Ealing Council Statement of Accounts 2011-2012

EALING COUNCIL

www.ealing.gov.uk

CONTENTS

Explanatory Foreword by the Chief Finance Officer

1. Introduction

The purpose of this foreword is to highlight some of the most important matters reported in the accounts and provide a summary of the council's overall financial position.

The Statement of Accounts is by necessity a lengthy document presented in the very formal manner required by regulation. However, in this foreword I can introduce the council's finances in plainer terms.

The original net budget was set by Council in March 2011 at £274.8m for the financial year 2011/12. Approximately half of the council's budget is funded by government grant (£145.3m) with the balance of the council's funding coming from local taxpayers, funded by a Band D council tax of £1,059.93 which the council has kept at the same level since 2008/09.

During the financial year ended 31st March 2012 the council's financial standing has been maintained. Our tight approach to financial control has meant that:

- The total net expenditure of the council was again contained within budget; the final outturn being an under spend against budget of £52k
- The General Fund balance as at 31st March 2012 stands at £15.4m, achieving the target figure in the medium term financial strategy and representing 5.8% of the council General Fund budget for 2012/13.
- The accounts have been prepared in advance of the statutory deadline

The council's financial management cycle includes an assessment of all the risks the council faces at the start of the year. The council began monitoring the delivery of its planned efficiency savings of £22m for 2011/12 before the financial year had even begun.

These accounts show that the council has again achieved its priority of providing value for money for residents, delivering an overall balanced budget through sound financial management including a tight monthly financial monitoring process. The scale of this achievement must be judged in the context of significant real terms reductions in funding, rising expectations of service users both in terms of quality and quantity, and economic uncertainty.

The process of planning and control to produce these statements has once more worked extremely well. The Closing Board, for the fourth year, monitored the production of these accounts and involved both the Corporate and Service Finance teams. This built on the continuing improvements in reconciliations and other financial controls across the council.

I have ensured that the council has maintained its prudent position in a number of risk areas by maintaining a healthy but not excessive level of earmarked reserves, which (excluding school balances) stand at £75.5m, down from £83.8m. It is particularly important to maintain healthy reserves as we continue to operate in a period of great economic uncertainty in addition to a fiscal environment where the council's grant funding is likely to continue to be scaled back significantly by central government over the medium to longer term.

Our continued focus on council tax collection in 2011/12 has yielded an in-year collection of 97.2%. This is the highest ever level of collection for Ealing. Cash management will continue to be a key focus in 2012/13 to drive further value for the residents of the borough.

The council continues to focus its resources to deliver services in accordance with council priorities and the approved medium term financial strategy. The council's financial objectives during 2011/12 were:

- Align spending plans with the council's vision and strategic objectives and resident priorities
- Keep council tax as low as possible
- Maintain a balanced budget position and set a medium term financial plan maintaining and strengthening that position
- Provide a robust framework to assist the decision making process
- Undertake a prudent level of capital investment to meet the Council's strategic priorities and remain within prudential borrowing limits
- Manage Council finances within the context of a forward looking three year rolling business planning framework
- Deliver value for money to local taxpayers
- Exercise probity, prudence and strong financial control
- Manage risk, including strengthening reserves as appropriate & maintaining sustainable levels of debt
- Continually review budgets to ensure resources are targeted on key objectives

The council responded to the civil disorder during August 2011 by introducing measures to assist local businesses including setting aside a £250,000 fund to help small independent businesses affected and giving businesses rate relief totalling some £200,000 to help them cope with hardship caused by the civil disorder.

Looking ahead, the council must plan to contain expenditure on demand-led services if it is to sustain its strong position. In addition, the Council must develop robust plans for funding its long-term capital investment. The provision of primary school places continues to be a pressure on the council and although contained within our medium term financial strategy will need to be continually monitored.

The council's Pension Fund net assets increased from £657.5m to £691.5m during the year, an increase of 5.1%. The fund remains cash positive on its revenue account, showing an in year excess of income over expenditure of £31.5m.

The Housing Revenue Account (HRA) has an accumulated surplus of £8m at the end of the financial year.

These accounts include the return of £1.665m of the council's £2m investment in the Icelandic bank Glitnir, from the Glitnir winding up board. The council anticipates the recovery of the balance of the pay out in the near future, which will take the final sum recovered to over £2m.

The cost of servicing debt was kept within the prudential limits set by the council for 2011/12 with the council's borrowing costs at £96.9m (including a one-off cost of £55.7m as a premium in respect of the early repayment of housing debt, see the following paragraph for details). In accordance with the council's agreed treasury management strategy and in order to take advantage of historically low levels of interest, the council undertook long-term borrowing of £60m. This will mature over several fixed periods of up to 50 years at fixed rates of interest to assure the funding of vital capital schemes in future years.

The council's debt reduced significantly during the year from £664.7m to £501.7m mainly as a result of changes to the HRA subsidy system brought about by the terms of the Localism Act 2011, under which the council will no longer receive housing subsidy but, under the self-financing determination, the Government (DCLG) redeemed £203m of the council's housing debt. The council will now take full control of the housing rental income enabling more effective planning for the long term management of this key service and assets.

In June 2010, central government invited schools across the country to become academies, making them independent of local authorities. During 2011/12 Wood End Junior, Drayton Manor High School, Featherstone High and Twyford Church of England schools all became academies. As a result of this the council transferred the assets and liabilities in respect of these schools to the academies as part of the transfer agreement. As a result the council wrote off £15m from its balance sheet in the year for the land and building of Featherstone High School. The other academies were previously foundation schools and the assets were not held on the council's balance sheet in 2010/11.

In summary these accounts show the council has worked hard to maintain its financial health in the face of the many challenges ahead. However 2012/13 – 2014/15 will require further budget savings to continue this position. The approved general fund savings target for 2012/13 of £33m is demanding and there is always a risk of an in-year shortfall despite the council's excellent track record in financial management as the council still faces a range of significant financial risks particularly from demand-led budgets.

There are also significant changes on the horizon from the government's new funding system for local authorities which comes in from April 2013 replacing the current formula grant system with the business rates retention system and also the localisation of council tax support in the same financial year which pose additional funding risks to the council.

I hope that you find the following statement of accounts useful and informative in helping you to understand how the council manages its finances in delivering value for money services for residents. If you have any questions or comments on the council's accounts or their presentation, please e-mail finalaccounts@ealing.gov.uk or write to the Executive Director of Corporate Resources, Ealing Council, Perceval House, 14-16 Uxbridge Road, Ealing W5 2HL.

2. The Statement of Accounts

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

The statement of accounts is set out on pages 7 to 98 and consists of the following:

2.1. **The Statement of Responsibilities** for the Statement of Accounts.

2.2. **The Comprehensive Income and Expenditure** Statement which shows the net cost for the current year of all the services for which the council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together income and expenditure relating to all of the council's services. Both income and expenditure are measured using essentially the same accounting conventions (International Financial Reporting Standards) that a large company would use in preparing its audited annual financial statements.

2.3. **The Movement in Reserves Statement** (MiRS) reconciles the outturn on the Comprehensive Income and Expenditure Statement to the balance on the General Fund that is established by complying with the relevant statutory provisions. The MiRS shows the true economic cost of providing council services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2.4. **The Balance Sheet**, which shows the assets and liabilities and net worth of the council.

2.5. **The Cash Flow Statement** - this consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties, showing the reasons for changes in cash, cash equivalents and the bank account during the year.

2.6. **Housing Revenue Account (HRA)**, which shows the income and expenditure transactions relating to the council's housing stock. The account is completely separate, ring fenced, and receives no subsidy nor makes any contribution to any of the council's other accounts. Therefore this account has no effect upon the level of council tax.

2.7. **The Collection Fund Account** which shows the income and expenditure transactions relating to the collection of income from non-domestic rates and council tax and the subsequent disbursement of these to the council's General Fund and the Greater London Authority.

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

2.9. **An Annual Governance Statement**, which is not part of the Statement of Accounts, but is required to be included alongside it in the same publication. This is an important distinction, as the Statement is not covered directly by the Chief Finance Officer's certification or the audit report (although it will be reviewed by the auditors as 'other information').

2.10. The statement relates to the system of internal control as it applied during the financial year for the accounts that it accompanies.

3. Comprehensive Income and Expenditure Statement items

3.1. Services Provided

The council's gross revenue spending was split over the following main services. This expenditure is as included in the Comprehensive Income and Expenditure Statement and therefore includes items such as depreciation and impairment of assets which are reversed out in the Movement in Reserves Statement so as not to impact on council tax levels.

	£m
Housing	290.9
Children's and Education	400.2
Adult Social Care	112.7
Corporate Services	69.4
Cultural, Environmental and Planning	75.3
Highways, Roads and Transport	50.5
Total	**999.0**

3.2. 2011/12 Budget and Actual Comparison

The main components of the General Fund budget (excluding the HRA) for 2011/12 and how these compare with the actual income and expenditure for the year are set out below:

	Revised Budget	Outturn	Variance
	£000	£000	£000
Services net expenditure	274,825	274,773	(52)
Income from Government Grant and Local Taxpayers	(274,825)	(274,825)	0
Increase in General Fund Balance for the Year	**0**	**(52)**	**(52)**

4. Housing Revenue Account

The Housing Revenue Account has made a surplus of £1,089k for 2011/12, which compares favourably to the budgeted deficit of £54k. This increases the accumulated balance from £7m at 1 April 2011 to £8.1m at 31 March 2012.

5. Capital Expenditure

Capital expenditure for 2011/12 from the capital programme was £88.7m. The capital expenditure by service and its financing is shown below:

	£M	%
Housing & Regeneration	22.9	26
Environment & Customer Services	17.9	20
Education	40.1	45
Corporate	4.6	5
Social Services	3.2	4
Total	**88.7**	**100**

Financed by:

	£M	%
Borrowing	19.5	22
Capital & Other Grants	40.6	46
Revenue Contributions	14.3	16
Major Repairs Reserve	13.5	15
Capital Receipts	0.8	1
Total	**88.7**	**100**

6. Collection Fund

The Collection Fund balance reduced by £3.3m in 2011/12. There was an underlying surplus of £1.2m to the fund offset by a contribution to the council General Fund (£3.5m) and the Greater London Authority (£1.0m) in respect of the distribution of the estimated surplus at 31 March 2011. The cumulative surplus has reduced to £2.5m at 31 March 2012, of which £0.6m is due to the Greater London Authority.

Statement of Responsibilities

1. The Council's Responsibilities

The council is required to:

1.1. make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this council I exercise that role as the Executive Director of Corporate Resources.

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

1.3. approve the statement of accounts.

2. The Responsibilities of the Executive Director of Corporate Resources

As the Executive Director of Corporate Resources I am 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'), are 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 2012.

In preparing this statement of accounts I have:

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

3. Certificate of the Executive Director of Corporate Resources

I certify that the accounts set out on pages 2 to 81 give a true and fair view of the financial position of the London Borough of Ealing as at 31 March 2012 and its income and expenditure for the year then ended, and that the accounts set out on pages 82 to 99 give a true and fair view of the net assets of the London Borough of Ealing Pension Fund as at 31 March 2012 and its income and expenditure for the year then ended.

Ian O'Donnell BSc, CPFA
Executive Director of Corporate Resources
Date: 28 September 2012

4. Certificate of the Chairman of the meeting

I confirm that these accounts were approved by the Audit Committee at its meeting held on 19 September 2012.

Councillor Mik Sabiers
Audit Committee Chair
Date: 19 September 2012

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

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

	General fund balance £000	Earmarked reserves £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Earmarked HRA Reserves £000	Total usable reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short Term Accumulating Compensated Absences Account £000	Pensions reserve £000	Total unusable reserves £000	Total Authority Reserves £000
Balance at 1 April 2010 (As Restated)	**15,241**	**88,154**	**6,936**	**4,937**	**8,673**	**39,948**	**163,889**	**104,052**	**649,837**	**3,404**	**5,624**	**(3,522)**	**(5,720)**	**(394,620)**	**359,055**	**522,944**
Movement in reserves during 2010/11																
Surplus or (deficit) on provision of services	86,047		(333,592)				(247,545)								-	(247,545)
Other Comprehensive Income and Expenditure							-	18,073						46,529	64,602	64,602
Total Comprehensive Income and Expenditure	86,047	-	(333,592)	-	-	-	(247,545)	18,073	-	-	-	-	-	46,529	64,602	(182,943)
Adjustments between accounting basis & funding basis under regulations (note 7)	(73,536)	-	333,702	1,658	(729)	(8,876)	252,219	-	(303,431)	7,489	(1,090)	853	388	43,572	(252,219)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**12,511**	**-**	**110**	**1,658**	**(729)**	**(8,876)**	**4,674**	**18,073**	**(303,431)**	**7,489**	**(1,090)**	**853**	**388**	**90,101**	**(187,617)**	**(182,943)**
Transfers to/from Earmarked Reserves	**(12,441)**	**12,501**	**(60)**				**-**	**(519)**	**519**						-	-
Increase/(Decrease) in Year	**70**	**12,501**	**50**	**1,658**	**(729)**	**(8,876)**	**4,674**	**17,554**	**(302,912)**	**7,489**	**(1,090)**	**853**	**388**	**90,101**	**(187,617)**	**(182,943)**
Balance at 31 March 2011 carried forward (As Restated)	**15,311**	**100,655**	**6,986**	**6,595**	**7,944**	**31,072**	**168,563**	**121,606**	**346,925**	**10,893**	**4,534**	**(2,669)**	**(5,332)**	**(304,519)**	**171,438**	**340,001**
Movement in reserves during 2011/12																
Surplus or (deficit) on provision of services	(9,280)		244,372				235,092								-	235,092
Other Comprehensive Expenditure and Income							-	(32,148)						(64,292)	(96,440)	(96,440)
Total Comprehensive Expenditure and Income	(9,280)	-	244,372	-	-	-	235,092	(32,148)	-	-	-	-	-	(64,292)	(96,440)	138,652
Adjustments between accounting basis & funding basis under regulations (note 7)	5,455	-	(236,422)	1,207	2,104	(2,004)	(229,660)	-	241,790	(88)	(2,566)	455	(34)	(9,897)	229,660	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(3,825)**	**-**	**7,950**	**1,207**	**2,104**	**(2,004)**	**5,432**	**(32,148)**	**241,790**	**(88)**	**(2,566)**	**455**	**(34)**	**(74,189)**	**133,220**	**138,652**
Transfers to/from Earmarked Reserves	**3,877**	**(3,695)**	**(6,861)**	**(321)**		**7,000**	**-**	**(1,035)**	**1,035**						**-**	-
Increase/(Decrease) in Year	**52**	**(3,695)**	**1,089**	**886**	**2,104**	**4,996**	**5,432**	**(33,183)**	**242,825**	**(88)**	**(2,566)**	**455**	**(34)**	**(74,189)**	**133,220**	**138,652**
Balance at 31 March 2012 carried forward	**15,363**	**96,960**	**8,075**	**7,481**	**10,048**	**36,068**	**173,995**	**88,423**	**589,750**	**10,805**	**1,968**	**(2,214)**	**(5,366)**	**(378,708)**	**304,658**	**478,653**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2011/2012 Gross Expenditure £000	2011/2012 Income £000	2011/2012 Net Expenditure £000	2010/2011 Net Expenditure £000
Adult Social Care	112,741	(32,749)	79,992	79,836
Central Services to the Public	61,934	(51,646)	10,288	12,480
Children's and Education Services	400,179	(313,049)	87,130	82,631
Culture and Related Services	29,799	(6,406)	23,393	16,459
Environmental and Regulatory Services	27,703	(4,064)	23,639	25,527
Planning Services	17,784	(6,102)	11,682	13,418
Highways and transport services	50,463	(25,779)	24,684	26,005
Local authority housing (HRA)	(4,306)	(71,665)	(75,971)	(4,579)
Exceptional Item - HRA revaluation decrease on property, plant and equipment (note 18.1)	-	-	-	318,415
Exceptional Item - HRA Pension deficit transfer (note 45.1)	17,412	-	17,412	-
Other housing services	295,187	(274,800)	20,387	22,110
Corporate and Democratic Core	4,786	174	4,960	5,101
Non Distributed Costs	2,710	(43)	2,667	(2,266)
Exceptional Item - Past Service Gain (note 45.1)	-	-	-	(56,624)
Cost of Services	1,016,392	(786,129)	230,263	538,513
(Gain) or loss on disposal of non-current assets			13,772	(15,002)
Levies (note 14)			10,443	11,095
Contribution to / (from) Housing Act Advances (note 15)			1	4
Contribution of Housing Capital Receipts to Government Pool			20	27
Other Operating Expenditure			24,236	(3,876)
Financing and investment income and expenditure				
Interest and Investment Income			(2,741)	(2,170)
Interest Payable and similar charges			96,871	41,160
Pension interest cost & expected return on pension assets			12,212	17,372
Total financing and investment income and expenditure			106,342	56,362
Taxation and non-specific grant income				
Income from Council Tax			(126,908)	(125,977)
General Government Grants (note 9)			(99,262)	(91,347)
Distribution from non-domestic rate pool			(111,031)	(126,130)
Exceptional Item - HRA Subsidy Debt repayment (HRA note 11)			(258,732)	
Total Taxation and non-specific grant income			(595,933)	(343,454)
(Surplus)/Deficit on provision of services			**(235,092)**	**247,545**
Other comprehensive income & expenditure				
(Surplus)/deficit arising on revaluation of non-current assets			32,148	(18,073)
Actuarial (gains)/losses on pension assets and liabilities			64,292	(46,529)
Other comprehensive income & expenditure			-	
Total comprehensive (surplus)/ loss for the year			**(138,652)**	**182,943**

BALANCE SHEET

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

BALANCE SHEET as at 31 March 2012	**See Note**	**31 March 2012 £000**	**£000**	**31 March 2011 Restated £000**
Property, plant and equipment	(18)	1,290,915		1,281,719
Intangible Assets	(19)	736		855
Heritage Assets	(26)	1,982		1,982
Assets Held for Sale	(20)	1,869		-
Long Term Investments	(48)	-		600
Long Term Debtors	(27)	10,898		10,977
Total long term assets			1,306,400	1,296,133
Current assets				
Short Term Investments	(48)	248,411		179,367
Short term debtors	(29)	44,565		47,307
Cash and cash equivalents	(28)	41,155		37,524
			334,131	264,198
Current Liabilities				
Short term borrowings	(48)	(7,066)		(9,588)
Short term creditors	(30)	(117,781)		(115,090)
Provisions	(33)	(3,326)		(3,080)
			(128,173)	(127,758)
Long term liabilities				
Long term borrowings	(48)	(503,453)		(646,412)
Long term creditors	(31)	(114,467)		(114,263)
Capital grants receipts in advance	(32)	(33,574)		(22,662)
Provisions	(33)	(3,503)		(4,716)
Pensions Liability	(45)	(378,708)		(304,519)
			(1,033,705)	(1,092,572)
Net assets			478,653	340,001
Usable reserves			173,995	168,563
Unusable reserves			304,658	171,438
Total Reserves			478,653	340,001

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority 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 (ie borrowing) to the council.

