,112
Supervision and management		23,906	23,190
Rent, rates, taxes and other charges		1	1
Depreciation and impairment of non-current assets	6	62,641	24,470
Debt Management Costs		34	43
Movement in the allowance for bad debts	3	425	478
Revenue expenditure funded from capital under statute		6,881	8,893
Total Expenditure		**107,757**	**71,188**
Income			
Dwelling rents		(57,069)	(58,004)
Non-dwelling rents		(851)	(845)
Charges for services and facilities		(5,257)	(5,365)
Contributions towards expenditure		(2,255)	(2,128)
Total Income		**(65,433)**	**(66,342)**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**42,324**	**4,846**
HRA services' share of Corporate and Democratic Core		278	278
HRA share of other amounts included in the whole authority Cost of services but not allocated to specific services		1,852	1,712
Net Cost of HRA Services		**44,453**	**6,836**
(Gain) or loss on disposal of HRA fixed assets		(27,639)	5,359
Interest payable and similar charges		6,843	6,811
Interest and investment income		(181)	(155)
Pension Interest cost and expected return on pension assets		1,096	713
Capital grants and contributions receivable		(12,656)	(4,676)
(Surplus) or deficit for the year on HRA services		**11,916**	**14,888**

Movements on the HRA Statement

	2018/19 £000	2017/18 Restated £000
Balance on the HRA at the end of the previous reporting period	4,926	4,926
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	(11,916)	(14,888)
Adjustments between accounting basis and funding basis under statute	16,021	8,059
Net increase or decrease before transfers to or from reserves	4,104	(6,829)
Transfers to or from reserves	(4,104)	6,829
Increase or decrease in year on the HRA	-	-
Balance on the HRA at the end of the current year	4,926	4,926

Adjustments between accounting basis and funding basis under statute

	2018/19 £000	2017/18 Restated £000
Holiday Pay (transferred to the Accumulated Absences Reserve)	60	(39)
Net gain or loss on sale of non-current assets	(27,639)	5,359
Pensions Costs (transferred to (or from) the Pension Reserve)	2,356	1,608
Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account)	(1,500)	(13,877)
Statutory Provision for the Repayment of Debt transfer from the Capital Adjustment Account)	(37)	(37)
Posting of HRA Resources from Revenue to the Major Repairs Reserve	(14,085)	(13,644)
Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure (these items are charged to the Capital Adjustment Account or Capital Grants Unapplied)	56,866	28,689
Total Adjustments	16,021	8,059

Notes to the Housing Revenue Account

Non-Current Asset Valuations and Movement

The Council's stock of dwellings reduced during the year from 12,007 to 11,743, a net reduction of 264 dwellings. In addition to the units listed below, the Council also owns the freehold on 8,753 flats with leaseholders paying service charges and contributing towards the cost of major works to the block.

The number of dwelling units at the end of the year was made up as follows:

1. Housing Stock Units

	Movement during the year			31 March 2019	31 March 2018
Stock type	**RTB Disposals**	**Other Disposals**	**Acquisitions**	**Units**	**Units**
Flats	(33)	(311)	88	8,753	9,009
Houses	(10)	(3)	5	2,817	2,825
Temporary Accommodation (Hostels)	-	-	-	114	114
Shared Ownership	-	-	-	40	40
Short Leases	-	-	-	19	19
Long Leases	-	-	-	-	-
Total Dwellings Units	**(43)**	**(314)**	**93**	**11,743**	**12,007**

2. Non-current Assets Valuation

	2018/19			31 March 2019	31 March 2018
	Council Dwellings	**Non-Dwellings**	**Assets Under Construction**	**Total Non-Current Assets**	**Total Non-Current Assets**
	£000	**£000**	**£000**	**£000**	**£000**
Opening Net Book Value at 1 April	**841,113**	**31,542**	**22,972**	**895,627**	**842,502**
Revaluations	(29,586)	1,545	-	(28,041)	24,302
Capital Expenditure	51,252	-	6,943	58,195	77,090
Disposals	(13,468)	(7,177)	-	(20,645)	(34,629)
Depreciation for the year	(13,546)	(539)	-	(14,085)	(13,680)
Reclassification	14,856	-	(14,856)	-	
Other movements	-	(37)		(37)	43
Closing Net Book Value at 31 March	**850,621**	**25,334**	**15,059**	**891,014**	**895,627**

The vacant possession value of dwellings within the HRA as 31st March 2019 is £3,402.5m. 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 and Service Charge Arrears and Provision for Bad/Doubtful Debts

Rent Arrears	2018/19 £000	2017/18 £000
Tenants:		
Dwellings	2,874	2,746
Temporary Accommodation (net)	1,400	1,192
Long Leases (net)	35	31
Total	4,308	3,969
Leaseholders:		
Service Charge - Capital	2,130	2,845
Service Charge - Revenue	681	799
Total	2,811	3,644

Provision for Bad or Doubtful Debts	2018/19 £000	2017/18 £000
Tenants:		
Provision at 1 April	2,837	2,722
Write-offs in year	(367)	(363)
Increase in provision	425	478
Provision at 31 March	2,895	2,837

4. Major Repairs Reserve

	2018/19 £000	2017/18 £000
Balance at 1 April	-	-
Depreciation charges	14,085	13,644
Capital projects funded from the MRR	(14,085)	(13,644)
Additional Transfer Above Depreciation to MRR allowed under statute	-	-
Balance at 31 March	-	-

5. Capital receipts

	2018/19 £000	2017/18 £000
Land	-	-
Council Dwellings	48,284	29,268
Other Receipts	-	-
Total	48,284	29,268

Local authorities are required to contribute to the Housing Capital Receipt Pool a proportion of receipts generated from the disposal of HRA assets. In 2018/19 £1.5m (2017/18 £1.5m) of receipts was paid into the pool.