	2011/12		2010/2011
	£000	£000	£000
Cash flows from operating activities			
Net surplus or deficit on the provision of services		(235,092)	247,545
Adjust net surplus or deficit on the provision of services for non cash movements:			
Depreciation	(34,197)		(37,339)
Revaluation gains / (losses) charged to CIES	37,890		(332,525)
Movement in debtors	2,774		(17,489)
Movement in creditors	(11,835)		23,054
Pension liability	(9,897)		43,571
Movement in provisions	967		2,381
Adjustment for impairment losses on investments	-		(77)
Adjustments for effective interest rate	20		19
Carrying amount of non-current assets sold	(15,687)		(16,763)
Deferred capital receipts			10,000
		(29,965)	(325,168)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Capital Grants credited to surplus or deficit on the provision of services	42,729		47,417
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,902		21,766
		44,631	69,183
Net cash flows from operating activities		(220,426)	(8,440)
Investing activities			
Purchase of property, plant and equipment, investment property and intangible assets	59,196		121,114
Purchase of short-term and long-term investments	6,624,533		1,647,632
Other payments for investing activities	6		-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,990)		(24,277)
Proceeds from shot-term and long-term investments	(6,556,118)		(1,615,819)
Other receipts from investing activities	(53,659)		(52,503)
Net cash flows from investing activities		71,968	76,147
Financing activities			
Cash receipts of short- and long-term borrowing	(60,100)		(50,225)
Council Tax and NNDR adjustments	(775)		(7,601)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,663		3,209
Repayments of short- and long-term borrowing	203,039		-
Other payments for financing activities	-		0
Net cash flows from financing activities		144,827	(54,617)
(Increase) / decrease in cash and cash equivalents		**(3,631)**	**13,090**
Cash and cash equivalents at the beginning of the financial year		37,524	50,614
Cash and cash equivalents at the end of the financial year		41,155	37,524

Notes to the Core Financial Statements

1. Accounting policies

1) General Principles

The Statement of Accounts summarises the council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

2) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

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

c) Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

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

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

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

3) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments due to mature within 24 hours and those in Money Market Funds and call accounts that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4) Exceptional Items

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

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

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

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

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

6) Charges to Revenue for Non-Current Assets

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

a) depreciation attributable to the assets used by the relevant service

b) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

c) amortisation of intangible fixed assets attributable to the service.

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

7) Employee Benefits

a) <u>Benefits Payable During Employment</u>

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

b) Termination Benefits

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

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

c) Post Employment Benefits

Employees of the council are members of two separate pension schemes:

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

ii) The Local Government Pensions Scheme, administered by Ealing council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The scheme is therefore accounted for as if it were 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 Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Ealing 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 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

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

i) 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

ii) 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

iii) interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

iv) expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

v) gains or losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

vi) 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 – debited to the Pensions Reserve

vii) contributions paid to the Ealing 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.

8) 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.

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

9) Financial Instruments

a) 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.

b) Financial Assets

Financial assets are classified into two types:

i) loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

ii) available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

i) Loans and Receivables

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

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

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

The adoption of the amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the code which requires local authorities to disclose detailed information where the level of soft loans granted by the council is material. The council has no material soft loans therefore this change does not have a material impact on the council's Financial statements.

10) Government Grants and Contributions

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

a) the council will comply with the conditions attached to the payments, and

b) the grants or contributions will be received.

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

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

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

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

11) Business Improvement Districts

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

12) Interests in Companies and Other Entities

The council had a material interest in Ealing Homes Limited which was wound up on 31 March 2011.

The council also has interests in other companies that have the nature of associates. As the council's interests in these companies are not material to the council's accounts, these interests are not consolidated into the council's own accounts. As a result the council has not prepared group accounts in 2011/12.

13) Investment Property

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

The council currently does not have any Investment Properties.

14) Leases

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

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

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

a) <u>The Council as Lessee</u>

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.

15) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

a) Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.

b) Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

16) Carbon Reduction Commitment Scheme

The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the council is recognised and reported in the costs of the council's services and is apportioned to services on the basis of energy consumption.

17) Property, Plant and Equipment

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

a) Recognition

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

b) Measurement

Assets are initially measured at cost, comprising:

i) the purchase price

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

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

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

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

i) infrastructure, community assets and assets under construction – depreciated historical cost

ii) dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

iii) heritage assets - fair value as determined by Insurance valuation in accordance with FRS30, where this is not appropriate, valued at depreciated historical cost

iv) all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 by:

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

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

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

c) Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

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

d) <u>Depreciation</u>

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

e) <u>Disposals and Non-Current Assets Held for Sale</u>

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other

Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

18) Heritage Assets

The adoption of FRS 30 Heritage Assets in the 2011/12 accounts has lead to a change in accounting policy. Heritage assets are recognised as a separate class of assets for the first time in the 2011/12 financial statements. In prior years heritage assets were held as community assets at a nominal rate in the property plant and equipment classification in the balance sheet or not recognised as it was not possible to obtain cost information on the assets. A restatement of the comparative year for 2010/11 in the 2011/12 financial statements has been carried out to recognise these assets on the balance sheet measured at valuation or cost. 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, it will be valued at historical cost (less any accumulated depreciation, amortisation and impairment losses). Where possible the council's heritage assets have been reported in the Balance Sheet at insurance valuation, which is based on market values. These insurance valuations are normally updated on a 5 yearly basis, however revaluation of the heritage assets are the responsibility of the service departments and can be re-valued for insurance purposes as required based on the knowledge of the assets and known changes in value. The council does not consider that reliable cost or valuation information can be obtained for some of its heritage assets, which are detailed in the disclosure notes. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the council does not recognise all its heritage assets on the balance sheet.

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

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

19) Intangible Assets

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

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

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

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

20) Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

a) fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

b) finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

c) contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

d) payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

e) lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement

21) Provisions, Contingent Liabilities and Contingent Assets

a) Provisions

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.

b) 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.

c) 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.

23) Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the

Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

24) Revenue Expenditure Funded from Capital under Statute

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

25) 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.

26) Foundation Schools

Non-Current assets and long term liabilities relating to Foundation Schools created by the School Standards and Framework Act 1998 are not shown on the balance sheet as they remain vested in the relevant Governing Bodies. The liabilities relating to the PFI schemes which include two Foundation Schools remain on balance sheet as the council is the liable party.

27) Collection Fund

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

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

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

c) From the year commencing 1 April 2009 the council tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund Adjustment Account and then adjusted in the Movement in Reserves Statement.

Since the collection of council tax and NNDR Income is in substance an agency arrangement:

a) Cash collected from council tax debtors belongs proportionately to Ealing and the GLA as billing authority and preceptor. There will therefore be a debtor/creditor position between Ealing and the GLA to be recognised since the net cash paid to the GLA in the year will not be the same as its true share of the cash collected from council taxpayers and

b) Cash collected from NNDR taxpayers by the council (net of the cost of collection allowance) belongs to the Government, (or the GLA in the case of the Cross-Rail business rates supplement) and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor. Similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

2. Accounting standards that have been issued but have not yet been adopted

The adoption of the amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the code requires local authorities to disclose transferred financial assets, as required by paragraphs 42B−42H of IFRS 7, in a single note to its financial statements. This change is not expected to have a material impact on the council's financial statements.

3. Critical Judgements in Applying Accounting Policies

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

1.1. Following the decision to terminate the contract for Housing Management with Ealing Homes with effect from 1 April 2011 Ealing Homes' 2010/11 accounts were prepared on a 'break up' basis and were incorporated into the group accounts in this way.

All its functions were taken over by the council from 1 April 2011 there are no group accounts required in 2011/12. The council is satisfied that all potential assets and liabilities arising from this decision have been considered and are included where appropriate in preparing the financial statements (see also note 44 on page 60 of the accounts).

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

4. Events after the reporting period

The financial statements have not been adjusted for £770k in relation to an event which took place after the 31 March 2012 as the adjustment is not material to the accounts.

In finalising the 2011/12 Revenue Support Grant allocations, the Government reduced the amount of funding payable to authorities by top-slicing an assumed level of saving that authorities would achieve from the transfer of maintained schools to Academy status. A number of authorities objected to this, as they believed that the estimated savings were significantly overstated as the Department for Education (DfE) had made assumptions about the national growth in academies and applied the savings pro-rata on a national basis. A group of authorities, including Ealing, sought legal advice on the matter and there were subsequent discussions with the Department for Education. As a result of the potential legal challenge, the DfE issued proposals to reimburse local authorities. The initial proposals were not agreed but an amended proposal issued in June 2012 was accepted by the authorities in July 2012. As a result of this challenge, Ealing was allocated £770k. As there was no agreement at the time of preparing the 2011/12 accounts, the authority did not accrue this additional funding.

5. Prior Period Adjustments

Service Reporting Structure

Prior period adjustments have been made to the 2010/11 Statement of Accounts to reflect the change in the CIPFA service reporting code of practice for local authorities 2011/12 (SERCOP) reporting structure, where it is now required to report separately for Culture and Related Services, Environmental and Regulatory Services and Planning Services, rather than including as one category

These changes have had the following effect to the presentation on the face of the Comprehensive Income and Expenditure statement:

	2010/11 Statements £000	2010/11 Restated £000
Cultural, environmental, Regulatory and planning services	55,404	
Culture and Related Services		16,459
Environmental and Regulatory Services		25,527
Planning Services		13,418
	55,404	55,404

Heritage assets

Prior period adjustments have been made to the 2010/11 Statement of accounts to reflect the change in accounting policies incurred in recognising Heritage assets as a separate class of assets for the first time in the 11/12 financial statements, due to the introduction of FRS30 for Heritage assets. In prior years heritage assets were held as community assets at a nominal rate or cost in the property plant and equipment classification in the balance sheet or not recognised as it was not possible to obtain cost information on the assets.

In applying the new accounting policy the council has identified that six assets that were previously held as community assets within property plant and equipment at par value of £1 each, should now be recognised as heritage assets and held at £0.9m with a corresponding increase in the Revaluation Reserve. The council also recognises an additional £1.0m for the recognition of assets not previously recognised in the balance sheet. This increase is also recognised in the Revaluation Reserve. This has lead to a restatement of the 2010/11 balance sheet in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are:
1 April 2010 carrying amount of Heritage Assets is presented at its valuation at £1.98m and the Revaluation reserve has increased by £1.98m.

5. Prior Period Adjustments - Heritage assets (Continued)

Balance Sheet

The adjustments to the April 2010 Opening values for the Balance sheet are as follows:

Working Paper 1.4

	1 April 2010 Opening Balances £000	Restatement £000	1 April 2010 Restated opening values £000
Property plant and Equipment	1,532,662	-	1,532,662
Heritage assets	-	1,982	1,982
Long Term Assets	1,533,760	1,982	1,535,742
Total Net Assets	520,962	1,982	522,944
Unusable Reserves	357,073	1,982	359,055
Net Worth/ Total Reserves	520,962	1,982	522,944

The effect to the Balance sheet 31 March 2011 is as follows:

	31 March 2011 Previously Stated £000	Restatement £000	31 March 2011 Restated £000
Property plant and Equipment	1,281,719	-	1,281,719
Heritage assets	-	1,982	1,982
Long Term Assets	1,294,151	1,982	1,296,133
Total Net Assets	338,019	1,982	340,001
Unusable Reserves	169,456	1,982	171,438
Net Worth/ Total Reserves	338,019	1,982	340,001

Comprehensive Income and Expenditure Statement

There has been no restatement to the Comprehensive Income and Expenditure Statement

Movement in Reserves Statement (MiRS)

The adjustments to the Movement in Reserves Statement (MiRS) are as follows:

	31 March 2011 Previously Stated £000	Restatement £000	31 March 2011 Restated £000
Balance at 1 April 2010	**102,070**	1,982	**104,052**
Movement in reserves during 2010/11			
Surplus or (deficit) on provision of services			
Other Comprehensive Income and Expenditure	18,073		18,073
Total Comprehensive Income and Expenditure	18,073		18,073
Adjustments between accounting basis & funding basis under regulations (note 7)	-		
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**18,073**		**18,073**
Transfers to/from Earmarked Reserves	**(519)**		**(519)**
Increase/(Decrease) in Year	**17,554**		**17,554**
Balance at 31 March 2011 carried forward	**119,624**		**121,606**

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

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

The items in the council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of actuaries is engaged to provide the council with expert advice about the assumptions to be applied and these are documented within the disclosure note on retirement benefits	There are a number of assumptions relating to the calculation of the net pensions liability and they interact in complex ways. The council's actuaries update these assumptions and the calculation of the liability annually based on the latest available data.
Arrears	At 31 March 2012, the council had a balance of sundry debtors of £36,811k. A review of these debtor balances and past experience of debt collection rates across various categories suggested that an allowance for non collection of £22,482k should be recognised. However, in the current economic climate it is not certain that such an allowance will be sufficient. Similar allowances have also been recognised for other categories of debtors.	If collection rates were to deteriorate, each 1% increase in the allowance for doubtful debts would require an additional £368k to be set aside for sundry debtors.

7. Adjustments between accounting basis and funding basis under regulations

2011/12	General fund balance £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short-term Accumulating Compensated Absences Account £000	Pensions reserve £000	Total Unusable reserves £000	Total Authority Reserves £000
Charges for depreciation and impairment of non current assets	22,972				11,729	**34,701**		(34,701)						**(34,701)**	-
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		(504)				**(504)**		504						**504**	-
Revaluation gains / losses on Property Plant and Equipment	13,487	(51,377)				**(37,890)**		37,890						**37,890**	-
Movements in the market value of Investment Properties						**-**								**-**	-
Capital grants and contributions credited to the CIES and application of grants to capital financing transferred to the Capital Adjustment Account	(42,729)			2,091		**(40,638)**		40,638						**40,638**	-
HRA Subsidy - Capital Grants Contributions Determination Settlement ; Capital reciept from Secretary of State		(203,039)	203,039			**-**								**-**	-
HRA Subsidy - Capital Grants Contributions Determination Settlement ; Capital reciept appled to repayment of Debt			(203,039)			**(203,039)**		203,039						**203,039**	-
HRA Subsidy - Capital Grants Contributions Determination Settlement ; Capitial reciept for charges on redemption of debt		(55,693)	55,693			**-**								**-**	-
HRA Subsidy - Capital Grants Contributions Determination Settlement ; charges on redemption of debt		55,693	(55,693)			**-**								**-**	-
Revenue expenditure funded from capital under statute	30,967	2,623				**33,590**		(33,577)	(13)					**(33,590)**	-
Net gain or loss on sale of non-current assets	14,858	(1,086)	1,990			**15,762**		(15,687)	(75)					**(15,762)**	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(10)	(445)				**(455)**					455			**455**	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	26,376	957				**27,333**							(27,333)	**(27,333)**	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(33,881)	(967)				**(34,848)**							34,848	**34,848**	-
Transfer of Ealing Homes Pension deficit		17,412				**17,412**							(17,412)	**(17,412)**	-
Amount by which council tax income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	2,566					**2,566**				(2,566)				**(2,566)**	-
Statutory provision for the repayment of debt	(14,867)					**(14,867)**		14,867						**14,867**	-
Capital expenditure charged against the General Fund and HRA balances	(14,334)			13	(13,733)	**(28,054)**		28,054						**28,054**	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	20		(20)			**-**								**-**	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	30	4				**34**						(34)		**(34)**	-
Use of the Capital Receipts Reserve to finance new capital expenditure			(763)			**(763)**		763						**763**	-
Total Adjustments	5,455	(236,422)	1,207	2,104	(2,004)	**(229,660)**	-	241,790	(88)	(2,566)	455	(34)	(9,897)	**229,660**	-
															-

7. Adjustments between accounting basis and funding basis under regulations (continued)

2010/11	General fund balance £000	Housing Revenue Account £000	Usable Capital Receipts £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Revaluation reserve £000	Capital adjustment account £000	Deferred Capital Receipts £000	Collection fund adjustment account £000	Financial instruments adjustment account £000	Short-term Accumulating Compensated Absences Account £000	Pensions reserve £000	Total Unusable reserves £000	Total Authority Reserves £000
Charges for depreciation and impairment of non current assets	24,846				11,210	**36,056**		(36,056)						**(36,056)**	**-**
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy		1,283				**1,283**		(1,283)						**(1,283)**	
Revaluation losses on Property Plant and Equipment	14,110	318,415				**332,525**		(332,525)						**(332,525)**	**-**
Capital grants and contributions credited to the CIES and application of grants to capital financing transferred to the Capital Adjustment Account	(44,825)	(2,593)		(729)		**(48,147)**		48,147						**48,147**	**-**
Revenue expenditure funded from capital under statute	16,489	10,801				**27,290**		(27,290)						**(27,290)**	**-**
Net gain or loss on sale of non-current assets	(21,572)	6,570	24,277			**9,275**		(16,764)	7,489					**(9,275)**	**-**
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(10)	(843)				**(853)**					853			**853**	**-**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(16,319)	153				**(16,166)**							16,166	**16,166**	**-**
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,323)	(83)				**(27,406)**							27,406	**27,406**	**-**
Amount by which council tax income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	1,090					**1,090**				(1,090)				**(1,090)**	**-**
Statutory provision for the repayment of debt	(14,771)					**(14,771)**		14,771						**14,771**	**-**
Capital expenditure charged against the General Fund and HRA balances	(4,891)				(20,086)	**(24,977)**		24,977						**24,977**	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	27		(27)			**-**								**-**	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(387)	(1)				**(388)**						388		**388**	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure			(22,592)			**(22,592)**		22,592						**22,592**	**-**
Total Adjustments	(73,536)	333,702	1,658	(729)	(8,876)	**252,219**	-	(303,431)	7,489	(1,090)	853	388	43,572	**(252,219)**	**-**

8. Amounts Reported for Resource Allocation Decisions

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

- charges made in relation to capital expenditure are excluded from management reporting whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement.
- income and expenditure in respect of the Housing Revenue Account and that managed by schools are not included in the management accounts as these do not impact on council tax levels
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to directorates.

	Children & Adults 2011/12 £000	Regeneration & Housing 2011/12 £000	Environment & Customer Services 2011/12 £000	Corporate Resources & Chief Exec 2011/12 £000	Housing Benefit 2011/12 £000	Council Wide 2011/12 £000	Total 2011/12 £000
Fees, charges & other service income	(42,815)	(41,283)	(45,018)	(17,492)			(146,608)
Government grants	(74,784)	(3,099)	(3,871)	(1,756)	(277,873)		(361,383)
Total Income	(117,599)	(44,382)	(48,889)	(19,248)	(277,873)	-	(507,991)
Employee expenses	70,243	21,947	28,735	24,938			145,863
Other operating expenses	180,976	36,651	56,636	27,505	281,096	1,643	584,507
Total operating expenses	251,219	58,598	85,371	52,443	281,096	1,643	730,370
Net Cost of Services	133,620	14,216	36,482	33,195	3,223	1,643	222,379

	Children & Adults 2010/11 £000	Regeneration & Housing 2010/11 £000	Environment & Customer Services 2010/11 £000	Corporate Resources & Chief Exec 2010/11 £000	Housing Benefit 2010/11 £000	Council Wide 2010/11 £000	Total 2010/11 £000
Fees, charges & other service income	(61,676)	(44,440)	(42,823)	(19,929)			(168,868)
Government grants	(81,706)	(4,174)	(3,630)	(1,061)	(259,541)		(350,112)
Total Income	(143,382)	(48,614)	(46,453)	(20,990)	(259,541)	-	(518,980)
Employee expenses	74,460	23,094	28,688	25,797			152,039
Other operating expenses	188,992	39,723	58,810	28,879	264,593	1,255	582,252
Total operating expenses	263,452	62,817	87,498	54,676	264,593	1,255	734,291
Net Cost of Services	120,070	14,203	41,045	33,686	5,052	1,255	215,311

8. Amounts Reported for Resource Allocation Decisions (Continued)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure

Reconciliation to Subjective Analysis

	Service Analysis 2011/12 £000	Not reported to mgmt 2011/12 £000	Not included in I&E 2011/12 £000	Net Cost of Services 2011/12 £000	Corporate Amounts 2011/12 £000	Total 2011/12 £000
Fees, charges & other service income	(146,608)	(66,279)	30,075	(182,812)		(182,812)
Interest and investment income	-			-	(2,741)	(2,741)
Income from council tax	-			-	(126,908)	(126,908)
Government grants and contributions	(361,383)	(5,385)	17,943	(348,825)	(469,025)	(817,850)
Total Income	(507,991)	(71,664)	48,018	(531,637)	(598,674)	(1,130,311)
Employee expenses	145,863	32,007	(34,848)	143,022		143,022
Other service expenses	584,507	72,022	(31,551)	624,978	1	624,979
Depreciation, amortisation and impairment		(6,100)		(6,100)		(6,100)
Interest Payments				-	109,083	109,083
Precepts & Levies				-	10,443	10,443
Payments to Housing Capital Receipts Pool				-	20	20
Gain or Loss on Disposal of Fixed Assets				-	13,772	13,772
Total operating expenses	730,370	97,929	(66,399)	761,900	133,319	895,219
(Surplus) or deficit on the provision of services	222,379	26,265	(18,381)	230,263	(465,355)	(235,092)

Reconciliation to Subjective Analysis	Service Analysis 2010/11 £000	Not reported to mgmt 2010/11 £000	Not included in I&E 2010/11 £000	Net Cost of Services 2010/11 £000	Corporate Amounts 2010/11 £000	Total 2010/11 £000
Fees, charges & other service income	(168,868)	(63,575)	6,829	(225,614)		(225,614)
Interest and investment income	-			-	(2,170)	(2,170)
Income from council tax	-			-	(125,977)	(125,977)
Government grants and contributions	(350,112)	(255,223)	23,245	(582,090)	(217,477)	(799,567)
Total Income	(518,980)	(318,798)	30,074	(807,704)	(345,624)	(1,153,328)
Employee expenses	152,039	167,726	(27,406)	292,359		292,359
Other service expenses	582,252	124,541	(20,449)	686,344	4	686,348
Depreciation, amortisation and impairment		367,514		367,514		367,514
Interest Payments				-	58,532	58,532
Precepts & Levies				-	11,095	11,095
Payments to Housing Capital Receipts Pool				-	27	27
Gain or Loss on Disposal of non-current assets				-	(15,002)	(15,002)
Total operating expenses	734,291	659,781	(47,855)	1,346,217	54,656	1,400,873
(Surplus) or deficit on the provision of services	215,311	340,983	(17,781)	538,513	(290,968)	247,545

8. Amounts Reported for Resource Allocation Decisions (Continued)

Reconciliation to Net Cost of Services in CIES

	2011/12 £000	2010/11 £000
Cost of Services in Service Analysis	222,379	215,311
Add services not included in main analysis	-	-
Add amounts not reported to management	26,265	340,983
Remove amounts reported to mgmt not included in CIES	(18,381)	(17,781)
Net Cost of Services in CIES	230,263	538,513

9. General Government Grants

The grants included in the Comprehensive Income & Expenditure Statement under 'General Government Grants' are as follows:

	2011/12 £000	2010/11 £000
Revenue Support Grant	34,320	18,315
Capital Grants and contributions	42,729	47,418
LAA Performance Reward Grant	-	2,369
Council Tax Freeze Grant	3,149	-
Area Based Grant	-	23,245
Local Services Support Grant	1,803	-
Early Intervention Grant	15,522	-
Youth Justice Grant	619	-
New Homes Bonus	1,120	-
	99,262	91,347

10. Trading Accounts

10.1 Off Street Car Parking - This is provided in competition with privately run car parks.
10.2 Trade Refuse - The council collects refuse from trade premises and provides disposal of trade refuse at the Greenford Refuse and Recycling Centre.

Trading Accounts	Gross Expenditure 2011/12 £000	Income 2011/12 £000	Net Expenditure 2011/12 £000	Net Expenditure 2010/11 £000
Off Street Car Parking	886	1,756	(870)	(614)
Trade Refuse	632	1,442	(810)	(697)
	1,518	3,198	(1,680)	(1,311)

11. Pooled fund memorandum account for Ealing Community Equipment Services

Ealing Council and Ealing Primary Care Trust entered into a formal Section 75 pooled budget arrangement for Community Equipment Services with effect from 1 November 2003. Ealing Council is the lead for the arrangement.

	2011/12 Total Costs £000	2010/11 Total Costs £000
Community Equipment	1,842	1,750
Total Cost	1,842	1,750
Funding :		
Ealing Council	946	924
Ealing Primary Care Trust	896	826
Total Funding	1,842	1,750

12. Related Party Transactions

12.1 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.

12.2 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 (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 32.

12.3 Significant transactions with government departments, precepting and levying bodies and joint arrangements with other bodies and local authorities and the council's Pension Fund are shown and declared elsewhere in the financial statements. The council charged the Pension Fund £732,000 (£697,100 in 2010/11) for expenses incurred in administering the fund. The council paid the fund £8,000 (£35,200 in 2010/11) interest in respect of cash balances held in the council's bank account. This balance was £2.2m (£7.3m in 2010/11) at 31 March 2012.

12.4 Declarations are completed by Councillors and relevant officers of the council and the only significant declarations are:-

i) The Director of Finance (Regeneration & Housing) acted as the Mortlake Crematorium Board's Treasurer for the year to 31 March 2012 and the Board has £1,125,000 (£1,025,000 at 31 March 2011) invested with the council. Mortlake also purchased accountancy, internal audit and payroll services from the council, at a total cost of £13,750 in 2011/12.
ii) 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's 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.
iii) One member is a member of the Ealing Hospital NHS Trust. In 2011/12 the council paid £589,000 to the trust (£302,000 in 2010/11).
iv) One member was a non Executive Director of the West London Mental Health Trust until 30 November 2011. The Council paid £1.4M to the trust in 2011/12 (£2.6M in 2010/11).
v) One member lets properties to a managing agency company that rents properties to Ealing council.

12.5 Ealing Homes ceased trading from 31/03/11 and the council took over the responsibility for the management, (including maintenance and capital investment) of its residential housing stock from that date.

All the Councillors resigned as Directors of Ealing Homes on or before 31/03/11 as a result of the ending of the management agreement.

The Director of Property and Regeneration and the Director of Safer Communities have taken over as Directors of Ealing Homes Limited during the winding up process.

12.6 Ealing has one Section 75 agreement to pool funding relating to the Integrated Community Equipment Service with Ealing PCT. The total funding between the partners is £1.842m (£1.75m in 2010/11).

13. Audit Costs

The council incurred the following fees relating to external audit and inspection :

	2011/12 £000	2010/11 £000
Fees payable to the Audit Commission appointed auditor with regard to external audit services carried out by the appointed auditor	354	425
Fees payable to the Audit Commission in respect of statutory inspection	-	-
Fees payable to the Audit Commission appointed auditor for the certification of grant claims and returns	111	111
	465	536

14. Levies

	2011/12 £000	2010/11 £000
London Pension Fund Authority	276	402
Lee Valley Park	351	402
National Rivers Authority	234	233
West Waste Authority	9,316	9,827
Coroners Services	266	231
	10,443	11,095

15. Housing Act Advances Account

This account comprises advances to individuals and Housing Associations for house purchase and improvement but excludes amounts left outstanding on mortgages in respect of the sale of council dwellings to tenants. The interest on loans was calculated on the loan balances outstanding at 1 April.

	2011/12 £000	2010/11 £000
INCOME		
Interest charged to mortgagors	5	5
Fees and charges	6	15
	11	20
EXPENDITURE		
Interest on loans	5	5
Management expenses	7	19
	12	24
Contribution to / (from) General Fund	(1)	(4)

16. Members Allowances

The total of allowances paid to the members of the council was £967,836 in 2011/12 (£1,008,584 in 2010/11).

17. Employee Remuneration

17.1 Employees receiving a remuneration of over £50,000 per year

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

The council is going through a number of major reorganisations associated with the requirement to meet major reductions in central government grants. The 2011/12 figures below include an additional 16 staff (15 council and 1 school) as a result of these additional one off costs. In addition to these 16 staff, there are 9 further members of staff (8 council and 1 school) who had a basic remuneration of more £50,000 in the 2011/12 financial year who are shown in higher bands due to the inclusion of their termination costs.

	Number of Employees 2011/12		Number of Employees 2010/11	
Remuneration Band	Ealing Council	Schools	Ealing Council	Schools
£50,000 - £54,999	78	133	73	121
£55,000 - £59,999	44	69	57	69
£60,000 - £64,999	28	28	25	35
£65,000 - £69,999	22	27	21	28
£70,000 - £74,999	25	17	30	14
£75,000 - £79,999	6	11	8	10
£80,000 - £84,999	10	11	11	8
£85,000 - £89,999	7	6	1	6
£90,000 - £94,999	4	3	5	-
£95,000 - £99,999	3	3	3	3
£100,000 - £104,999	5	-	1	-
£105,000 - £109,999	1	3	3	2
£110,000 - £114,999	1	-	3	-
£115,000 - £119,999	-	-	1	-
£120,000 - £124,999	-	-	1	-
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	5	-	-	-
£135,000 - £139,999	-	-	1	-
£140,000 - £144,999	-	1	1	-
£145,000 - £149,999	-	-	1	-
£150,000 - £154,999	-	-	-	-
£155,000 - £159,999	-	-	-	-
£160,000 - £164,999	-	-	-	-
£165,000 - £169,999	-	-	-	-
£170,000 - £174,999	-	-	-	-
£175,000 - £179,999	1	-	-	-
£180,000 - £184,999	-	-	1	-
£185,000 - £189,999	1	-	-	-
Total:	**241**	**312**	**247**	**296**

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

17.2 Exit Packages
A breakdown of all compulsory and voluntary redundancy payments agreed in the 2011/12 financial year (including pension contributions paid on behalf of employees who were made redundant), is as follows:

Exit Package Band	Total Number of departures agreed in 2011/12 Voluntary	Compulsory	Total	Total Value of Exit Packages in 2011/12 £000
Under £20,000	46	49	95	807
£20,000 - £39,999	19	10	29	761
£40,000 - £59,999	10	4	14	672
£60,000 - £79,999	3	3	6	407
£80,000 - £99,999	-	2	2	175
£100,000 - £159,999	-	3	3	418
Total:	78	71	149	3,240

Exit Package Band	Total Number of departures agreed in 2010/11	Total Value of Exit Packages in 2010/11 £000
Under £20,000	34	273
£20,000 - £99,999	5	199
Total:	39	472

Due to fewer numbers of redundancies in the 2010/11 financial year, bands have been combined to preserve the anonymity of individuals concerned.

17.3 Senior Officer Remuneration :-

The following table sets out the remuneration disclosures for Senior Officers and those whose salary is £150,000 or more per year. The meaning of Senior Officers is defined in the Accounts and Audit Regulations 2009 and they are the members of the Corporate Board.

2011/12 Post Holder Information		Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration (Excluding Pension contributions) £	Pension Contributions £	Total Remuneration (Including Pension contributions) £
Martin Smith - Chief Executive		176,908	-		-	-	176,908	-	176,908
Ian O'Donnell - Executive Director for Corporate Resources		133,011	-		-	-	133,011	26,070	159,081
Pat Hayes - Executive Director for Regeneration & Housing		132,499	-		-	-	132,499	25,970	158,469
Keith Townsend - Executive Director for Environment and Customer Services		133,011	-		-	-	133,011	26,070	159,081
David Archibald - Executive Director for Children and Adults	A	See below							
		575,429	-	-	-	-	575,429	78,110	653,540

2010/11 Post Holder Information		Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration (Excluding Pension contributions) £	Pension Contributions £	Total Remuneration (Including Pension contributions) £
Martin Smith - Chief Executive		183,854	-		-	-	183,854	-	183,854
Ian O'Donnell - Executive Director for Corporate Resources		133,011	5,543		-	-	138,554	26,070	164,624
Pat Hayes - Executive Director for Regeneration & Housing		133,011	10,641		-	-	143,652	26,070	169,722
Keith Townsend - Executive Director for Environment and Customer Services		133,011	13,302		-	-	146,313	26,070	172,383
David Archibald - Executive Director for Children and Adults	A	See below							
		582,887	29,486	-	-	-	612,373	78,210	690,583

Notes

A - David Archibald is not a direct employee of the council. If the post had been filled by a council employee during 2011/12 the salary range would have been £120,444 - £133,011 (2010/11 £120,444 - £133,011)

Payments for acting as the Council's Returning Officer for elections are also included in the Salary column of this table.