6. Depreciation and Impairment Charge

Depreciation Charges	2018/19 £000	2017/18 Restated £000
Council Dwellings	13,546	13,108
Other Land & Buildings	480	536
Vehicles, Plant, Furniture and Equipment	60	36
Total	14,085	13,680
Impairment Charges / Revaluation Losses/(Gains)		
Dwellings and Other Land and Buildings	48,519	10,790
Total	62,641	24,470

7. Capital expenditure and funding

	2018/19 £000	2017/18 £000
Total Capital Expenditure	**65,076**	**85,983**
Funded by:		
Borrowing	-	14,455
Capital Receipts	36,834	39,331
Developer Contribution S.106	2,302	2,393
Revenue contributions	1,500	13,877
Major Repairs Reserve	14,085	13,644
Leaseholder's Income	1,326	1,372
Capital Grants	3,568	911
Other	5,461	0
Total	**65,076**	**85,983**

8. Revenue Expenditure Funded from Capital under Statute

	2018/19 £000	2017/18 Restated £000
Dwellings	-	-
Other Properties	6,880	8,893
Total	**6,880**	**8,893**

Collection Fund Account

Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2019

	2018/19			2017/18		
	Council Tax £000	NNDR/ BRS £000	TOTAL £000	Council Tax £000	NNDR/ BRS £000	TOTAL £000
INCOME						
Income from Council Tax Payers	(167,786)	-	(167,786)	(156,185)	-	(156,185)
Income Collectable from Business Ratepayers	-	(157,449)	(157,449)	-	(154,731)	(154,731)
Income Collectable from Business Ratepayers - BRS	-	(3,901)	(3,901)	-	(4,189)	(4,189)
TOTAL INCOME	**(167,786)**	**(161,350)**	**(329,136)**	**(156,185)**	**(158,920)**	**(315,105)**
EXPENDITURE						
Precepts & Demands:						
Local Demand (LBE)	129,574	96,170	225,744	120,149	45,085	165,234
Greater London Authority (GLA)	33,271	54,095	87,366	31,119	55,713	86,832
Central Government (MHCLG)	-	-	-	-	49,593	49,593
Contributions:						
Towards previous year's Collection Fund surplus/(deficit):						
Local Demand (LBE)	2,704	1,215	3,919	5,987	1,643	7,630
Greater London Authority (GLA)	700	1,315	2,015	1,559	1,095	2,654
Central Government (MHCLG)	-	1,521	1,521	-	2,739	2,739
Transitional Protection Payment	-	(2,963)	(2,963)	-	(5,839)	(5,839)
Costs of Collection - NNDR	-	499	499	-	496	496
Business Rate Supplement (BRS):						
Payment to Levying Authority (GLA)	-	3,892	3,892	-	3,962	3,962
Costs of Collection - BRS	-	10	10	-	10	10
Bad & Doubtful Debts:						
Write Offs/(Ons)	-	253	253	-	109	109
Allowance for Impairment	1,177	1,102	2,279	2,004	1,189	3,193
Appeals:						
Write Offs/(Ons)	-	-	-	-	-	-
Allowance for Impairment	-	8,640	8,640	-	3,906	3,906
TOTAL EXPENDITURE	**167,426**	**165,749**	**333,175**	**160,818**	**159,701**	**320,519**
MOVEMENTS ON THE COLLECTION FUND						
Opening Fund Balance	(5,376)	(5,776)	(11,152)	(10,009)	(6,557)	(16,566)
Opening Fund Adjustment	-	(325)	(325)	-	-	-
Closing Fund Balance	(5,736)	(1,702)	(7,438)	(5,376)	(5,776)	(11,152)
MOVEMENT ON FUND BALANCE	**(360)**	**4,399**	**4,039**	**4,633**	**781**	**5,414**
ANALYSIS OF CLOSING FUND BALANCE						
LB Ealing	(4,572)	(393)	(4,965)	(4,273)	(1,733)	(6,006)
Central Government (MHCLG)	-	(731)	(731)	-	(2,090)	(2,090)
Greater London Authority	(1,164)	(578)	(1,742)	(1,103)	(1,953)	(3,056)
CLOSING FUND BALANCE	**(5,736)**	**(1,702)**	**(7,438)**	**(5,376)**	**(5,776)**	**(11,152)**

Notes to the Collection Fund Account

1. Council Tax

Council Tax is a banded capital value based property tax with a 25% discount for single adult households. For the 2018/19 estimate, 107,487 properties provided a taxbase equivalent to 115,739 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	2,809	6/9	1,873
B	7,918	7/9	6,158
C	24,011	8/9	21,344
D	36,687	9/9	36,687
E	19,686	11/9	24,060
F	8,939	13/9	12,912
G	6,505	15/9	10,841
H	932	18/9	1,863
Total Council Tax Base	**107,487**		**115,739**
Adjustment for actual collection rate			2,662
Council Tax Base for 2018/19			**113,077**

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.

2. Non Domestic Rate (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 2018/19 of 49.3p or 48.0p for qualifying Small Businesses (47.9p and 46.6p for 2017/18 respectively). The local rateable value for Ealing at 31 March 2019 was £388.4m (£393.8m at 31 March 2018).

Under the Business Rates Retention Scheme, Ealing retains 64% 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 a precept to Greater London authority (GLA). In 2018/19 Ealing was a member of the London Business Rates pool, which offered a no detriment guarantee from MHCLG, and means that any growth is redistributed amongst London Councils rather than being paid as a levy to MHCLG.

3. Business Rates Supplements

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

Pension Fund Account

FUND ACCOUNT

2017/18 £'000		Notes	2018/19 £'000
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
(37,544)	From Employers	6	(38,829)
(10,241)	From Members	6	(10,347)
(3,493)	Individual Transfers in from Other Pension Funds		(3,547)
(51,278)			**(52,723)**
	Benefits		
37,537	Pensions	7	38,879
6,775	Commutation, Lump Sum Retirement and Death Benefits	7	9,169
	Payments to and on Account of Leavers		
6,064	Individual Transfers Out to Other Pension Funds		4,665
-	Bulk transfers		-
168	Refunds to Members Leaving Service		165
50,544			**52,878**
(734)	**Net (Additions)/Withdrawals from Dealings with Members**		**155**
4,187	**Management Expenses**	8	**4,420**
	Returns on Investments		
(33,623)	Investment Income	9	(36,069)
(138)	Other Income	9	(9)
97	Taxes on Income	9	74
(33,664)			**(36,004)**
(26,258)	**Net profit on disposal of investments and changes in value of investments**	13	**(25,878)**
(59,922)	**Net return on investments**		**(61,882)**
(56,469)	**Net (Increase) in the Net Assets Available for Benefits During the Year**		**(57,307)**
(1,146,488)	**Opening Net Assets of the Fund**		**(1,202,957)**
(1,202,957)	**Closing Net Assets of the Fund**		**(1,260,264)**

NET ASSETS STATEMENT

2017/18 *Restated £'000		Notes	2018/19 £'000
	Investment assets		
291,547	Bonds	12a	303,389
368,313	Equities	12a	264,830
508,092	Pooled Investments*	12a	588,929
40,167	Cash Instruments*	12a	88,510
7,091	Accrued Income and Unsettled sales	12a	8,984
1,215,210			**1,254,642**
	Investment Liabilities		
(769)	Unsettled Purchases	12a	(1,372)
1,214,441	**Net Value of Investment Assets**		**1,253,270**
452	**Current Assets**	15	**10,050**
(11,936)	**Current Liabilities**	16	**(3,056)**
1,202,957	**Net Assets of the Fund Available to Fund Benefits at the Period End**		**1,260,264**

*2018 Pooled Investments, Cash Instruments, and accrued Income and Unsettled sales have been reclassified to be consistent with the current year reporting requirements.