18. Property, plant and equipment
18.1 The movement during the year was:-

2011/12	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	PP&E Under Construction £000	Total PP&E £000
Cost or Valuation										
At 1 April 2011	614,072	415,576	78,698	74,245	147,780	31,977	5,071	7,362	29,725	1,404,506
Additions	12,620	13,760	-	2,567	8,295	-	78	-	17,726	55,046
Revaluation Increases / (decreases) to Revaluation Reserve	(54,588)	10,931	-	-	-	-	-	718	-	(42,939)
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	50,586	(16,011)	-	(131)	-	-	-	(603)	(17)	33,824
Derecognition-Disposals	(712)	(15,572)	-	-	-	-	-	-	-	(16,284)
Other Reclassifications	7,148	18,037	-	213	1,184	-	344	(446)	(28,446)	(1,966)
At 31 March 2012	629,126	426,721	78,698	76,894	157,259	31,977	5,493	7,031	18,988	1,432,187
Depreciation and Impairment										
At 1 April 2011	-	(7,189)	(5,675)	(59,829)	(48,310)	(1,558)	-	(226)	-	(122,787)
Depreciation Charge	(9,784)	(9,389)	(1,768)	(5,316)	(6,938)	(640)	-	(66)	-	(33,901)
Depreciation written out to Revaluation Reserve	8,266	1,667	-	-	-	-	-	113	-	10,046
Depreciation written out to Surplus / Deficit on Provision of Services	1,518	3,161	-	22	-	-	-	72	-	4,773
Derecognition-Disposals	-	597	-	-	-	-	-	-	-	597
At 31 March 2012	-	(11,153)	(7,443)	(65,123)	(55,248)	(2,198)	-	(107)	-	(141,272)
Net Book Value										
At 31 March 2012	629,126	415,568	71,255	11,771	102,011	29,779	5,493	6,924	18,988	1,290,915
At 31 March 2011	614,072	408,387	73,023	14,416	99,470	30,419	5,071	7,136	29,725	1,281,719

18. Property, plant and equipment (continued)

18.1 The movement during the previous year was:-

2010/11	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 PP&E £000
Cost or Valuation										
At 1 April 2010	894,337	407,760	78,698	71,215	133,737	29,059	4,480	7,709	11,390	1,638,385
Additions	53,910	7,975	-	2,241	14,043	2,918	591	5,727	30,207	117,612
Revaluation Increases / (decreases) to Revaluation Reserve	3,615	12,208	-	-	-	-	-	996	-	16,819
Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services	(329,613)	(23,395)	-	-	-	-	-	1,466	-	(351,542)
Derecognition-Disposals	(8,177)	(55)	-	-	-	-	-	(8,536)	-	(16,768)
Other Reclassifications	-	11,083	-	789	-	-	-	-	(11,872)	-
At 31 March 2011	614,072	415,576	78,698	74,245	147,780	31,977	5,071	7,362	29,725	1,404,506
Depreciation and Impairment										
At 1 April 2010	-	(6,871)	(3,907)	(52,052)	(41,860)	(977)	-	(56)	-	(105,723)
Depreciation Charge	(11,568)	(8,924)	(1,768)	(7,777)	(6,450)	(581)	-	(270)	-	(37,338)
Depreciation written out to Revaluation Reserve	473	757	-	-	-	-	-	23	-	1,253
Depreciation written out to Surplus / Deficit on Provision of Services	11,092	7,849	-	-	-	-	-	77	-	19,018
Derecognition-Disposals	3	-	-	-	-	-	-	-	-	3
At 31 March 2011	-	(7,189)	(5,675)	(59,829)	(48,310)	(1,558)	-	(226)	-	(122,787)
Net Book Value										
At 31 March 2011	614,072	408,387	73,023	14,416	99,470	30,419	5,071	7,136	29,725	1,281,719
At 31 March 2010	894,337	400,889	74,791	19,163	91,877	28,082	4,480	7,653	11,390	1,532,662

HRA Revaluation Decrease

Council housing is held in the accounts at Economic Use Value - Social Housing (EUV-SH). This involves the market value being discounted to a percentage determined by Central Government. Until 2010/11, the percentage used was 37% of market value, but during the year, this was decreased to 25%. This therefore shows as a revaluation loss in the accounts, with the majority of this loss being charged to the Comprehensive income and expenditure statement (CIES) as there were insufficient gains in the revaluation reserve. Due to the material nature of this amount, this has been shown as an exceptional item in the CIES. Regulations allow this charge to be reversed in the movement in reserves statement, so there is no impact on Council Tax or Housing Rents. The amount charged to the CIES is made up as follows:

	£000
Revaluation decrease on Council Dwellings	(8,177)
Depreciation written out on revaluation of Council Dwellings	-
Revaluation gain on HRA other land and buildings	106
Total charged to CIES	(8,071)

18.2 Movements in PFI assets and liabilities

Assets:	Assets at 01/04/2010 £000	Movement In Year £000	Assets at 31/03/2011 £000	Movement In Year £000	Assets at 31/03/2012 £000
Ealing Schools' PFI - Ealing Schools' Partnership Ltd	11,619	(262)	11,357	(261)	11,096
Ealing Schools' PFI - Seafort Ealing Ltd	25,093	(526)	24,567	(526)	24,041
Resource Centre for Older People PFI - Ealing Care Alliance	22,959	(981)	21,978	(981)	20,997
Street Lighting PFI - EDF / Southern Electric	28,082	2,337	30,419	(640)	29,779
Building Schools for the Future - Future Ealing Limited	-	-	-	-	-
	87,753	568	88,321	(2,408)	85,913

Liabilities:	Liabilities 01/04/2010 £000	Movement In Year £000	Liabilities 31/03/2011 £000	Movement In Year £000	Liabilities 31/03/2012 £000
Ealing Schools' PFI - Ealing Schools' Partnership Ltd	(24,578)	940	(23,638)	740	(22,898)
Ealing Schools' PFI - Seafort Ealing Ltd	(48,241)	1,165	(47,076)	1,107	(45,969)
Resource Centre for Older People PFI - Ealing Care Alliance	(25,464)	403	(25,061)	368	(24,693)
Street Lighting PFI - EDF / Southern Electric	(18,915)	(1,998)	(20,913)	669	(20,244)
Building Schools for the Future - Future Ealing Limited	-	-	-	-	-
	(117,198)	510	(116,688)	2,884	(113,804)

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

	2011/12 £000	2010/11 £000
Supported Borrowing	-	44,264
Unsupported Borrowing	19,481	2,869
Revenue Contributions	14,320	4,878
Capital Receipts	763	22,595
Capital Grants and other	40,638	48,146
Major repairs reserve	13,463	20,086
Private Finance Initiative	-	2,918
	88,665	145,756

	2011/12 £000	2010/11 £000
Fixed Assets purchased	55,089	115,549
Fixed Assets acquired	-	-
under finance lease	-	-
Assets acquired under PFI	-	2,918
Revenue Expenditure Funded from Capital under Statute :	32,141	25,873
De-minimus capital expenditure	1,435	1,416
	88,665	145,756

The closing Capital financing requirement for 2011/12 was £608,188k (2010/11 £806,613k).
The movement in year is mainly down to the HRA subsidy debt settlement.

19. Intangible Assets

The council acquired software licences during 2011/12 that have been classified as intangible assets. These assets have been given finite useful lives of 3-10 years and will be amortised on a straight line basis over that period, starting in the year following acquisition.

19.1 The movement during the year was:-

	Total Intangible Assets £000
Cost or Valuation	
At 1 April 2011	855
Additions	43
Transfers	96
At 31 March 2012	994
Amortisation and Impairment	
At 1 April 2011	-
Amortisation Charge	(258)
At 31 March 2012	(258)
Net Book Value	
At 31 March 2012	736
At 31 March 2011	855

20. Assets Held for Sale

The council held one asset at 31st March 2012 as an asset held for sale.

	Assets Held for Sale £000
Balance outstanding at 1 April 2011	-
Assets newly classified as held for sale:	
Property, Plant and Equipment	1,869
Revaluation loses / gains	-
At 31 March 2012	1,869

21. 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 2012. 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.

	2012/13 £000	2013/14 £000	Total £000
Schools Services	44,163	4,063	48,226
Adult Services	707	-	707
Environment & Leisure	1,527	-	1,527
E&CS Executive Directorate	83	-	83
Parking Services	100	-	100
Housing (HRA)	20,711	-	20,711
Property & Regeneration	607	-	607
Built Environment	1,906	-	1,906
Total	69,804	4,063	73,867

22. Private Finance Initiative (PFI)

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

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

22.1 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 was £4,885k in 2011/12 (2010/11 £4,681k).

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 2011/12 was £8,298k (2010/11 £8,383k).

22.2 Building Schools for the Future (BSF) PFI

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

The main work is expected to be completed in August 2012 and service availability will begin. There was no unitary charge payment due in 2011/12.

22.3 Resource Centres for Older People : PFI Development

The PFI project is for a total of 31.5 years and involves the building of 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 2011/12 was £12,603k (2010/11 £12,272k). The increase between the two years is due to inflation.

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. On going care costs will be funded through original placement budgets.

22.4 Street Lighting PFI

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

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

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

The value of the Unitary charge in 2011/12 was £4,020k (2010/11 £3,850k).

23 Private Finance Initiative (PFI) payments due

To write down liability	31 March 2012 Schools 1 £000	31 March 2012 Schools 2 £000	31 March 2012 Street Lighting £000	31 March 2012 Care Homes £000	31 March 2012 BSF £000	31 March 2012 Total £000
within 1 year	961	1,179	765	501	(1,453)	1,953
between 2 to 5 years	4,294	5,379	2,675	1,687	1,981	16,016
between 6 to 10 years	3,729	8,538	4,477	3,107	3,725	23,576
between 11 to 15 years	6,083	11,501	7,006	4,057	4,698	33,345
between 16 to 20 years	7,829	17,763	5,321	6,212	6,756	43,881
between 21 to 25 years		1,608		9,129	9,784	20,521
between 26 to 30 years					2,793	2,793
Total	22,896	45,968	20,244	24,693	28,284	142,085

Interest charges	31 March 2012 Schools 1 £000	31 March 2012 Schools 2 £000	31 March 2012 Street Lighting £000	31 March 2012 Care Homes £000	31 March 2012 BSF £000	31 March 2012 Total £000
within 1 year	1,343	3,833	1,768	1,872	1,472	10,288
between 2 to 5 years	4,798	14,298	6,443	7,157	10,552	43,248
between 6 to 10 years	4,717	15,135	6,616	7,976	11,992	46,436
between 11 to 15 years	3,446	11,098	4,246	6,803	10,139	35,732
between 16 to 20 years	1,323	5,376	887	4,882	7,646	20,114
between 21 to 25 years		134		2,029	4,101	6,264
between 26 to 30 years					254	254
Total	15,627	49,874	19,960	30,719	46,156	162,336

Service charges & lifecycle costs	31 March 2012 Schools 1 £000	31 March 2012 Schools 2 £000	31 March 2012 Street Lighting £000	31 March 2012 Care Homes £000	31 March 2012 BSF £000	31 March 2012 Total £000
within 1 year	980	1,993	1,486	6,738	1,235	12,432
between 2 to 5 years	4,045	8,340	6,957	27,599	4,334	51,275
between 6 to 10 years	7,975	11,347	9,001	34,470	5,257	68,050
between 11 to 15 years	6,892	12,421	8,843	34,694	6,137	68,987
between 16 to 20 years	5,362	11,881	5,849	34,460	6,572	64,124
between 21 to 25 years		592		29,840	7,089	37,521
between 26 to 30 years					1,148	1,148
Total	25,254	46,574	32,136	167,801	31,772	303,537

24. Leases

24.1 Operating Leases

The council uses various assets acquired under operating leases. The rental paid during the year amounted to £985k (2010/11 £1,097k). Undischarged obligations under operating leases at 31 March 2012 amounted to £100k (2010/11 £6,444k). A breakdown of the commitment in years is shown below.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total 2011/12 £000	Total 2010/11 £000	Total 2009/10 £000
Commitment to Expire:					
Within 1 year	678	73	751	965	972
Between 2 to 5 years	1,536	27	1,563	3,240	3,393
Over 5 years	1,571	-	1,571	2,239	2,853
Total	3,785	100	3,885	6,444	7,218

The council also holds various assets for which it acts as the lessor and accounts for the rentals in the Comprehensive Income and Expenditure Statement as operating leases. For some of these assets the rental charged is only a peppercorn. The total rental received in 2011/12 from these leases was £1,038k (2010/11 £935k).

The total gross book value of the assets which are used in these operating leases is £30.3m (2010/11 £24.1m). However, for other land and buildings not all of each asset may necessarily be leased out.

24.2 Finance Leases - Lessee

For details of the council's activities as a lessor of finance leases, see note 52.

The council acquired sports equipment under a finance lease during 2008/09. The rentals payable under this arrangement in 2011/12 were £11k charged to the Comprehensive Income and Expenditure Statement as £1.5k finance costs (debited to interest payable) and £9.5k relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account in the Movement in Reserves Statement). The rentals payable were the same in 2010/11.

The following values of assets are held under finance leases by the authority, accounted for as part of Property, Plant and Equipment:

	Vehicle, Plant & Equipment 2011/12 £000	Vehicle, Plant & Equipment 2010/11 £000	Vehicle, Plant & Equipment 2009/10 £000
Value at 1 April	27	37	47
Additions	-	-	-
Revaluations	-	-	-
Depreciation	(10)	(10)	(10)
Disposals	-	-	-
Value at 31 March	17	27	37

Outstanding obligations to make payments under these finance leases at 31 March 2012, accounted for as part of long-term liabilities, are as follows:

24.2 Finance Leases (continued)

	Vehicle, Plant & Equipment Lease Payments 2011/12 £000	Vehicle, Plant & Equipment Finance Charges 2011/12 £000	Vehicle, Plant & Equipment Lease Payments 2010/11 £000	Vehicle, Plant & Equipment Finance Charges 2010/11 £000	Vehicle, Plant & Equipment Lease Payments 2009/10 £000	Vehicle, Plant & Equipment Finance Charges 2009/10 £000
Commitment to Expire:						
Within 1 year	10	1	10	1	10	1
Between 2 to 5 years	2	2	11	3	20	4
Over 5 years	-	-	-	-	-	-
	12	3	21	4	30	5

25. Valuation of Property Plant and Equipment

25.1 Total revalued amounts analysed across each of the last preceding years as follows:

	Council Dwellings £000	Other Land and Building £000	Other Land and Building (PFI) £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Surplus Assets £000
Carried at historical cost	-	-	-	76,894	102,011	-
Valued at fair value as at:						
31 Mar 2012	629,126	95,350	-	-	-	1,131
31 Mar 2011	614,072	233,041	-	-	-	10,445
31 Mar 2010	-	43,388	5,280	-	-	2,145
31 Mar 2009	-	144,622	78,152	-	-	8,257
31 Mar 2008	-	112	-	-	-	-
Total Cost or Valuation	1,243,198	516,513	83,432	76,894	102,011	21,978

The total values in the table above will differ from the net book values in the accounts due to capital expenditure incurred since earlier valuations took place and the acquisition and disposal of assets.

25.2 The valuer's methods and significant assumptions applied in estimating the items' fair value

The freehold and leasehold properties which comprise the council's property portfolio are valued on the undermentioned bases in accordance with the Appraisal and Valuation Standards Practice Statements of The Royal Institution of Chartered Surveyors. All valuations are undertaken by or under the supervision of suitably qualified Chartered Surveyors.

Cushman and Wakefield are the external contractors who inspected and revalued the council's property assets for 2011/12. All property assets are revalued as part of a five year rolling programme. Revaluations have taken place in 2011/12 comprising a mixed portfolio of operational and non-operational property.

The assets were revalued as at 31st March 2012.

Assets with a value of less than £10,000 are considered to be below the de-minimus level and are not recorded on the asset register. Building related plant and machinery are included in the valuation of the operational buildings.

Properties regarded by the council as operational were valued on the basis of existing use value or, where this could not be assessed because there was not a market for the subject asset, the depreciated replacement cost method.

The council applies IAS 16 which requires that all properties are subject to depreciation charges except where specifically exempt, i.e. non-depreciable land and assets with a useful life of over 50 years (see also accounting policy 17).

26. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council

	Art Collection £000	Ceramics, Figurines and other Antiques £000	Civic Regalia £000	Total £000
Cost or Valuation (as restated)				
At 1 April 2010	206	1304	472	1982
Additions				
Disposals				
Revaluations				
Impairment Losses / (reversals) recognised in the Revaluation Reserve				
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services				
Depreciation				
At 31 March 2011	206	1,304	472	1,982
Cost or Valuation (as restated)				
At 1 April 2011	206	1,304	472	1,982
Additions				
Disposals				
Revaluations				
Impairment Losses / (reversals) recognised in the Revaluation Reserve				
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services				
Depreciation				
At 31 March 2012	206	1,304	472	1,982

Art Collection
The council's art collection is reported in the Balance Sheet at insurance valuation which is based on market values. Insurance valuations were last updated in 2007 and valuations were carried out by Bonhams Fine Art Auctioneers and Valuers. The collection has significant items of value, and includes many paintings of scenes from the Borough of Ealing.

Ceramics, Figurines and other Antiques
The council's collection of ceramics, figurines and other antiques is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations were last updated in 2005 by Keith Baker a 19th and 20th Century Decorative Arts Consultant. The collection includes various valuable Martinware items held by the borough, and items such as a piano, a fountain, and a fireplace.

Civic Regalia
The council's collection of Civic regalia is reported in the Balance Sheet at insurance valuation which is based on market values. The last insurance valuation was carried out in 2004 by Quastel Associates, FNAVA (Fellows of the National Association of Valuers and Auctioneers). The collection includes the Borough of Ealing mace, and the Ealing Mayor's Badge.

There were no additions or disposals in the year.

26. Heritage assets other disclosures

Art Collection

The council's art collection is held at various sites, and is retained permanently as part of the local history collection to assist in the maintenance of heritage. The collection is used to form various exhibitions which are available for public viewing.

Ceramics, Figurines and other Antiques

The council's collection of ceramics and figurines and other antiques consists mainly of the largest Martinware collection in the UK. The council holds hundreds of individual pieces, individually of relatively low values. Following a break in in 2007, Martinware is no longer on display at Pitzhanger Manor. A small Martinware collection can be viewed at Southall Library however by appointment only. There are also various antiques and pieces of furniture on display at Pitzhanger Manor, and a Sundial Plinth at one of the borough's primary schools.

Civic Regalia

The council's collection of civic regalia includes various historic ceremonial badges, maces, and chains of office for Ealing, Acton and Southall. The collection also includes a collection of small antiques held by the Mayor's Parlour.

Other off balance sheet heritage assets

There is one World War 2 underground bunker at one of the borough's primary schools. Although this represents a genuine heritage asset in terms of the cultural and historical associations, it is the opinion of the council that obtaining a valuation for the bunker would be disproportionate in terms of the benefit which would be derived for users of the financial statements. It is likely that the bunker would have no value in monetary terms, as no market would exist for the sale of the asset.

Preservation and Management of Heritage Assets

Schools within the authority have the autonomy to determine their own policies with regards to the acquisition and maintenance of heritage assets. Heritage assets held by schools are of minimal value.

Heritage assets are primarily items which the borough has held historically. In the past items have been purchased for the borough art collection, however it is more common to acquire items though donations. It is rare for items to be disposed of, any items which contain material which is unique evidence of the borough's past are retained permanently. Any decision to dispose of any item of a high individual value would require the input from the Assistant Director for Arts, Heritage and Libraries, Corporate Board, and Members.

Cleaning of heritage assets is carried out as part of a maintenance schedule, and those assets which are in storage are professionally wrapped by art handlers. The collection is stored securely. Part of the borough's collection of heritage assets is kept on an electronic register, and other parts of the collection are registered in a card catalogue. Electronic archiving of the art collection is currently being undertaken.

27. Long Term Debtors

	31 March 2012 £000	31 March 2011 £000
Council House Sales	138	179
Housing Associations	40	41
Deferred Capital Receipt	10,000	10,000
PFI Prepayment	-	-
Finance Lease Income	555	616
Car Loans to Employees	64	68
Other	101	73
	10,898	10,977

28. Cash and cash equivalents

Cash and cash equivalents include the following components:

	31 March 2012 £000	31 March 2011 £000
Cash at bank and in hand	11,255	14,524
Short term deposits	29,900	23,000
	41,155	37,524

29. Short-term Debtors

	31 March 2012 £000	31 March 2011 £000
Government Departments	4,619	6,657
Allowance for non-collection	-	-
Government Department (net of non-collection)	**4,619**	**6,657**
Other Public Authorities	7,761	4,706
Allowance for non-collection	-	-
Other Public Authorities (net of non-collection)	**7,761**	**4,706**
Payments in Advance	**3,525**	**3,253**
Council Tax	14,198	15,128
Allowance for non-collection	(11,306)	(12,437)
Council Tax (net of non-collection)	**2,892**	**2,691**
Rent Arrears (including Housing Benefit overpayments)	21,505	20,558
Allowance for non-collection	(18,459)	(16,962)
Rent Arrears (net of non-collection)	**3,046**	**3,596**
Housing Association Grant Due	**23**	**25**
Sundry Debtors	41,910	44,331
Allowance for non-collection	(19,211)	(17,952)
Sundry Debtors (net of non-collection)	**22,699**	**26,379**
Total	**44,565**	**47,307**

30. Short-term Creditors

	31 March 2012 £000	31 March 2011 £000
HM Revenue & Customs	(5,409)	(5,925)
Other Government Departments	(19,958)	(10,911)
Other Public Authorities	(5,618)	(5,638)
Receipts in Advance	(6,625)	(8,731)
Council Tax Payers	(4,801)	(4,017)
Ealing Pension Fund	(2,237)	(7,319)
Housing:		
Rents	(2,067)	(2,264)
Mortgages	-	-
Ealing Homes	-	(2,065)
Sundry Creditors	(71,066)	(68,220)
	(117,781)	(115,090)

31. Long Term Creditors

	Balance at 1 April 2010 £000	Receipts in year £000	Payments in year £000	Balance at 31 March 2011 £000	Receipts in year £000	Payments in year £000	Balance at 31 March 2012 £000
Hull-Grundy Bequest Fund	(191)	(1)	5	(187)	-	-	(187)
Northala Fields	(132)	(42)	114	(60)	-	25	(35)
Deposits	(421)	(1)	111	(311)	(1)	91	(221)
PFI Schemes	(104,507)	(3,132)	2,111	(105,528)	(702)	3,184	(103,046)
Education Balances	(198)	(649)	500	(347)	(620)	720	(247)
Section 106 Agreements	(6,528)	(3,001)	2,334	(7,195)	(7,422)	4,581	(10,036)
Microsoft Licences Phase Payments	-	(534)	-	(534)	-	-	(534)
Other	(114)	(51)	64	(101)	(132)	72	(161)
Total	(112,091)	(7,411)	5,239	(114,263)	(8,877)	8,673	(114,467)

32. 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.

	2011/12 £000	2010/11 £000
Balance at 1 April	(22,662)	(17,576)
Amounts received	(52,506)	(33,902)
Applied in year	41,594	28,816
Balance at 31 March	(33,574)	(22,662)

33. Provisions

Short-term provisions

	Balance at 1 April 2010 £000	Payments in year £000	Receipts in year	Balance at 31 March 2011 £000	Payments in year £000	Receipts in year £000	Balance at 31 March 2012 £000
Insurance Provision	4,211	(3,663)	395	943	(483)	953	1,413
Other Provisions	1,180	(1,332)	2,289	2,137	(1,207)	983	1,913
Total Provisions	5,391	(4,995)	2,684	3,080	(1,690)	1,936	3,326

Long-term provisions

	Balance at 1 April 2010 £000	Payments in year £000	Receipts in year	Balance at 31 March 2011 £000	Payments in year £000	Receipts in year £000	Balance at 31 March 2012 £000
Insurance Provision	4,208	(175)	250	4,283	(2,015)	-	2,268
Other Provisions	578	(278)	133	433	(436)	1,238	1,235
Total Provisions	4,786	(453)	383	4,716	(2,451)	1,238	3,503

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

1. Claims and self insurance provision - this is used to provide funding to cover liability claims, risk management and "all risks" cover for specified equipment in council establishments. On the basis of professional advice from the council's insurance brokers, officers are of the view that all known insurance risks are provided for.

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

3. Land charges - provision has been made following the Information Commissioner's decision that some information charged for under the property search legislation introduced in 2008 should have been provided free of charge

4. Redundancy - a provision has been set up to cover the redundancy costs to be incurred in 2012/13, where decisions to restructure services have resulted in notice of redundancy being given prior to 31 March 2012.

5. Ealing Homes - a provision has been set up to cover outstanding costs associated with Ealing Homes ceasing trading on 31 March 2011.

34. Revaluation Reserve

	General Fund 2011/12 £000	HRA 2011/12 £000	Total 2011/12 £000	Total 2010/11 £000
Balance at 1 April as restated	56,196	65,410	121,606	104,052
Revaluation Reserve depreciation	(438)	-	(438)	(519)
Revaluation gains / losses	11,564	(43,712)	(32,148)	18,073
Disposal of revalued fixed assets	(597)	-	(597)	-
Balance at 31 March	66,725	21,698	88,423	121,606

35. Capital Adjustment Account

	2011/12 £000	2010/11 £000
Balance at 1 April	346,925	649,837
Revaluation Gains / Losses charged to CIES	37,890	(332,525)
Disposal of Fixed Assets	(15,687)	(16,763)
Minimum revenue provision	14,867	14,771
Depreciation	(22,468)	(26,129)
Capital Grants applied	40,638	48,146
Revaluation Reserve Depreciation	1,035	519
De-Minimus Capital Expenditure	(1,436)	(1,416)
Applied capital receipts	763	22,592
Direct revenue financing	14,321	4,891
Contribution from major repairs reserve	2,004	8,876
Revenue Expenditure Funded from Capital under Statute	(32,141)	(25,874)
HRA Debt Settlement	203,039	-
Balance at 31 March	589,750	346,925

36. Financial Instruments Adjustment Account

Various regulations allow the council not to charge amounts or to defer charges to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Financial Instruments Adjustment Account balance is outlined below.

	2011/12 £000	2010/11 £000
Balance at 1 April	2,669	3,522
Effective Interest Rate Adjustment	(20)	(19)
Amortisation of Loan premium	(435)	(834)
Balance at 31 March	2,214	2,669

37. Usable Capital Receipts

	2011/12 £000	2010/11 £000
Balance at 1 April	6,595	4,937
Received in year	1,990	24,277
HRA receipts paid to the pool	(20)	(27)
Applied during year	(1,084)	(22,592)
Balance at 31 March	7,481	6,595

38. Deferred Capital Receipts

	2011/12 £000	2010/11 £000
Mortgages	149	191
Dicken's Yard	10,000	10,000
Other General Fund	456	487
Other HRA	200	215
Balance at 31 March	10,805	10,893

39. Earmarked Housing Revenue Account Reserves

	Balance at 1 April 2010 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2011 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2012 £000
Major Repairs Reserve	39,948	11,210	(20,086)	31,072	11,729	(13,733)	29,068
Estate regeneration delivery fund	-	-	-	-	7,000	-	7,000
Total Reserve Balance	39,948	11,210	(20,086)	31,072	18,729	(13,733)	36,068

The Estate Regeneration Delivery Fund has been set up to finance future estate regeneration.

40. General Fund

	2011/12 £000	2010/11 £000
Balance at 1 April	15,311	15,241
(Decrease) / Increase in General Fund Balance for the Year	52	70
Balance at 31 March	15,363	15,311

41. Transfers to and from Earmarked Reserves

General Fund:	Balance at 1 April 2010 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2011 £000	Transfers in £000	Transfers out £000	Balance at 31 March 2012 £000
Agency workers regulations				-	49	(25)	24
BSF Transport Infrastructure	-	175	-	175	69	(1)	243
Building Schools for the Future	1,225	4	-	1,229	14	-	1,243
Business Risk Reserve	10,735	925	(1,584)	10,076	4,902	(5,179)	9,799
By-elections Reserve	100	-	-	100	-	-	100
Capital Expenditure Financing Reserve	4,000	3,115	-	7,115	2,802	(6,904)	3,013
Capitalisation Reserve	15	-	(15)	-	-	-	-
Children's Services Reserve	-	2,640	-	2,640	-	(910)	1,730
Civil Disorder Recovery	-	-	-	-	822	(437)	385
Community grants	-	-	-	-	362	-	362
Compensation for loss of office Reserve	5,677	2,360	(1,234)	6,803	2,192	(6,820)	2,175
Ealing Civic Improvement Fund (ECIF)	2,819	435	(661)	2,593	658	(1,060)	2,191
Economic Incentive Reserve	1,020	-	-	1,020	-	(250)	770
Elections Reserve	574	195	(354)	415	398	-	813
Greenford Depot Reserve	-	250	-	250	-	-	250
Health & Safety Inspection Reserve	1,139	-	(70)	1,069	-	(126)	943
Housing Benefit Grant Reserve	1,000	-	-	1,000	-	(1,000)	-
Human Resources Reserve	2,967	2,282	(4,909)	340	2,340	(2,180)	500
ICT Reserve	3,000	-	(2,713)	287	-	(187)	100
Insurance Reserve	-	3,340	-	3,340	870	-	4,210
Invest to Save Reserve	956	250	(194)	1,012	12	(18)	1,006
LAA Performance Reward Grant	-	3,384	-	3,384	338	(2,077)	1,645
Line by Line Reserve	1,507	1,650	(1,507)	1,650	1,458	(1,650)	1,458
Local Authority Business Growth Incentive Grant	434	-	(434)	-	-	-	-
Mayors relief Fund	-	-	-	-	4	(1)	3
New Secondary School - Greenford Glaxo	2,471	359	-	2,830	10	-	2,840
Other balances	-	-	-	-	6	-	6
Parking Places Reserve Account	-	845	-	845	704	-	1,549
Property Dilapidation Reserve	765	32	(255)	542	-	(500)	42
Property Maintenance Reserve	97	-	(97)	-	-	-	-
Property Projects Reserve	3,000	-	(787)	2,213	646	(2,859)	-
Recycling Rate maximisation reserve	-	-	-	-	500	-	500
Repairs & Renewals Reserve	1,152	-	(690)	462	49	(511)	-
Residents´ survey	-	-	-	-	38	-	38
Revenue Grants	2,128	501	(1,601)	1,028	1,052	(777)	1,303
School Contributions Reserve	-	450	-	450	1,859	(20)	2,289
School Effectiveness Wind Down Costs	-	1,418	-	1,418	-	(1,190)	228
Schools Central Exp. Reserve (DSG)	284	1,116	(285)	1,115	4	(372)	747
Specific Grant Reduction Reserve	-	1,500	-	1,500	-	(1,500)	-
Transport / Legal Reserve	134	-	-	134	-	(134)	-
Treasury Risk Reserve	3,343	-	-	3,343	2,700	(3,343)	2,700
VAT Reserve	250	227	-	477	-	(193)	284
Ward Forum Reserve	123	111	(123)	111	237	(111)	237
Warm homes healthy people fund	-	-	-	-	93	-	93
Sub-total Ear-marked Reserves	50,915	27,564	(17,513)	60,966	25,188	(40,335)	45,819
PFI and Schools Balances:							
Education PFI Reserve	13,477	2,385	(8)	15,854	14,044	(8,028)	21,870
Older Person's PFI Reserve	3,754	264	(200)	3,818	264	-	4,082
Street Lighting PFI Reserve	3,692	47	(612)	3,127	3,041	(2,427)	3,741
Individual Schools Budget Balances	16,316	758	(184)	16,890	4,558	-	21,448
Sub-total Other Reserves	37,239	3,454	(1,004)	39,689	21,907	(10,455)	51,141
Total Reserves & Revenue Balances	**88,154**	**31,018**	**(18,517)**	**100,655**	**47,095**	**(50,790)**	**96,960**

Reserves :
Contributions to revenue reserves have been made for expenditure planned or likely to arise in future accounting periods and where it is considered appropriate to provide some resources in advance.

41.1. Agency Workers Regulations Reserve - This reserve is to cover the potential impact of the agency worker regulations which came into effect from October 2011 and which cannot be covered within normal revenue budget allocations.
41.2. BSF Transport Infrastructure - Fund to cover the transport infrastructure costs associated with BSF projects as laid out in the planning conditions for Dormers Wells High School and Cardinal Wiseman.
41.3. Building Schools for the future reserve - to support the BSF programme and the client side Local Education Partnership team.
41.4. Business Risk Reserve - the council faces a challenging financial climate in the medium term and this reserve has been established to provide a source of financial resources to protect the council against issues arising from business risks.
41.5. By elections Reserve - the reserve has been established to cover the unpredictable cost of council by-elections, which may happen at any time in the political cycle.
41.6. The Capital Expenditure Financing Reserve has been established to fund future capital projects.
41.7. The Children's Services Reserve has been set up to fund the strategic budget setting process in 2011/12 and 2012/13.
41.8. Civil Disorder Recovery Reserve - Reserve to cover costs associated with the council's efforts to recover local infrastructure and economic activity following the civil disorder of summer of 2011.
41.9. Community Grants Reserve - this reserve is for community grants being carried forward into future years.
41.10. The Compensation for Loss of Office Reserve has been set up to enable the cost of the capital contribution made to the Pension Fund in respect of early retirement and redundancy costs to be spread over five years by repayment from the employing department.
41.11. The Ealing Civic Improvement Fund has been set up as a fund primarily for improvements in the borough.
41.12. The Economic Incentive Reserve was set up to provide resources for the council to respond to the rapidly changing economic conditions.
41.13. Elections reserve - the council faces the cost of full council elections every four years. The Elections reserve has been established to spread the cost over the entire period of the council. Funds are added annually.
41.14. Greenford Depot Reserve has been established to cover building works at Greenford Depot
41.15. The Health and Safety Inspection Reserve has been set up to fund the council's Health & Safety developments.
41.16. Human Resources Reserve - this has been set up to assist in the management of the council's obligations towards Human Resources issues
41.17. The ICT Reserve has been set up in order to fund the implementation of the new ICT strategy
41.18. The Insurance Reserve has been established as a fund to cover future insurance claims.
41.19. Invest to Save reserve: A reserve established to fund schemes, largely capital, (but not exclusively capital), outside of the usual budget process to drive innovation in service delivery which deliver cash savings. This reserve will be replenished from the cash savings in order to be self sustaining.
41.20. LAA Performance Reward Grant, covering prior years' activity, was received in 2010/11. The reserve created from this will be used to further fund the objectives of the LAA and a proportion of the performance grant will be paid out to lead agencies, although decisions around this will be taken during 2012/13.
41.21. The Line by Line Reserve was created in 2008/09 as a result of a line by line review of service budgets which has been used for the 2009/10 budget. A further line by line review of service budgets was carried out in 2009/10 and 2010/11 and used for the 2010/11, 2011/12 and 2012/13 budgets.