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 A1.

Ross Brown
Chief Finance Officer
Date: 29th May 2020

Councillor Murtagh
Chair of the Audit Committee
Date: 29th May 2020

NOTE 1 – GENERAL DESCRIPTION OF THE PENSION FUND

General

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 members, 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% and 2.75% to 6.25% of pensionable pay for the main scheme and 50/50 section respectively, for the financial year ending 31 March 2018. 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 Fund became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of $1/49^{th}$. 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 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 publicly available via the Council website, see link below:

https://ealing.cmis.uk.com/ealing/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/5880/Committee/18/Default.aspx

Membership

The Council is the administering authority for the Fund and has the major share of contributors and pensioners. Other organisations currently participate in the Fund as detailed below:

Scheduled bodies	Admitted bodies
Alec Reed Academy	City West Services
Ark Acton Academy	Engie Services Ltd
Ark Priory Academy	Equinox
Ark Byron Academy	Gunnersbury Estate
Beaconsfield Primary	Greenwich Leisure
Brentside Primary Academy	Innovate - Northolt High School
Brentside High School	Innovate Services Ltd
Christ the Saviour CofE Primary School	IFS Ltd (International Facilities Services)
Dormers Wells Trust/Day care	Mitie
Dormers Wells Infant (Dormers Wells Learning Trust)	NSL Parking
Dormers Wells Junior Academy (Dormers Wells Learning Trust)	Serco Group
Dormers Wells High Academy (Dormers Wells Learning Trust)	SLM - community leisure
Drayton Manor Academy	Optivo (formerly Viridian)
Ellen Wilkinson High School	
Featherstone Academy (Grand Union Multi Academy Trust)	
Greenford High School	
Northolt High School	
Selborne Primary	
St Anne's School	
St Mary's Church of England Academy	
Twyford Ce Academies Trust	
University of West London	
Wood End Academy	
Wood End Infant School	
Woodlands Academy (Grand Union Multi Academy Trust)	

Membership of the LGPS is voluntary and employees are free to choose whether to join the Fund, remain in the Fund or make their own personal arrangements outside the Fund.

31 March 2018		31 March 2019
7,042	Active Members	7,173
8,287	Deferred Pensioners	8,412
7,219	Pensioners receiving benefits	7,418
22,548		**23,003**

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarises the Fund's transactions for 2018/19 and its position as at 31 March 2019. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 Fund 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

Contributions

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. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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.

Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable. Income from cash and short-term deposits are also accounted for on an accruals basis.

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable are accounted for on an accruals basis from the date the option is exercised, in accordance with valid member claims. Retirement lump sums are accounted for in the period in which the member becomes a pensioner. Death grants are included from the date of death. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

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. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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 IAS19 and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits as detailed at **Appendix A**.

Additional Voluntary Contributions

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, but their valuation is disclosed in Note 17, for information only.

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 Fund 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.

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgments involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2019 was £3.681m (2018: £nil).

Adoption of new accounting standards

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' is the new reporting standard for financial instruments and became effective on 1 January 2018. IFRS 9 has replaced previous financial instrument standards and interpretations covered by IAS 39 Financial Instruments: Recognition and Measurement, bringing together all aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Fund has applied IFRS 9 with effect from 1 April 2018.

Classification and measurement

IFRS 9 requires all financial assets and liabilities to be measured at fair value, except for contributions receivable which do not contain a significant financing component. Contribution receivables are measured at amortised cost. Classification and measurement of financial instruments is driven by the Fund's business model for managing the financial instruments and the contractual cash flow characteristics of the financial instruments.

IFRS 9 has been applied prospectively by the Fund and this did not result in a change to the measurement of financial instruments as outlined in note 12a, but some classifications have been amended to reflect IFRS 9's requirements. The Fund's contribution receivables and other receivables continue to be measured at amortised cost.

There was no material impact on the adoption of IFRS 9.

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

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).

The financial statements contain figures that are based on assumptions made by our Private Equity manager. Estimates are made taking into account historical experience, current trends and other relevant factors. The items in the Net Assets Statement at 31 March 2019 for which there is a risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect of actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	There is a risk that this investment may be under or overstated in the accounts.

Events after the Net Asset Statement date

There are no adjusting events that need to be recognised in the financial statements after the net asset statement date.

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:

2017/18 £'000	By Authority	2018/19 £'000
(38,529)	Administering Authority	(39,730)
(8,672)	Scheduled bodies	(9,204)
(583)	Admitted bodies	(242)
(47,784)		**(49,176)**

2017/18 £'000	By Type	2018/19 £'000
(10,241)	Employees' normal contributions	(10,347)
	Employer's contributions:	
(23,286)	Normal contributions	(22,585)
(13,589)	Deficit recovery contributions	(14,325)
(668)	Augmentation contributions	(1,919)
(47,784)		**(49,176)**

NOTE 7 – BENEFITS PAYABLE

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

2017/18 £'000	By Type	2018/19 £'000
37,537	Pensions	38,879
6,413	Commutation/lump sums	8,671
362	Death benefits	498
44,312		**48,048**

2017/18 £'000	By Authority	2018/19 £,000
40,581	Administering Authority	44,464
3,306	Scheduled Bodies	3,341
425	Admitted Bodies	243
44,312		**48,048**

NOTE 8 – MANAGEMENT EXPENSES

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

2017/18 £'000		2018/19 £'000
630	Administration Expenses	796
330	Oversight and Governance**	338
3,227	Investment Management Expenses	3,286
4,187		**4,420**

**Includes external audit fees of £16,170 (£21,000 in 2017/18)

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

2017/18 £'000		2018/19 £'000
2,316	Management fees	2,952
70	Performance fees	55
93	Custody fees	121
748	Transaction costs	158
3,227		**3,286**

NOTE 9 – INVESTMENT INCOME

2017/18 £'000		2018/19 £'000
12,380	Fixed interest securities	13,315
13,730	Equity dividends	15,738
7,433	Pooled investments	6,515
80	Interest and cash deposits	501
33,623	**Investment income**	**36,069**
138	Other income	9
33,761	**Total before taxes**	**36,078**
(97)	Taxes on income	(74)
33,664	**Total**	**36,004**

NOTE 10a – INVESTMENT MANAGEMENT ARRANGEMENTS

The market value and proportion of investments managed by each fund manager at 31 March 2019 is shown below: The Fund also held directly owned cash investments as at 31 March 2019. The cash is retained within the Custodian Bank account and therefore not included in the analysis below.

31 March 2018 Market Value £'000	%	Fund Manager	Mandate	31 March 2019 Market Value £'000	%
26,976	2%	Lazard	Global equity (Active)	18,604	2%
341,337	29%	Lazard	UK Equity (Active)	246,226	21%
368,313	**32%**	**Lazard**	**Sub-Total**	**264,830**	**23%**
387,022	**33%**	RCM/Allianz	Global Equities (Pooled)	-	-
387,022	**33%**	**RCM/Allianz**	**Sub-Total**	**-**	**-**
291,547	25%	Royal London	UK Corporate (Active)	296,552	26%
-	-		UK Government (Active)	6,837	1%
5,696	-		UK corporate (Pooled)	5,967	1%
297,243	**25%**	**Royal London**	**Sub-Total**	**309,356**	**27%**
-	**-**	Baillie Gifford (LCIV)	**UK Equities (Pooled)**	**177,357**	15%
-	**-**	Henderson (LCIV)	**UK Equities (Pooled)**	**31,270**	3%
-	**-**	Legal & General	**Future World - Global Equities (Pooled)**	**125,897**	11%
-	**-**	Legal & General	**MSCI World - Global Equities (Pooled)**	**125,706**	11%
		Legal & General	**Sub total**	**251,603**	**22%**
-	**-**	Brightwood	Private Debt (Pooled)	1,274	0%
-	**-**	Churchill	Private Debt (Pooled)	2,407	0%
		Total Private Debt	**Sub-Total**	**3,681**	0%
46,097	4%	Lothbury	UK Property	46,231	4%
36,530	3%	Hermes	UK Property	37,799	3%
32,747	3%	Standard Life	UK Property	35,021	3%
115,374	**10%**	**Property**	**Sub-Total**	**119,051**	**10%**
1,167,952	**100%**		**Total**	**1,157,148**	**100%**

*The split of UK and Overseas Quoted Equities with Lazard have been restated for 2018, to be comparable with the 2019 disclosure. A total of £25,854k has been reclassified from overseas equities to UK equities as a result of this reclassification. Other reclassifications have been made to the 2018 values to ensure these are consistent with the asset totals disclosed in note 12a.

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.

NOTE 10b – INVESTMENTS EXCEEDING 5% OF NET ASSETS

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

2017/18			2018/19	
Market Value £'000	Holding %		Market Value £'000	Holding %
387,022	32	LCIV GLOBAL EQUITY ALPHA FUND (RCM / Allianz)	-	-
-	-	LCIV GLOBAL ALPHA GROWTH FUND (Baillie Gifford)	177,357	14
-	-	FUTURE WORLD FUND (Legal & General)	125,897	10
-	-	MSCI WORLD CARBON TARGET FUND (Legal & General)	125,706	10
387,022	**32**	**Total**	**428,960**	**34**

NOTE 11 – RECONCILIATION IN MOVEMENT IN INVESTMENTS

2018/19	Market value 1 April 2018	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Bonds	291,547	78,539	(65,711)	(986)	303,389
Equities	368,313	187,003	(277,601)	(12,885)	264,830
Pooled Investments	508,092	1,130,673	(1,089,727)	39,891	588,929
Cash Instruments	33,965	97,463	(49,778)	0	81,650
Total	**1,201,917**	**1,493,678**	**(1,482,817)**	**26,020**	**1,238,798**
Investment Cash	6,202			(137)	6,860
Accrued Income	7,091				7,118
Unsettled Purchases	(769)			(5)	(1,372)
Unsettled Sales	-				1,866
Net investment assets	**1,214,441**			**25,878**	**1,253,270**

2017/18	Market value 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2018 *Restated
	£'000	£'000	£'000	£'000	£'000
Bonds	242,782	135,309	(82,842)	(3,702)	291,547
Equities	366,437	152,415	(143,153)	(7,386)	368,313
Pooled Investments	463,543	165,076	(170,882)	50,355	508,092
Cash Instruments	40,921	65,380	(72,336)	-	33,965
Total	**1,113,683**	**518,180**	**(469,213)**	**39,267**	**1,201,917**
Investment Cash	25,278			(13,012)	6,202
Accrued Income	6,968				7,091
Unsettled Purchases	(18)			3	(769)
Unsettled Sales	-				-
Net investment assets	**1,145,911**			**26,258**	**1,214,441**

*The opening position of cash instruments on the face of the Net Assets Statement has increased by £6,202k as a result of reclassifying investment cash, which was previously disclosed within accrued income and unsettled sales. The Net Assets Statement total cash instruments of £40,167k represents the combination of Cash instruments and Investment Cash balances above. Additionally, pooled investments have been increased by £769k as a result of misclassification of the same amount to accrued income and unsettled sales.