41 Reserves and Other Revenue Balances (continued)

41.22. Mayor's Relief Fund - a reserve holding sums raised for benevolent purposes following the death of a resident in the civil disorder of summer 2011.
41.23. New Secondary School - A reserve has been established to support expansion of secondary school places through a new high school in the north of the borough.
41.24. Other balances - This has been set up for small adhoc funding from specific projects.
41.25. Parking Places Reserve Account - The surplus will be reinvested, as per Section 55 of the Road Traffic Regulation Act 1984 (as amended), in improvements in the delivery in on- and off-street parking services.
41.26. Property Dilapidation Reserve - this reserve has been established to provide resources for the renovation and renewal of the council's property portfolio.
41.27. Recycling Rate Maximisation Reserve - Reserve established to further recycling initiatives in the borough.
41.28. Residents' Survey Reserve - a reserve to build up funding for the bi-annual survey.
41.29. The Revenue Grants Reserve has been set up to hold the balance of revenue grants that can be spent across more than one financial year, but will not have to be repaid. This was introduced following the change to International Financial Reporting Standards as these balances were previously held within the balance sheet as creditors.
41.30. School Contributions Reserve - contributions received from schools which are required to support the continuation of certain school schemes.
41.31. School Effectiveness Wind Down Costs - contribution from schools grants to fund the wind down costs of the School Improvement and Schools Partnerships services in 2011/12.
41.32. Schools Central Expenditure Reserve (DSG) - this is the underspend on DSG funding allocated to the central expenditure element within the schools budget. The underspend must be carried forward to support the Schools Budget in future years.
41.33. Treasury Risk Reserve has been set up to protect the council against any adverse variations in interest rate movement.
41.34. The VAT reserve has been set up to protect the council against possible future VAT charges.
41.35. The Ward Forum Reserve has been set up to fund a programme of Ward specific projects which are approved following resident and Councillor consultation.
41.36. Warm Homes Healthy People Fund - this is for a DoH grant to fund the Warmer Homes initiative in the Borough.
41.37. The private finance initiative (PFI) reserves have been set up to meet the difference between government revenue grant and actual costs for PFIs in future years.
41.38. The Individual Schools Budget Reserve has been set up to contain all the schools balances (see note 43).

42. Education Trust Funds
The council administers nine education trust funds, established in most cases to provide prizes for pupils. The total capital value of the funds is £48,207 (2010/11 £48,207) with revenue balances of £12,144 (2010/11 £12,125).

43. Disclosure of Deployment of Dedicated Schools Grant
The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/12 are as follows:

		2011/12 Central Expenditure £000	2011/12 Individual School Budget £000	2011/12 Total £000	2010/11 Total £000
A	Final DSG for the year			260,022	216,936
B	Brought forward from previous year			1,115	284
C	Carry forward agreed in advance				(599)
D	Agreed budgeted distribution in year	34,820	226,030	260,850	216,621
E	In year adjustments	1,332	(9,119)	(7,787)	-
F	Final budget distribution	36,152	216,911	253,063	216,621
G	Less actual central expenditure	(35,405)	-	(35,405)	(27,963)
H	Actual ISB deployed to schools	-	(216,911)	(216,911)	(188,142)
I	Local Authority Contribution			-	-
J	**Carry Forward to 2012/13**	**747**	**-**	**747**	**1,115**

Notes
A DSG figure as issued by the Department in July 2011, and increased February 2012
B Figure brought forward from 2010/11 as agreed with the Department.
C Amount which the authority decided after consultation with the schools forum to carry forward to 2012/13
D Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum
E Changes to the initial distribution.
F Budgeted distribution of DSG as at the end of the financial year.
G Actual amount of central expenditure items in 2011/12
H Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the council once it is deployed to schools' budget shares.
I Contribution from the local authority in 2011/12
J Carry Forward to 2012/13

The 2010/11 comparitive figures have been restated from that published in the 10/11 statement of accounts Last year the carry forward was £516k, which did not include the DSG carried forward in advance of £599k, which is now shown in row C due to guidance advising that this should also have been included, hence the restated figure is £1,115k.

44. Ealing Homes Ltd

In September 2004 Ealing Homes Ltd (an ALMO) took over the management of the council's housing stock. In 2011/12, its last year of operation, the turnover of Ealing Homes was £17.1m and net liabilities were valued at £16.6m including pension liabilities. The council was liable to contribute to the debts of Ealing Homes if it was wound up to the value of £1. The principal role of Ealing Homes was to manage the council's housing stock.
Up to 31st March 2011 Ealing Council did not control the day to day management of Ealing Homes as it only had a minority of directors 5 out of 17. However, Ealing Council is the only guarantor (shareholder) and therefore had and has ultimate control of Ealing Homes Ltd.
The Management Agreement with Ealing Council ended on 31st March 2011 with the management of the council's housing stock transferring back to the the council's direct control on 1st April 2011. All the staff of Ealing Homes transferred to the council on that date, with the result that the Ealing Homes Ltd pension deficit of £17.412m was taken over by the council on that date.
Ealing Homes Ltd continues to exist and in the period to 31st July 2011 wound up its affairs, incurring £40,000 of costs in the process, with two Ealing Council directors acting the sole directors of Ealing Homes Ltd.
As at 31st July 2011, when audit accounts were prepared and filled with Companies House, Ealing Homes had a surplus of £889,000 (following the transfer of the pensions deficit) which it is due to pay to the council's HRA once the last remaining claim against Ealing Homes has been resolved. This amount has been recorded as a debtor to the HRA in the council's accounts.

45. Retirement Benefits

45.1 Transactions relating to retirement benefits

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

	2011/12 £000	2010/11 £000
Comprehensive Income & Expenditure Statement (CIES)		
Net Cost of Services:		
transfer of Ealing Homes deficit	17,412	-
current service cost	22,126	23,853
past service costs:		
gain due to change in scheme benefits	-	(56,624)
costs due to early retirements etc during the period	(1,760)	(825)
effect of settlements or curtailments	(5,245)	58
Net Operating Expenditure:		
interest cost	50,945	52,092
expected return on assets in the scheme	(38,733)	(34,720)
Net Charge to CIES	**44,745**	**(16,166)**
Movement in Reserves Statement		
transfer of Ealing Homes deficit	(17,412)	-
reversal of net charges made for retirement benefits in accordance with IAS 19	(27,333)	16,166
actuarial gains and losses	(64,292)	46,529
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to scheme	34,848	27,406

In the 10/11 financial accounts there was an exceptional item in the CIES reducing the council's liabilities in the Ealing Pension Fund by £56,624k due to the change from the inflationary movement on Pensions to Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

In 2011/12 Ealing transfered to the council for direct control. All staff transfered to the coucil and as a result the pension deficit of £17,412k was taken over by the council.

The estimatated contributions expected to be paid to the scheme during the annual period beginning 1 April 2012 is £27,059k.

45.2 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2011/12 £000	2010/11 £000
1st April	(903,282)	(931,342)
Transfer of Ealing homes deficit	(30,357)	-
Current service cost	(22,126)	(23,853)
Interest cost	(50,945)	(52,092)
Contributions by scheme participants	(8,272)	(8,666)
Actuarial gains and losses	(32,720)	25,873
Benefits paid	33,970	29,407
Curtailments	5,432	(58)
Past service (costs)/gain	1,760	57,449
31st March	(1,006,540)	(903,282)

Reconciliation of fair value of the scheme assets:

	2011/12 £000	2010/11 £000
1st April	598,763	536,722
Transfer of Ealing homes deficit	12,758	-
Expected rate of return	38,733	34,720
Actuarial gains and losses	(31,572)	20,656
Employer contributions	34,848	27,406
Contributions by scheme participants	8,272	8,666
Benefits paid	(33,970)	(29,407)
31st March	627,832	598,763

45. Retirement Benefits (continued)

45.3 Scheme History

	2011/12 £000	2010/11 £000
Present Value of Liabilities	(1,006,540)	(903,282)
Fair Value of Assets	627,832	598,763
Surplus/(deficit) in the scheme:	(378,708)	(304,519)

45.4 Basis for estimating assets and liabilities

	2011/12	2010/11
The principal assumptions used by the actuary have been:		
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.5%
Bonds	4.1%	5.1%
Other	0.5%	0.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.6	21.5
- Women	24.2	24.2
Longevity at 65 for future pensioners:		
- Men	23.0	22.9
- Women	25.9	25.8
Rate of RPI inflation		3.4%
Rate of CPI inflation	2.5%	2.9%
Rate of increase in salaries	4.25%	4.65%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.9%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

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

	31 March 2011 %	31 March 2010 %
Equity investments	67.4	71.0
Bonds	29.2	26.0
Cash / Liquid Assets	2.8	3.0
Pooled Investment Vehicles	0.6	0.0
	100.0	100.0

45.5 History of experience on gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2011/12 %	2010/11 %	2009/10 %	2008/09 %	2007/08 %
Differences between the expected and actual return on assets	(5.0)	3.4	22.8	(36.8)	(12.5)
Experience gains and losses on liabilities	3.3	(2.9)	(22.4)	24.0	(2.2)

The actual return on plan assets in 2011/12 was £7,161k (£37,048k 2010/11)

46. Pension Costs - Teachers

Teachers employed by the council are members of the Teachers Pension Scheme administered by the Teachers Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement and the council contributes towards the costs by making contributions based on a percentage of members pensionable salaries.

In 2011/12 the council paid £13.7m (2010/11 - £14.0m) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 14.1 % (2010/11 - 14.1%) of teachers pensionable pay for the year. At 31 March 2012 the pension contributions due to the scheme in respect of the March 2012 salaries were £1.63m.

Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employer's contribution rate to be paid by all local education authorities. However it is not possible for the council to identify a share of the underlying assets and liabilities of the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers scheme.

In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2011/12 these amounted to £1.47m, (2010/11 - £1.47m) representing 1.51% (2010/11 – 1.48%) of pensionable pay.

47. Investments in associates

47.1 The council, in partnership with certain other London Boroughs and Housing Associations is operating a joint lettings scheme for housing tenants. A company called Locata (Housing Services) Ltd has been set up for this purpose. The turnover in 2011/12 was £2,199k (£2,307k in 2010/11) and the net assets held were £444k (£412k net assets in 2010/11).

The council's contribution to Locata Ltd in 2011/12 was £44k (£46k in 2010/11). There were no other transactions or indebtedness between the company and council.

The council is liable to contribute to debts and liabilities of the organisation if it was wound up, to the value of £10. The company's accounts have not been consolidated into the council's accounts because the sums involved are not material to the council's accounts and it has limited influence on the company being one of 6 local authorities and a number of housing associations with voting rights.

A copy of Locata's accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ or on-line at www.companieshouse.gov.uk

47.2. The council entered into a PFI agreement with Balfour Beatty Education in 2010/11 for the provision of a new school under the Building Schools for the Future (BSF) scheme. The special purpose vehicle (SPV) company set up for this contract, Future Ealing Limited is owned jointly by the council and Balfour Beatty Education, with the council having a 20% stake in the company. In addition to this, the council has invested £600k into Future Ealing's working capital which is shown as a short term investment in these accounts.

Future Ealing Limited have not been consolidated into the council's accounts. The financial figures of the company show that the sums involved are not material to the council's accounts, this will continue to be monitored going forward.

The assets and liabilities acquired under the PFI scheme will be recognised in the council's single entity accounts in line with other PFI schemes and the council's accounting policies.

48. Financial Instruments Balances

Types of Financial Instruments

Accounting regulations require the "financial instruments" (the investments, lending and borrowing of the council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments" and trade creditors and debtors.

TABLE 1 – FINANCIAL INSTRUMENT BALANCES:

	Long-term			Current		
	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Financial liabilities at amortised cost	503,453	646,412	596,206	7,066	9,588	9,367
Trade Creditors	11,421	8,735	-	112,980	111,073	142,909
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Total financial liabilities	514,874	655,147	596,206	120,046	120,661	152,276
Loans and receivables	-	600	-	248,411	179,367	148,243
Loans and receivables - shown as cash equivalents	-	-	-	29,900	23,000	36,713
Trade Debtors	10,279	10,293	-	41,673	47,167	73,974
Available-for-sale financial assets	-	-	-	-	-	-
Fair value through Profit and Loss	-	-	-	-	-	-
Total financial assets	10,279	10,893	-	319,984	249,534	258,930

NOTES

1. The council's debt reduced significantly during the year from £664.7M to £501.7M mainly as a result of changes to the HRA subsidy system brought about by the terms of the Localism Act 2011, under which the council will no longer receive housing subsidy but, under the self-financing determination, the government (DCLG) redeemed £203.039m of the council's housing debt. The council will now take full control of the housing rental income enabling more effective planning for the long term management of this key service and assets. During the year 2011/12 loans totalling £60m were raised.

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

Market loans (LOBOs) of £61m have been included in long term borrowing but have a call date in the next 12 months.

49. Financial Instruments Gains/Losses

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

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	2011/12 Total £000s	Liabilities measured at amortised cost £000s	Loans and receivables £000s	2010/11 Total £000s
Interest expense	(33,878)		(33,878)	(31,684)	-	(31,684)
Interest payable and similar charges	(33,878)		(33,878)	(31,684)	-	(31,684)
Interest income		2,800	2,800	-	2,225	2,225
Interest and investment income	-	2,800	2,800	-	2,225	2,225
Gains on revaluation			-			-
Losses on revaluation			-			-
Amounts recycled to the I&E account after impairment			-		(77)	(77)
Surplus arising on revaluation of financial assets in other comprehensive Income and Expenditure	**-**			-	(77)	(77)
Net gain/(loss) for the year	**(33,878)**	**2,800**	**(31,078)**	(31,684)	2,148	(29,536)

The fair values are calculated as follows:

TABLE 3 - FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 2012		31 March 2011		31 March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB - maturity	418,339	458,207	563,903	546,951	523,726	552,184
LOBOs	91,055	92,005	91,072	98,840	81,047	92,799
Other	1,125	1,125	1,025	1,025	800	800
Financial Liabilities	510,519	551,337	656,000	646,816	605,573	645,783

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

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 2012		31 March 2011		31 March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	278,311	277,960	202,967	203,070	184,956	185,002
Financial assets	278,311	277,960	202,967	203,070	184,956	185,002

The differences are attributable to fixed interest instruments receivable being held by the council whose interest rate is lower than the prevailing rate estimated to be available at 31 March. This reduces the fair value of loans and receivables.

The fair values for loans and receivables have been determined with reference to reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

50. Nature and extent of risks arising from financial instruments

The council's management of treasury risks actively works to minimise the council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the council in the annual treasury management strategy report. The procedures for risk management are set out through a legal framework based on 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 which incorporates the prudential indicators was approved by Council on 28th February 2011 and is available on the council's website.

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

1. Credit risk
Credit risk is the possibility that other parties may not pay amounts due to the council. This risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers.

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. This includes subscribing to Sector Treasury Services's credit rating analysis of financial institutions.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria set by the council. Additional selection criteria are also applied after this initial criteria is applied. Following the financial crises of 2008/09 treasury officers are still operating a restricted counterparty list (institutions to which the authority can lend) to ensure that any new investment exposure is to local authorities, UK banks rated at least AA- or who have the Bank of England support, or AAA. Money Market Funds were suspended for most of the financial year 2011/12 due to an escalation of the Eurozone debt crises. Senior managers review the position on a weekly basis and Treasury officers and the Head of Financial Planning & Investments monitor the position daily and report on any market developments. In addition the Treasury Risk and Investment Board meet monthly which includes the Executive Director of Corporate Resources. The portfolio holder for finance is also kept informed.

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

TABLE 5 - CREDIT RISK (A)

	Amounts at 31 March 2012 £000	Historical experience of default 31 March 2012 %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated Maximum exposure to default 31 March 2012 £000	Estimated Maximum exposure to default 31 March 2011 £000
AAA	24,900	0.00%	0.00%	0	0
AA	30,000	0.03%	0.03%	9	9
A	61,383	0.08%	0.08%	49	49
BBB	0	0.23%	0.24%	0	0
Local Authorities	160,200	0.00%	0.00%	0	0
Escrow account (Glitnir)	380	0.00%	0.00%	0	0
Total	276,863			58	58

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

The full Investment Strategy for 2011/12 was approved by Full Council on 28/2/2011 and is available on the council's website.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £276.8m 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 Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the council currently has one impaired investment with the Icelandic bank Glitnir.