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 2018 *Restated				31 March 2019		
Financial Assets held at Fair Value through Profit and Loss	Financial Assets held at Amortised cost	Financial liabilities at amortised cost		Financial Assets held at Fair Value through Profit and Loss	Financial Assets held at Amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Investment Assets			
			Bonds			
-		-	UK Public sector	6,837	-	-
291,547		-	UK Corporate	296,552	-	-
			Quoted Equities	-	-	-
341,337		-	UK	246,226	-	-
26,976		-	Overseas	18,604	-	-
			Pooled investment vehicles			
115,374	-	-	Property	119,051	-	-
5,696	-	-	Bonds	5,967	-	-
387,022	-	-	Equity - Overseas	460,230	-	-
-	-	-	Private Debt	3,681	-	-
			Cash Instruments			
40,167	-	-	Cash deposits*	88,510	-	-
			Unsettled sales	-	1,866	-
	7,091	-	Accrued income	-	7,118	-
1,208,119	**7,091**	**-**	**Total investment assets**	**1,245,658**	**8,984**	**-**
			Investment Liabilities			
-	-	**(769)**	Unsettled Purchases	-	-	(1,372)
1,208,119	**7,091**	**(769)**	**Net Investment assets**	**1,245,658**	**8,984**	**(1,372)**
			Other financial assets			
	448	-	Contributions Due	-	5,392	-
-	4	-	Cash Balances	-	4,414	-
-	-	-	Other debtors	-	245	-
1,208,119	**7,543**	**(769)**		**1,245,658**	**19,035**	**(1,372)**
			Financial Liabilities			
-	-					
-	-	(11,536)	Current Liabilities	-	-	(2,645)
-	**-**	**(11,536)**		**-**	**-**	**(2,645)**
1,208,119	**7,543**	**(12,305)**	**Total**	**1,245,658**	**19,035**	**(4,017)**
	1,203,357		**Grand Total**		**1,260,675**	

Included within those financial instruments held at fair value through profit and loss, are bonds of £303,389k (£291,547k: 2018) that were designated as fair value through profit and loss on initial purchase.

*2018 cash deposits balances have been restated for 2018, as the previously disclosed balance of £6,971k as financial assets held at amortised cost included £769k of unsettled purchases, which have been disclosed as such for comparative purposes, and £6,202k of investment cash, which under IFRS 9 is now disclosed at fair value through profit and loss. Additionally, £382,707k of pooled investment vehicles for 2018 that were previously disclosed as "Equity - UK" have been reclassified as "Equity - Overseas" to align with the 2019 classifications. The split of UK and Overseas Quoted Equities have been restated for 2018, to be comparable with the 2019 disclosure. A total of £25,854k has been reclassified from overseas equities to UK equities as a result of this reclassification. The classification of current liabilities excludes the Fund's liability for PAYE of £411k (2018: £400k) as this is not classified as a financial instrument.

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

Fair value – basis of valuation

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments – equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Bonds - corporate bonds and Government gilts	Level 1	Market value based on current yields	Current yields	Not required
Cash deposits and instruments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted pooled investments - unit trusts	Level 2	Average of broker prices	Evaluated price feeds	Not required
Pooled investments – overseas unit trusts and pooled property and infrastructure funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by post balance sheet events, changes to expected cash flows, or by any differences between audited and unaudited accounts

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, the Fund currently invests in Private Equity.

The fund considers that quoted equities and highly liquid bonds have been valued at Level 1. Further, pooled investment vehicles are classified as Level 2 as these instrument's valuation are less frequently traded and prices for underlying assets are derived from independent valuation techniques. During the year, the fund invested in private equity holdings, which, due to their opaque and unobservable valuation technique, have been classified as Level 3. No sensitivity analysis has been disclosed for Level 3 investments on the basis that the value is not material as at 31 March 2019.

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 2018 *Restated				31 March 2019		
Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3		Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
408,480	799,639	-	Designated at fair value through profit and loss	353,340	888,637	3,681
408,480	**799,639**	**-**		**353,340**	**888,637**	**3,681**
	1,208,119		**Grand Total**		**1,245,658**	

*The fair value classifications for level 1 and level 2 as previously stated of £665,556k and £535,592k respectively have been restated for 2018. As required under the transition to IFRS 9, £33,965k of cash deposits held at fair value as level 2 investments have been reclassified as level 1, and £6,203k of cash deposits, previously reported as financial assets held at amortised cost, have been classified as fair value level 1. Further, £5,696k of pooled bond funds that were classified as fair value level 1 investments 2018 have been classified as level 2 in 2019, and therefore the comparative balance of £5,696k has been reclassified. Finally, bonds of £291,547k previously disclosed as level 1 investments in 2018 have been restated as level 2 investments, in line with the allocation for 2019.

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 2018 £'000		31 March 2019 £'000
	Financial Assets	
26,255	Held at fair value through profit and loss	25,883
26,255		**25,883**
	Financial Liabilities	
3	Held at fair value through profit and loss	(5)
26,258	**Total**	**25,878**

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; and
- 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. The Panel and its investment advisors undertake regular monitoring of market conditions and benchmark analysis in order to mitigate market risk.

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 direct share price risk because all of its investments other than cash holdings are traded on open markets where the future price is uncertain. The Fund is also exposed to direct price risk arising from unquoted equities held as part of its equity pooled holdings. 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 Fund believes that 10% is consistent with the level of sensitivity that should be applied. 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 2019	844,111	928,522	759,700
As at 31 March 2018*	870,709	957,780	783,638

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 in fixed interest are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instruments 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 2019	397,866	401,845	393,887
As at 31 March 2018*	337,410	340,784	334,036

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. Overseas equities, fixed interest securities, cash in foreign currencies, and some elements of the pooled investment vehicles are exposed to currency risk.

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 2019	482,515	530,767	434,264
As at 31 March 2018*	413,998	455,398	372,598

*the 2018 figure has been restated to be consistent with the new reporting standards

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 2019 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.

The Fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the pension fund invests an agreed percentage of its funds in the money markets to provide diversification. The Money market fund chosen has an AAA rating from a leading ratings agency, as shown below:

Summary	Rating	Balances as at 31 March 2019	Balances as at 31 March 2018
		£'000	£'000
Bank Current Accounts			
Lloyds Bank	A+	4,414	4
Money Market Funds			
BNY Mellon Goldman Sachs MMF	AAA	81,650	33,965
Total		**86,064**	**33,969**

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 2018 £'000		31 March 2019 £'000
	Debtors:	
334	Contributions due - Employers	5,140
114	Contributions due - Members	251
-	Sundry debtors	245
448		**5,636**
4	**Cash balances - Lloyds Bank**	4,414
452	**Total**	**10,050**

31 March 2018 £'000		31 March 2019 £'000
	Analysis of Debtors	
143	Central government bodies	315
305	Local authorities	5,088
-	Other entities and individuals	233
448	**Total**	**5,636**

NOTE 16 – CURRENT LIABILITIES

31 March 2018 £'000		31 March 2019 £'000
(597)	Unpaid benefits	-
(11,339)	Sundry creditors and accrued expenses	(3,056)
(11,936)	**Total**	**(3,056)**

31 March 2018 £'000	**Analysis of Current Liabilities**	31 March 2019 £'000
(10,888)	Local authorities	(2,247)
(1,048)	Other entities and individuals	(809)
(11,936)	**Total**	**(3,056)**

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. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year.

Contributions 2017/18	Market Value 2017/18		Contributions 2018/19	Market Value 2018/19
£'000	£'000		£'000	£'000
58	518	Scottish Widows (as at 31 March 2019)	122	594
2	260	Equitable Life (as at 31 October 2018)	2	263
60	**778**	**Total**	**124**	**857**

NOTE 18 – RELATED PARTY TRANSACTIONS

The Fund is administered by the London Borough of Ealing (the Council). In 2018/19 the Council charged the pension fund £1.0m for expenses incurred in administering the Fund (£0.9m in 2017/18).

The cash balance due to the Council by Pension Fund was £2.2m at 31 March 2019 (£10.9m 31 March 2018).

NOTE 19 – CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The total capital commitments as at 31 March 2019 were £100.3m (2018: £nil). These commitments relate to outstanding call payments due on the Private Debt and Infrastructure portfolios. The amounts called by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment. The Fund has no material contingent assets or liabilities as at 31 March 2019.

NOTE 20 – KEY MANAGEMENT PERSONNEL REMUNERATION

The Council has reviewed contracts with investment managers and third-party suppliers to ensure that it can continue to manage the Fund's assets and liabilities in the event of legal changes as a result of Brexit. As a matter of ongoing policy, the Fund's assets are globally diversified, and currency hedged. The Board will continue to monitor the situation as it evolves.

NOTE 21 – BREXIT

The Council has reviewed contracts with investment managers and third-party suppliers to ensure that it can continue to manage the Scheme's assets and liabilities in the event of legal changes as a result of Brexit. As a matter of ongoing policy, the Scheme assets are globally diversified, and currency hedged. The Trustee will continue to monitor the situation as it evolves.

NOTE 22 – McCLOUD JUDGEMENT

On 27 June 2019, the Supreme Court refused the Government permission to appeal the McCloud case. The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. At this point in time, it is unclear as to how this judgement, or any future judgement, may affect LGPS members' past or future service benefits, and the actuary is awaiting guidance from the governing bodies of the LGPS. The actuary has therefore estimated the impact using analysis from the Government Actuary's Department as a starting point. The estimated impact would be an increase of 0.8% of liabilities on total liabilities at 31 March 2019, which equates to approximately £15m.

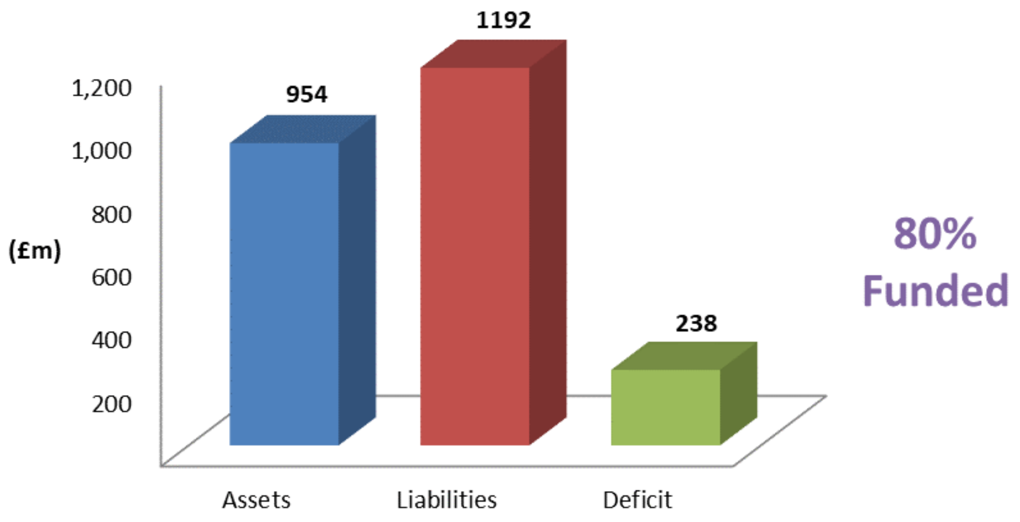
LONDON BOROUGH OF EALING PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - 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 2019/20 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 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	31 March 2019
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum

	31 March 2018	31 March 2019
Rate of pay increases*	3.35% per annum	3.45% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.3% per annum
Rate of CPI Inflation/CARE benefits revaluation	2.1% per annum	2.2% 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 decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2% p.a. Both of these factors combined served to increase the liabilities over the year.

The value of the Fund’s promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £1,784 million. Interest over the year increased the liabilities by c£46 million and allowing for net benefits accrued/paid over the period also increased the liabilities by c£12 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then an increase in liabilities of £97 million made up of “actuarial losses” (given the changes in the actuarial assumptions used, 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 2019 is therefore £1,939 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to “McCloud”), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government is attempting to appeal the cases, but it is not known at this stage whether an appeal will even be possible. If the Government ultimately loses these cases then remedial action in the form of increases in benefits for some members is likely to be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

The LGPS Scheme Advisory Board has commissioned the Government Actuary’s Department (GAD) to calculate some indicative costs on an LGPS-wide basis so that Funds can give some consideration to the overall issue and form a view on whether any more detailed work is required. Whilst GAD have not yet reported on their findings, initial indications are that the impact on liabilities could be of the order of 0.5% to 1% of liabilities. This is well within the approximations inherent in the liability calculation shown above, which is based on a “roll-forward” of the 2016 actuarial valuation results rather than being a full recalculation, and in any case is within normal acceptable tolerances for this type of work given the general approximations which need to be made. We have therefore not included a specific provision for the potential additional liabilities arising from the McCloud case.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

Michelle Doman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
9 May 2019

Ealing Council: Annual Governance Statement 2018/19

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 has interests in a number of entities ranging from sole ownership to representation on Community Interest Companies. 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 Governance arrangements for Council Owned Companies are monitored by the Council Owned Companies Advisory Board, chaired by the Director of Legal and Democratic Services.

2.5 The governance oversight arrangements have been in place at Ealing Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

Creating and Implementing a Vision for the Local Area

2.6 Ealing Council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The administration's three priorities form the basis of the Council's Plan 2018 – 22 and provides focus for improvement. The Council Plan specifies three priorities for Ealing:

- Good, genuinely affordable homes
- Opportunities and living incomes
- A healthy and great place

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

2.8 The council moved to an outcome led approach to strategic planning and budget setting in 2018/19 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

2.9 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.