ICELANDIC BANK DEFAULT

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The council had £2m deposited in one of these institutions (Glitnir), with the following maturity date and interest rate:

Glitnir	Date invested	Maturity date	Amount invested £000	Interest £000	Amount Repaid to date £000	New Investment Retained in Escrow £000	Total £000	Net £000
	15/01/2008	15/01/2009	2,000	109	1,665	381	2,046	63

All monies within Glitnir were subject to the Icelandic administration and receivership processes. The total payments to depositors such as the council have already been determined by the administrators / receivers.

Based on the latest available information the council received in 2010/11 the council considered that it was appropriate to make an impairment adjustment of £1,753k over three years as the available information was not definitive and the amounts and timings of payments to be made by the administrators / receivers, in future years was unclear given the legal overhang.

The Icelandic Supreme Court recently delivered its decision and granted Local Authorities 'preference creditor status'. Based on the assets of Glitnir bank (where Ealing invested £2m) local authorities, (as preferential creditors), received 100% distribution before general unsecured creditors. However the council sustained a 3% currency loss.

The council has to date received a distribution of £1,665,191.58 of its stranded Icelandic investment from the Glitnir bank winding up board. Funds were received in a basket of 4 currencies. The remaining distribution of approximately £380,232 is being held in an escrow account in Icelandic Krone's due to Icelandic foreign exchange controls. There will therefore be some delay in receiving that element of the final distribution in the UK. Interest is accruing at the rate of 3.4% per annum, however the council is now exposed to currency risk.

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

2. Liquidity Risk

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

In addition, the council has access to a facility to borrow from the Public Works Loans Board. As a result, there is no significant risk that the council will be unable to raise finance to meets its commitments under financial instruments. The council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. £60m of long-term borrowing was taken out in 2011/12 to take advantage of low interest rates on offer. The council's policy is to ensure that not more than 20% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

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

	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Loans Outstanding:			
Public Works Loans Board	412,607	555,646	515,646
Market debt	88,000	88,000	78,000
Temporary borrowing	-	-	-
Other	1,125	1,025	800
Total	**501,732**	**644,671**	**594,446**
Less than 1 year	6,031	-	-
Between 1 and 2 years	9,670	1,025	800
Between 2 and 5 years	41,986	44,750	25,750
More than 5 years	444,045	598,896	567,896
Total	**501,732**	**644,671**	**594,446**

In the more than 5 years category, there are £61m of market loans Lenders Option Borrowers Option (LOBOs) which have a call dates in the next 12 months, i.e. the lender has the option to call the loan.

The maturity analysis of financial liabilities are outlined above and this falls within the maximum and minimum limits for fixed as agreed in the TM strategy.

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

3. 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, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy 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 treasury management team 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 policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. There is a £10m PWLB variable rate loan, and £61m Market Loans LOBO’s with call dates that fall within the financial year 2011/12. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the council’s cost of borrowing and so provide compensation for a proportion of any higher costs.

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

TABLE 8 - INTEREST RATE RISK

	31 March 2012 £000	31 March 2011 £000
Increase in interest payable on variable rate borrowings	792	720
Decrease in interest receivable on variable rate investments	(2,899)	(2,403)
Decrease in government grant receivable for financing costs		(54)
Impact on Comprehensive Income and Expenditure Statement (CIES)	**(2,107)**	**(1,737)**
Share of overall impact debited to HRA	**(225)**	**(149)**
Decrease in fair value of 'available for sale' investment assets	-	-
Impact on Comprehensive Income and Expenditure Statement	**-**	**-**
Decrease in fair value of fixed rate borrowing liabilities (no impact on CIES)	(63,342)	(72,021)
Decrease in fair value of fixed rate investments (no impact on CIES)	-	

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

4. Price Risk

The council does not invest in equity shares, other than an investment in Future Ealing Limited (see note 47.2) where the council invested in a 20% share of the companies at a purchase price of £39.60 for the equity share, and £600k investment to cover 20% of the PFI subdebt to mature on completion of the PFI project in 2012/13, and does not have any available for sale assets and thus has no exposure to price risk.

5. Foreign Exchange Risk

The council has one financial asset the (new Glitnir investment) of £380k denominated in a foreign currency and thus has an exposure to loss arising from movements in exchange rates. The council sustained a currency loss of £3k a nearly 1% currency loss on this investment between the 15th March and the 31 March 2012.

51. Cash flow statement - operating activities (interest)

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

	2011/12 £000	2010/11 £000
Interest Received	2,714	2,182
Interest Paid	(99,413)	(40,881)

52. Finance Leases - Lessor

The council has leased out 10 properties under finance leases with remaining terms of between 1 and 16 years.

The council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

52. Finance Leases - Lessor (continued)

	31 March 2012 £000	31 March 2011 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	46	45
- non-current	610	657
Unearned finance income	255	298
Unguaranteed residual value of property	58	58
Gross investment in the lease	969	1,058

The gross investment in the lease and minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	86	88	46	45
Later than one year and not later than five years	337	332	198	193
Later than five years	546	638	412	464
	969	1,058	656	702

The council has not set aside any allowance for uncollectible amounts in respect of these leases as at 31 March 2012.
The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

	Notes	2011/12 £000	2010/11 £000
Expenditure			
Repairs and Maintenance		11,879	15,535
Supervision and management		20,748	22,569
Exceptional Item - Pension deficit transfer from Ealing Homes		17,412	-
Rent, rates, taxes and other charges		119	90
Depreciation and impairment of non-current assets	7	(40,152)	330,908
Debt Management Costs		35	31
Movement in the allowance for bad debts	3	442	542
Revenue expenditure funded from capital under statute	8	2,623	10,801
Total Expenditure		13,106	380,476
Income			
Dwelling rents		(57,439)	(54,557)
Non-dwelling rents		(1,312)	(996)
Charges for services and facilities		(4,959)	(4,782)
Contributions towards expenditure		(2,570)	(1,376)
Housing Revenue Account subsidy receivable (including MRA)	10	(5,385)	(4,929)
Total Income		(71,665)	(66,640)
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(58,559)	313,836
HRA services' share of Corporate and Democratic Core		412	412
HRA share of other amounts included in the whole authority Cost of services but not allocated to specific services		556	89
Net Cost of HRA Services		(57,591)	314,337
(Gain) or loss on disposal of HRA fixed assets		(1,086)	6,570
Interest payable and similar charges	11	73,189	15,648
Interest and investment income		(553)	(434)
Pension Interest cost and expected return on pension assets		401	64
Capital grants and contributions receivable		-	(2,593)
Capital Grants and Contributions - HRA Subsidy Settlement Payment	11	(258,732)	
(Surplus) or deficit for the year on HRA services		(244,372)	333,592

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

Movement on the HRA Statement

	2011/12 £000	2010/11 £000
Balance on the HRA at the end of the previous year	6,986	6,936
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	244,372	(333,592)
Adjustments between accounting basis and funding basis under statute	(236,422)	333,702
Net increase or decrease before transfers to or from reserves	7,950	110
Transfers to or from reserves	(6,861)	(60)
Increase or decrease in year on the HRA	1,089	50
		-
Balance on the HRA at the end of the current year	8,075	6,986

Adjustments between accounting basis and funding basis under statute

	2011/12 £000	2010/11 £000
Charges for depreciation and impairment of non current assets		
Depreciation charged to HRA services below the Major Repairs Allowance element of housing subsidy, Net of Non-Dwelling Depreciation	(504)	1,283
Revaluation losses on Dwellings and Other Land and Buildings	(51,377)	318,415
Capital grants and contributions credited to the HRA Income and Expenditure Statement	-	(2,593)
HRA Subsidy - Capital Grants Contributions Determination Settlement ; Charges for Early Redemption of Debt	(203,039)	
Application of grants to capital financing transferred to the Capital Adjustment Account		
Revenue expenditure funded from capital under statute	2,623	10,801
Net gain or loss on sale of non-current assets	(1,086)	6,570
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(445)	(843)
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	18,369	153
Employer's pensions contributions and direct payments to pensioners payable in the year	(967)	(83)
Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	(1)
Total Adjustments	(236,422)	333,702

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Stock Analysis

	2011/12	2010/11
Flats	10,078	10,047
Houses	2,891	2,862
Temporary Accommodation	114	114
Shared Ownership	6	7
Long Leases	19	19
	13,108	13,049

2 Stock Valuation at Net Book Value

	31 March 2012 £000	31 March 2011 £000
Council Dwellings		
Dwellings - vacant possession value	2,475,756	2,456,285
Less: reduction to reflect Social Housing use	(1,846,630)	(1,842,213)
Dwellings - equivalent Social Housing value	629,126	614,072
Other Land & Buildings		
Garages	32,150	32,060
Shops	4,889	4,765
Land & Buildings	3,782	3,565
Total	669,947	654,462
Vehicles, Plant, Furniture and Equipment	258	437
Assets Under Construction	1,442	6,010
TOTAL	671,647	660,909

The vacant possession value of dwellings within the HRA as 31st March 2012 is £2,476M. The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to government of providing council housing at less than market rents.

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

a Rent Arrears

	2011/12 £000	2010/11 £000
Tenants:		
Dwellings	3,751	3,983
Temporary Accommodation (net)	612	676
Long Leases (net)	33	63
Total	4,397	4,722
Leaseholders:		
Service Charge - Capital	2,989	2,521
Service Charge - Revenue	389	209
Total	3,378	2,730

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

b Provision for Bad or Doubtful Debts

	2011/12 £000	2010/11 £000
Tenants:		
Provision at 1 April	3,395	3,809
Write-offs in year	(624)	(956)
Increase in provision	442	542
Provision at 31 March	3,213	3,395
Leaseholders		
Provision at 1 April	345	345
Write-offs in year	(345)	
Provision at 31 March	0	345

4. Major Repairs Reserve (MRR)

	2011/12 £000	2010/11 £000
Balance at 1 April	31,072	39,948
Depreciation charges for all dwellings	11,729	11,210
Capital projects funded from the MRR	(13,733)	(20,086)
Balance at 31 March	29,068	31,072

5 Capital expenditure and funding

	2011/12 £000	2010/11 £000
Dwellings	19,228	70,166
Other Properties	270	240
Total	19,498	70,406
Funded by:		
Borrowing	2,732	39,891
Credit Arrangements		-
Capital Receipts	674	6
Revenue contributions		-
Major Repairs Reserve	13,464	20,086
Leaseholder's Income		2,300
Capital Grants	2,628	8,123
	19,498	70,406

6 Capital Receipts

	2011/12 £000	2010/11 £000
Land	251	328
Council Dwellings	1,621	1,273
Other Receipts	71	103
Total	1,943	1,704

Local authorities are required to contribute to the Housing Capital Receipt Pool a proportion of receipts generated from the disposal of HRA assets. In 2011/12 £20k (£27k in 2010/11) of receipts was paid into the pool.

7 Depreciation and Impairment Charge

	2011/12 £000	2010/11 £000
Depreciation Charges		
Council Dwellings	9,821	11,568
Other Land & Buildings	1,404	925
TOTAL	11,225	12,493
Impairment Charges / Revaluation Losses/(Gains)		
Dwellings and Other Land and Buildings	(51,377)	318,415

This reflects gains on HRA dwellings arising from an accounting adjustment to the annual value. Further details are given in note 18.1 to the main financial statements.

8 Revenue Expenditure Funded from Capital under Statute

	2011/12 £000	2010/11 £000
Dwellings	-	-
Other Properties	2,623	10,801
	2,623	10,801

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

9 Contribution to the Pensions Reserve

	2011/12 £000	2010/11 £000
Employer's Contribution to the Pension Fund	967	83
	967	83

10 HRA Subsidy

	2011/12 £000	2010/11 £000
Management and Maintenance	30,236	28,390
Charges for capital	20,728	19,277
Adjustments	(114)	458
Notional Rents	(57,186)	(54,394)
Interest on receipts	(8)	(12)
Housing Element Subsidy	(6,344)	(6,281)
Major Repairs Allowance	11,729	11,210
Total HRA subsidy for the year	5,385	4,929

11 Capital Grants Contributions

	2011/12 £000	2010/11 £000
HRA Debt Settlement - Self-financing determinations		
Capital receipt	203,039	0
Settlement payment	55,693	0
	258,732	0

This is to recognise payment from the Secretary of State of a capital receipt in accordance with the requirements of the Localism Act 2011. This has been immediately applied to the repayment of HRA debt. The recognition of the grant on the face of the HRA has no impact on the bottom line as this is reversed out via the statement of movement on the HRA .

Interest Payable and Similar Charges

	2011/12 £000	2010/11 £000
Interest Payable and Similar Charges	17,496	15,648
Charges Incurred on the redemption of HRA Debt	55,693	
Total	73,189	15,648

The charge of £55,693k was incurred by the authority on the redemption of HRA debt by the Secretary of State. This is a non-cash transaction and there is no impact on the HRA bottom line.

COLLECTION FUND ACCOUNT

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

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2012

	2011/12 £000	2010/11 £000
INCOME		
Income from Council Tax Payers (note 1)	133,655	132,743
Council Tax Benefits	32,269	31,972
Income collectable from business ratepayers	129,309	108,527
Income collectable in respect of Business Rate Supplement	4,234	4,268
	299,467	277,510
EXPENDITURE		
Precepts and Demands		
- Ealing Council	125,973	124,049
- Greater London Authority	36,823	36,260
Contribution towards previous year's estimated surplus		
- Ealing Council	3,500	3,018
- GLA	1,025	882
Impairment of debts/appeals		
- Write offs	3,418	1,559
- Allowance for impairment	(1,495)	355
Business Rates		
Payment to the national pool (note 3)	128,816	108,021
Cost of collection	493	506
Business Rate Supplements		
Payment to levying authority (GLA) (note 4)	4,206	4,243
Administrative costs	28	25
	302,787	278,918
Fund surplus brought forward	5,859	7,267
Surplus/(Deficit) for year	(3,320)	(1,408)
Fund surplus at 31 March	2,539	5,859
Analysis of Surplus :		
Ealing Council	1,968	4,534
Greater London Authority	571	1,325
	2,539	5,859

NOTES TO THE COLLECTION FUND ACCOUNT

1. Income from Council Tax

	2011/12 £000	2010/11 £000
Council Tax Income:- 121,134 * £1,369.75	165,924	164,715
Less Council Tax Benefits	(32,269)	(31,972)
Due from Taxpayers	133,655	132,743

2. Council Tax

The Council Tax is a banded capital value based property tax with a 25% discount for single adult households. For the 2011/12 estimate, 127,421 domestic properties provided a tax base equivalent to 121,138 band D properties after adjustments for discounts and exemptions.

Band		Estimated No. of properties after discounts & exemptions	Ratio	Equivalent No.of band D properties at 31 March 2012
A		2,679	6/9	1,786
B		10,889	7/9	8,469
C		26,666	8/9	23,703
D		38,295	9/9	38,295
E		19,912	11/9	24,337
F		8,740	13/9	12,624
G		6,155	15/9	10,258
H		833	18/9	1,666
Total		**114,169**		**121,138**
	Adjustment for actual collection rate			-3
	Council Tax base for 2011/12			**121,135**

3. Income from NNDR

The council collects non-domestic rates which are based on local rateable values multiplied by a national rate of 43.3 pence, 42.6 pence for business with a rateable value less than £25,500 (41.4 and 40.7 pence respectively in 2010/2011). The local rateable value at 31 March 2012 was £352m (£350m at 31 March 2011). The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government so there will be no impact on the finances of the council as a result of this change. The calculation of the amount due to the pool is set out below :-

	2011/12 £000	2010/11 £000
Non-domestic charges raised	151,538	130,144
Add / (deduct) allowances and other adjustments:		
Transitional Relief	(666)	(1,505)
Empty and Void Relief	(7,706)	(7,893)
Charitable and Other Relief	(9,681)	(7,785)
Provision for uncollectable amounts	(4,125)	(4,152)
Cost of collection and interest	(544)	(788)
Deferred Instalments		
Contribution to NNDR national pool	128,816	108,021

The amount due from Business Ratepayers and hence due to the pool includes £330k that is now payable in 2010/11 and 2011/12. This is due to the granting of a deferral under schedule 1B of the NDR (Collection and Enforcement) (Local Lists) Regulations 1989 as inserted by the Non-Domestic Rating (Deferred Payments) (England) Regulations 2009 (SI 1597).

4. Business Rate Supplements (BRS)

The GLA raised a levy under the Business Rates Supplements Act 2009 for the 2011/12 financial year to finance its contribution to the Crossrail project.

PENSION FUND

PENSION FUND ACCOUNTS

INTRODUCTION TO THE FUND, ACCOUNTING POLICIES AND PRINCIPLES

Introduction

1. The London Borough of Ealing Pension fund is part of the Local Government Pension Scheme (LGPS), which is a statutory, funded pension scheme. The LGPS benefits are defined and set out in law. There have been no significant changes to the LGPS scheme in the year 2011/12.

2. The objective of the London Borough of Ealing Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the Fund, as well as to show the results of the stewardship of management.

3. The Fund is operated under regulations made by the Department of Communities and Local Government under Section 7 of the Superannuation Act 1972.

4. Membership of the fund consists of contributing members, deferred members, pensioners, widows and dependants.

	31 March 2012	31 March 2011
Contributing members	6,242	6,379
Deferred members	6,350	6,248
Pensioners, widows and dependants	6,571	6,237

5. The council is the administering authority of the scheme and has the major share of contributors and pensioners. There are now 20 contributing scheduled bodies and 7 admitted bodies. All of the bodies shown below contribute to the Fund.