2.10 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.

2.11 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.

2.12 The New Starters Induction Programme requires all new joiners, whether Council employees or agency staff, to undertake a corporate induction on their first day of work for the Council. This induction is led by an officer from the HR directorate and entails an introduction to the Council, and the completion of council policies including the employee code of conduct, data protection and health and safety in addition to a number of e-learn modules.

2.13 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.

2.14 Cabinet and Full Council reports, and other 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.

2.15 Responsibilities of the council’s decision making bodies are set out in Part 3 of the constitution.

Standards of Conduct and Behaviour

2.16 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:

All members and chief officers are required to complete statements 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.

The Local Council Code of Conduct for Councillors (Constitution Part 5), which was most recently 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. That Code has recently been reviewed by the council's Standards Committee.

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

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

The Leader and Cabinet are responsible both individually and collectively for all 'executive' decisions, as set out in Part 3 of the constitution – "Responsibility for Functions". Some executive decisions are delegated to council officers as outlined in Part 8 of the Constitution – "Delegations to Officers"

All forthcoming 'Key' decisions are publicised on the Cabinet's Forward plan, which is published every month on the Council's website.

Reports and minutes of formal meetings are also published on the council's website. This includes delegated decisions made by individual Cabinet Members, and key decisions by officers. Where decisions were made using urgency provisions, this is shown on the agenda front sheet, together with the reasons for urgency and the provision used. Where appropriate, urgent decisions are subsequently reported to the next meeting of either cabinet or full council.

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

2.19 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 Chief Finance Officer (Section151 Officer) and the Chair of the Audit Committee.

2.20 An embedded Risk Management Framework is in place, with each Directorate maintaining a risk register. The risk management framework was approved by the then Corporate Board (now Strategic Leadership Team) and the Audit Committee.

2.21 Robust business continuity management arrangements exist within the council, with all critical services having business continuity plans in place. The Interim Resilience Standards have been used as the guide to measure council emergency planning and business continuity arrangements. We have been assessed via a peer challenge against these standards which established that the our arrangements have been implemented and are effective.

2.22 The council has a four 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 bi-monthly budget monitoring reports to the Financial Strategy Group, departmental management teams, Strategic Leadership Team and regular reports to Cabinet.

2.23 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 regular updates on the Finance Monitor which shows the financial position for each department and what is being done to address potential overspends. In addition, a budget monitoring which includes the delivery of agreed savings is also presented.

Developing the Capacity & Capability of Members and Officers

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

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.

All new directors and executive directors meet with the Director of Legal and Democratic Services for a one to one induction briefing on governance issues.

There is a corporate learning programme which consists of a variety of learning interventions and is delivered using a blend of approaches i.e. face to face workshops, e-learn modules and books. The programme typically includes corporate activities such as New Starter Induction (key information and policies for Health & Safety, Data Protection, Equality & Diversity, Appraisal and Recruitment), personal development (Resilience, Presentation, Apprenticeship Qualifications) and management development and their responsibilities. We are currently running a number of development interventions in relation to Values and Behaviours and New Ways of Working to ensure our staff have the right skills and capabilities to enable the achievement of the council's future vision.

Engaging with Local people and Stakeholders

2.25 The council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership (LSP), through the LSP Borough Plan 2018-22. 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.

2.26 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. Up until January 2019 assurance was gained through the Contract Review Boards and internal audit reviews. In January 2019, a Joint Contract Board was introduced to replace those departmental Contracts Review Boards.

2.27 Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the council's Council 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. Strategic Leadership Team 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 any dependent Cabinet decision. 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 and service directors.

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 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 targeted engagement cycle during the year to ensure compliance with the corporate timetable. The AGSWG also undertook a review of the 2018/19 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 Department monitors delivery of the Council Plan, working closely with directorates to spread best practice, track and strengthen performance.

3.6 **Performance Management** – The Strategy and Engagement Department 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 Council plan; Budget Monitoring; Strategic Projects Board; Board Performance Monitor; and, the Budget Steering Group. Regular performance reports are taken to the Strategic Leadership Team and (quarterly) to Cabinet.

3.7 Council projects are run in line with an appropriate control framework that defines the control processes needed in consideration of risk profile and other factors. 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 or managerial group. Going forward the Project Management Office will oversee core projects as agreed through the Future Ealing Framework.

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 A quarterly stock take report incorporating risk management, performance and key areas for assurance is reported to the Strategic Leadership Team.

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 monthly 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 nine 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 Opposition – The Opposition comprises members of the largest opposition party. The Opposition has access to all relevant documents and officer advice.

3.13 General Purposes Committee – This committee takes an overview of regulatory functions such as development control, parliamentary proceedings, election, registration and inspection of homes and member training. It also exercises any other functions referred to it.

3.14 Licencing Panel and Licensing Committee exercise the council's various licensing functions.

3.15 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. In addition to the Health and Adult Social Services Standing Scrutiny, the council has four scrutiny panels that select new topics of focus every year in response to circumstances. Topics for 2018/2019 were: Housing and Planning, Knife Crime, Future Ealing and Air Quality.

3.16 The Standards Committee – The Standards Committee has ten members, including an independent (non-voting) chair. In line with regulatory requirements, the committee is supported by two independent people. The committee carries out the council's statutory responsibility to promote and maintain high standards of conduct by councillors and co-opted members and deals with complaints. The committee also reviews and oversees member development, freedom of information work and the council's Whistle-blowing Policy. The committee submits an annual report on its work to Full Council. Three complaints were made concerning Councillors in 2018-19, including one that was referred for full investigation. No councillors were found to have acted in breach of the council's Local Code of Conduct for Councillors. All have been reviewed by the Director of Legal and Democratic Services.

3.17 The Audit Committee – The council has an 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, in addition there is an independent member.

3.18 The Audit Committee met regularly during 2018/19, considering reports (including the Annual Internal Audit Report) from the Head of Audit &

Investigation and the External Auditor.

3.19 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.

3.20 The Audit Committee also reviews Internal Audit performance against targets and quality assurance results.

3.21 Audit Board 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.

3.22 **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.

3.23 The Constitution is regularly reviewed by the Monitoring Officer and any significant 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 (to February 2019); Chief Finance Officer (from March 2019)
- 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 (to January 2019); Director of Adult Services (from February 2019).

- Director of Public Health

The council's chief executive, s.151 officer, and monitoring officer meet every six weeks for a "statutory officers meeting" where issues of particular governance concern are raised, and approaches agreed

3.24 **Management** – Each Director has provided a self-assurance statement in respect of 2018/19, confirming 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.

3.25 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, Assistant Directors, and service heads are responsible for monitoring implementation of the council's policies.

3.26 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 2019, senior officers were aware of their responsibilities and had complied with the council's policies and procedures.

3.27 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.

3.28 **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.

3.29 The Head of Audit & Investigations provided his annual report to the Audit Committee in May 2019. This report outlined the key findings of the audit work undertaken during 2018-19, including areas of significant weakness in the internal control environment.

3.30 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.

3.31 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 2018-19.

3.32 **External Audit** – Deloitte 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.

3.33 **Risk Management** – The council managed its risks during 2018-19 in accordance with the approved Risk Management Policy. The Strategic Leadership Team formally considers risks, with quarterly reports also being presented to the Audit Committee.

3.34 The indicative Internal Audit Plan for 2018-19, presented to the Audit Committee in March 2018, 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 2018-19.

3.35 **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.

3.36 **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. Update to matters raised in 2017/18.

Issue	Actions (Set)	Update
1. Financial Pressures An overall net financial pressure of £36m for the Council due to external demand driven pressures and a failure to achieve all scheduled MTFS savings. This was largely resultant from Adult Social Care and Children's Services. due to non -delivery of savings plans, increased demand and increasing costs.	Budget growth has been built in to 2018/19 MTFS that will enable these services to deliver within budget. Change programmes have been introduced in those areas where demand pressure is most significant such as Adults Service through the (Better Lives programme) and in Children's through the (Brighter Futures programme).	Significant work has been undertaken in this area. The Council continues to experience overspends in some budgets across the Council. The overall position has, however, been managed through one off mitigations.
2. Council Owned Companies Further establishing governance arrangements in respect of council-owned companies – community interest companies.	An internal audit of the area was commissioned during 2017/18. This raised areas to help develop further good practice in the oversight of Council Owned Companies. An action plan has been set out for the Council Owned Companies Advisory Board to agree and monitor implementations.	The work of the Council Owned Companies Advisory Board is deemed to have addressed this.
3. Housing Health & Safety Programme Enhancing governance and oversight arrangements to monitor and ensure that all health and safety inspections are undertaken and action programmes implemented.	New management lines have been designed. Compliance roles to be developed and progressed to compliment a new safety management approach. A planned internal audit to confirm the process in place.	During 2018/19 additional resources were brought in, albeit later than aimed. Actions have been taken, but there remains work in progress. This has been reflected in the 2018/19 governance issues.

5. Significant Governance Issues 2018/19

5.1 Based on the Council's established risk management approach, the issue detailed below have been assessed as being significant for the purpose of the 2018/19 Annual Governance Statement. The Council propose over the coming year to take steps to address these matters to further enhance our governance arrangements and are satisfied that the actions will address the issues raised. Progress will be monitored throughout the year.

Table 1
2018/19 Governance Issues

Issue	Actions	Officer Responsible	Timescale
1. Financial Pressures An overall net financial pressure of c£1m for the Council due to external demand driven pressures in social care and the forced academisation of 2 schools that resulting in a large liability for LBE. The Council continues to be over reliant on the use of reserves to support its general revenue expenditure activity which severely hampers the level of financial resilience'.	Budget growth was built in to 2018/19 MTFS that will enable Adults services to deliver within budget. However the service has struggled to do this although financial performance has improved markedly The Council has been successful in generating new ways to mitigate the pressures down to a net nil position, but was overly reliant on reserves and grant use to solve the challenge. Future funding pressures will mean that work continues in this area.	Chief Financial Officer Chief Finance Officer (Section 151)	Ongoing through 2019/2020.
2. Health & Safety Programme Enhancing governance and oversight arrangements to monitor and ensure that all health and safety inspections are undertaken and action programmes implemented.	1) A new Health and Safety governance arrangement has been developed and is due to be implemented in April 2019. 2) A new system to log H&S assessments is to be procured. 3) Services will need to ensure that inspections are undertaken, recorded and any actions implemented.	Director of Human Resources and Occupational Development for 1. Director of Housing and Community and Director of ICT (ICO) and Property Services for 2&3.	2019/20

Table 1 2018/19 Governance Issues			
Issue	**Actions**	**Officer Responsible**	**Timescale**
3. Brexit The Council is monitoring potential issues from Brexit and planning contingency arrangements for different scenarios. With uncertainty remaining around timing and the eventual outcome, this will need to continue.	A Brexit working group has been established to monitor and respond to issues if they become live. This will continue until and then after agreement to monitor any pressures resulting on the Council. A list of risks specific to Brexit has been developed. Regular discussions at Strategic Leadership Team on the Brexit. A report also went to Cabinet in March 2019.	Director of Strategy and Engagement Strategic Leadership Team	Ongoing 2019/2020

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……………………………………… Signed……………………………………………

Chief Executive – Ealing Council
Paul Najsarek

Leader of the Council
Cllr. Julian Bell

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 councils 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)

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement. The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs.

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.

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 (MRP)

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 (MiRS)

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.

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.

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 contains the gains made by the authority arising from increases in the value of its property, plant and equipment and intangible assets.

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.

Acronyms

AGS	Annual Governance Statement
AVC	Additional Voluntary Contribution
BCF	Better Care Fund
BSF	Building Schools for the Future
CCG	Clinical Commissioning Group
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
DfE	Department for Education
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
ECA	Ealing Care Alliance
EFA	Expenditure and Funding Analysis
EUV	Existing Use Value
EUV-SH	Existing Use Value for Social Housing
FRC	Financial Reporting Council
GLA	Greater London Authority
HRA	Housing Revenue Account
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISB	Individual Schools Budget
ISA	International Standards on Auditing
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LBE	London Borough of Ealing
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option (market loan)
LSP	Local Strategic Partnership
MHCLG	Ministry of Housing, Communities and Local Government
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
MTFS	Medium Term Financial Strategy
NBV	Net Book Value
(N)NDR	(National) Non-Domestic Rates
PFI	Private Finance Initiative
PPE	Property, Plant and Equipment
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
SOLACE	Society of Local Authority Chief Executives
SPV	Special Purpose Vehicle
TPA	Teachers’ Pension Agency
VAT	Value Added Tax
WGA	Whole of Government Accounts
WLWA	West London Waste Authority