Other employers contributing to the Fund as at 31st March 2012 are:

Scheduled Bodies

Brentside High
Brentside Primary
Cardinal Wiseman
Derwentwater Primary
Dormers Wells Infant
Dormers Wells Junior
Dormers Wells High
Dormers Wells Trust
Drayton Manor High
Edward Betham CE Primary
Ellen Wilkinson School for Girls
Featherstone High
Greenford High
Northolt High
St Ann's
Twyford Academy
University of West London (formally Thames Valley University)
West London Academy
Wood End Infants
Wood End Academy

Admitted Bodies

Compass Group
EC Harris
Greenwich Leisure
May Gurney (left 1 April 2012)
MITIE PFI
NSL Parking
Viridian Housing

6. All investments are managed by external fund managers, Lazard Asset Management Ltd for UK Equities, RCM (UK) Ltd for Global Equities and Royal London Asset Management Ltd for Corporate Bonds.

Accounting Policies

7. The pension fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2011/12 issued by CIPFA (Chartered Institute of Public Finance and Accountancy). The accounting policies contained in the Code apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS19 Employee Benefits and IAS26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these statements. Where IAS26 is less detailed in its reporting requirements and this leads to lack of clarity then due to the hierarchy of standards recourse is to UK GAAP and thus the Pension SoRP (Statement of Recommended Practice). The fund accounts are not consolidated with the accounts of the council.

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

9. Investment income is accounted for on an accruals basis for all securities.

10. Transfers to and from the fund were previously accounted for on a cash basis (in accordance with CIPFA's Code of Practice) but are now accounted for on an accruals basis. Practically this change only affects transfers out, as it is prudent to account for transfers in only when money has been received. Transfers out however are paid by the Pension Fund so the date of discharging member liability can be easily determined. This change provides more accurate transfer values and debtor/creditor amounts. The value of this change is immaterial, £93,141.56 was accrued for in 2011/12 and £124,552.26 would have been accrued for in 2010/11.

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

12. Apart from the actuarial valuation there are no estimated figures that can have a significant risk of materially adjusting assets or liabilities within the next financial year.

Actuarial Valuation

13. The Fund is valued by an independent actuary every 3 years. An independent valuation was carried out by Mercer Limited as at 31 March 2010 to determine the contribution rate from 1 April 2011 to 31 March 2014. It showed an excess of liabilities over assets of £258M, representing a funding level of 70%.

14. Contributions to the Scheme by employers are set at rates determined by the Scheme’s Actuary and approved by the London Borough of Ealing Pension Fund Panel. The council is meeting the fund’s liabilities by a recovery plan that has been certified by the Actuary for the next three years. Since the 2010 Valuation this has required contributions from the council and ex grant maintained schools of 12.1% of pensionable pay plus a fixed cash value (£9,664k in 2011/12, £10,123k in 2012/13 and £10,604k in 2013/14). Notionally this equates to 19.6% of pensionable pay (19.6% in 2010/11). Other Admitted and Scheduled bodies rates differed, reflecting different profiles of liabilities.

15. The contribution rates were calculated using the projected unit actuarial method from the 2010 Actuarial Valuation and the main assumptions were as follows:

	For Past Service Liabilities	For Future Liabilities
Investment Return	6.50%	6.75%
Earnings Growth	4.75%	4.75%
Price Inflation	3.00%	3.00%

16. The most recent actuarial valuation was carried out as at 31 March 2010 to determine the contribution

rates for the next three years. It showed an excess of liabilities over assets of £258M. This excess will be addressed by increases in employer's contributions as necessary over a 20-year recovery period. The Actuary used a "market value" basis for the valuation of the Fund at 31 March 2010. Assets amounted to £610M representing 70% of the Fund's accrued liabilities of £868M.

17. In accordance with IAS 26 the actuarial present value of promised retirement benefits are shown in the attached report by the Actuary in the Appendix.

Basis for Valuation

18. Investments are shown in the accounts at market value, which is determined as follows:

    18.1. All valuations for investments at 31 March 2012 and transactions during 2011/12 financial year are obtained from the accounting records of the Custodian Bank of New York Mellon (BNYM). This is the same principle as applied in the 2010/11 accounts.

    18.2. All UK investments are valued using an official vendor feed, usually International Data Corporation (IDC), but data from other vendors is used as appropriate in line with the Custodian BNYM Global Pricing Guidelines.

    18.3. Actively traded investments are valued on the basis of bid market prices where available or at fair value where these prices are not available.

    18.4. Unit trust and In-house funds are stated at the bid point of the latest prices quoted by their respective managers.

    18.5. Overseas investments are valued using official vendor feeds in accordance with BNYM's Global Pricing Guidelines and translated into sterling at the rate prevailing on 31st March 2012. IDC is usually used for foreign equities except US equities that are typically priced using Interactive Data Pricing and Reference Data Inc (IDSI).

    18.6. Dividends received from foreign investments during the year are accounted for in sterling at the foreign exchange rate prevailing on the day of receipt.

19. The Custodian BNYM completes a monthly reconciliation of its portfolio valuation to external fund manager at a line-by-line security level. The custodian works to the following tolerances

Nominal Value:	Zero tolerance
Market Value:	200 basis points at an individual line level
	20 basis points at a portfolio level
Accruals:	1,000 currency units per line

Statement of Investment Principles (SIP)

20. The Statement of Investment Principles for Ealing Pension Fund was reviewed as part of the annual report covering the 2010/11 Annual Accounts and approved by the Pension Fund Panel as Trustees of the Fund on 8 December 2011. The SIP is published on Ealing's web site and is available to any interested party.

PENSION FUND - FUND ACCOUNT

Dealings with members, employers and others directly involved in the scheme	2011/12 £000	2010/11 £000
INCOME		
Contributions: (note 11)		
-employer contributions	31,519	27,191
-member contributions	9,206	9,777
Transfers in from other pension funds	4,543	5,089
Other Income (note 10)	1,129	309
	46,397	42,366
EXPENDITURE		
Benefits: (note 12)		
-pensions	27,096	25,562
-commutation of pensions & lump sum retirement benefits	6,981	4,203
-lump sum death benefits	211	759
Payment to and on account of leavers:		
-refunds of contributions	39	22
-transfers out to other schemes	2,803	9,253
Other Payments:		
Administrative expenses (note 8)	1,006	1,149
	38,136	40,948
Sub-total: Net additions from dealings with members	8,261	1,418
RETURNS ON INVESTMENTS		
Investment Income		
-income from fixed interest securities	11,085	10,088
-dividends from equities	13,965	11,075
-pooled funds	328	227
-interest on cash deposits	41	32
Profit and losses on disposal of investments and changes in value of investments	2,568	20,844
Investment management expenses (note 9)	(2,223)	(2,324)
Sub-total: Net returns on investments	25,764	39,942
Surplus / (Deficit) on the fund for the year	34,025	41,360
Net assets of the scheme at 1 April	657,507	616,147
Net assets of the scheme at 31 March	691,532	657,507

PENSION FUND - NET ASSETS STATEMENT

	2011/12 £000	2010/11 £000
INVESTMENT ASSETS		
Fixed Interest Securities		
UK Corporate Bonds	186,262	162,821
UK Government	813	964
Other UK	3,912	10,748
Equities		
UK	231,203	228,127
North America	73,275	59,295
Europe	106,179	107,497
Japan	16,407	22,061
Pacific	18,497	18,166
Emerging Markets	10,919	17,492
Other	6,987	5,728
Pooled Investment Vehicles		
Other managed funds	4,191	3,931
Cash deposits (note 6)		
Cash held by custodian	79	992
Money market instrument	13,051	6,131
Other Short Term Investment Balances		
Debtors		
Interest due	4,218	3,794
Dividends due	2,131	1,428
Recoverable tax on dividends	546	498
Unsettled sales	1,327	-
Other Income receivable	5	5
Total Investment Assets	680,002	649,678
INVESTMENT LIABILITIES		
Other Investment Balances		
Creditors		
Unsettled purchases	(3,509)	(1,175)
NET INVESTMENTS (Under External Management)	676,493	648,503
LONG-TERM FINANCIAL ASSETS		
Long Term Debtors (note 7)	-	938
Total Long-term Financial Assets	-	938
CURRENT ASSETS		
Contributions due from employers (note 13)	364	525
Payments in advance (note 13)	6	1
Other Debtors (note 13)	-	862
Cash balances not forming part of investment assets	16,076	7,318
Total Current Assets	16,446	8,706
CURRENT LIABILITIES		
Unpaid benefits (note 14)	(735)	(18)
Accrued expenses (note 14)	(672)	(622)
Total Current Liabilities	(1,407)	(640)
TOTAL NET ASSETS	691,532	657,507

RECONCILIATION OF OPENING NET ASSETS TO CLOSING NET ASSETS

	Net Assets of Scheme 31/03/2011 £000	Purchases of Investments £000	Sales of Investments £000	Increase in fund during year £000	Cash Applied to Investment during year £000	Net Assets of Scheme 31/03/2012 £000
Lazard	244,474	120,824	(114,162)	(2,512)		248,624
RCM	213,892	59,760	(57,877)	(932)		214,843
RLAM	178,464	50,907	(40,309)	6,116		195,178
Cash held by Custodian	992			(1,284)	371	79
Money Market Instruments	6,131	106,526	(99,606)			13,051
Investment Income Due	5,720			26,602	(25,427)	6,895
Unsettled Sales	-				1,327	1,327
Other Investment debtors	5					5
Unsettled Purchases	(1,175)				(2,334)	(3,509)
Net External Investments	**648,503**	**338,017**	**(311,954)**	**27,990**	**(26,063)**	**676,493**
Net Current Assets with LBE	9,004			6,035		15,039
Net Assets	**657,507**	**338,017**	**(311,954)**	**34,025**	**(26,063)**	**691,532**
				Note (i)	Note(ii)	

Increase in Fund during Year	**2011/12 £000**	**2010/11 £000**	
Change in Market Value of Investments	2,568	20,844	
Net Additions from dealings with Members	8,261	1,418	
Investment Management Expenses	(2,223)	(2,324)	
Investment Income	25,419	21,422	
Net Increase in Fund during the year	**34,025**	**41,360**	Note (i)

Change in Investments during 2011/2012	**2011/12 £000**	**2010/11 £000**	
Purchases for the Year	338,017	358,877	
Less Sales for the Year	(311,954)	(336,925)	
Net increase in Investments at book cost	**26,063**	**21,952**	
Funded By:			
Distribution of Cash Fund managers	-	-	
Investment Income received for re-investment during year	25,427	20,912	
Cash receipts applied to investment during year	636	1,040	
Net Investment in Fund	**26,063**	**21,952**	Note(ii)

NOTES TO THE ACCOUNTS

1. The Fund investment management arrangements were last reviewed in 2006/07. The Pension Fund Panel appointed RCM for Global Equities, Lazards for UK Equities and Royal London Asset Management (RLAM) for UK Corporate Bonds and the transition to the new arrangements was completed in April 2007. The three specialised managers have also been set out-performance targets of 2.0% pa for Lazard and RCM and 1.0% pa for RLAM against their selected benchmarks.

2. The Fund's investments as at 31st March 2012 continued to be managed by Lazard, RCM and RLAM, acting under the direction of the Pension Fund Panel. The Market Value of the investments managed by each fund manager at 31st March 2012 was £254m, £222m and £200m respectively based on the Custodian BNYM valuation. The asset classification by sector shown in the accounts for 2011/12 is provided by the Custodian, this is consistent with the figures in 2010/11.

3. The proportion of the externally managed assets held by the fund managers as at 31st March 2012 compared to the target allocation are:

	Proportion 2011/12	Proportion 2010/11	Target Allocation
Lazard	37%	38%	42%
RCM	33%	34%	33%
RLAM	30%	28%	25%

4. Investment transactions for the Fund, excluding cash instruments, are shown below. Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs charged directly to the scheme include fees, commissions, stamp duty and other fees. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

	2011/12	2010/11
Sales	£212m	£222m
Purchases	£231m	£242m
Transaction Costs	£918k	£961k

5. Securities which exceed 5% of an asset class or type of security are shown below. There are no securities which exceed 5% of net assets.

Holding	2011/12 £000		2010/11 £000	
Royal Dutch Shell Plc B Shares	12,926	5.6% of Global equities	14,626	6.2% of Global equities
BP Plc Ordinary Shares	15,395	6.7% of UK equities	14,329	6.5% of UK equities
Vodafone Group Ordinary Shares	12,457	5.4% of UK equities	13,861	6.3% of UK equities
GlaxoSmithKline Ordinary Shares	12,229	5.3% of UK equities	7,259	3.3% of UK equities
British American Tobacco Ordinary Shares	11,886	5.1% of UK equities	4,467	2.0% of UK equities
RBS Global Treasury GBP Fund	13,051	100% of Cash instruments	6,131	100% of Cash instruments
RLAM Bond Funds Plc Sterling Extra Yield	4,191	100% of Pooled Funds	3,931	100% of Pooled Funds

6. In addition to the sales and purchases of investments there was a further net investment during the year in an overnight money market fund. The Custodian also held some funds in currency accounts at 31 March 2012.

	2011/12 £000	2010/11 £000
Cash held by custodian	79	992
Money market instrument	13,051	6,131

7. Long term debtors in 2010/11 relate to money due to be paid to the Pension fund, payable within 1 and 5 years in relation to Augmentation strain costs from Early retirements. This debtor was paid in 2011/12.

8. Administrative Expenses

	2011/12 £000	2010/11 £000
Actuarial expenses	32	93
Pension administration & payroll	859	937
External audit	34	26
Other administrative expenses	81	93
	1,006	**1149**

9. Investment Expenses

	2011/12 £000	2010/11 £000
Fund management	1,833	1,951
Custodian	69	74
Investment consultancy	40	41
LB Ealing recharge	255	220
Other Investment expenses	26	38
	2,223	**2,324**

10. Other income earned by the pension fund includes the costs from early retirements, class action claims, and internal interest on cash balances held by the council. There were no tax refunds during 2011/12. During 2011/12 there were 44 early retirements accounted for (5 in 2010/11).

	2011/12 £000	2010/11 £000
Income in relation to Early retirements	1,063	228
Internal interest	53	35
Class action income	13	6
Tax refunds	0	40
	1,129	**309**

11. The total contributions split by administering authority, scheduled bodies and admitted bodies.

	2011/12 £m	2010/11 £m
Administering authority (LB Ealing)	35.1	29.7
Scheduled bodies	5.1	6.8
Admitted bodies	0.5	0.5
	40.7	**37.0**

During 2011/12 London Borough of Ealing paid £5m to the Pension Fund as an initial payment for the conversion of Compensatory Added Years Pensions into Fund Benefits as enabled by 13(A) of the LGPS (Benefits Membership and Contributions) Regulations 2007. Annual payments of £1.09m are then to be paid until 31st March 2032.

12. Benefits Payable

	2011/12 £m	2010/11 £m
Administering authority (LB Ealing)	31.3	27.6
Scheduled bodies	2.7	2.6
Admitted bodies	0.3	0.3
	34.3	**30.5**

13. Debtors

	2011/12 £000	2010/11 £000
Central government bodies	0	0
Local authorities	235	1,154
NHS bodies	0	0
Public corporations & trading funds	0	0
Bodies external to general government	135	234
	370	**1,388**

14. Creditors

	2011/12 £000	2010/11 £000
Central government bodies	1	1
Local authorities	0	0
NHS bodies	0	0
Public corporations & trading funds	0	0
Bodies external to general government	1,406	639
	1,407	**640**

Additional Voluntary Contributions

15. The Fund provides an Additional Voluntary Contribution (AVC) scheme for its contributors, the assets of which are invested separately from the Fund, in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The scheme providers are Scottish Widows and Equitable Life, where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions. Funds are invested across a range of Funds. Employee contributions made into the AVC facilities during the year were:

- Scottish Widows £103,754.96, 1 April 2011 - 31 March 2012 (£63,356.11, 1 April 2010 - 31 March 2011)
- Equitable Life £7,325.12, 1 November 2010 - 31 October 2012 (£8,339.07, 1 November 2009 - 31 October 2010)

The latest available fund valuations are as follows:

	2011/12 £000	2010/11 £000
Scottish Widows with Profits Fund (31 March 2012)	**586**	**478**
Equitable Life with Profits Fund	194	240
Equitable Life Unit Linked Fund	164	187
Equitable Deposit Account Fund	60	96
Total Value of Equitable Life Funds (31 October 2011)	**418**	**523**
	1,004	**1,001**

IFRS 7 Nature and extent of risks arising from Financial Instruments

16. The Pension Fund activities expose it to a variety of financial risks:

Credit risk - the possibility that other parties might fail to pay amounts due to the Fund.

Liquidity risk - the possibility that the Fund might not have funds available to meet its commitments, in particular pension benefits.

Market risk - the possibility that financial loss might arise for the Fund as a result of changes in such measures as interest rates and stock market movements.

17. **Credit Risk**

The entire Pension Fund investment portfolio is exposed, to a greater or lesser degree, to credit risk. This risk is minimised through the Statement of Investment Principles and the Funding Strategy Statement. The Fund also appoints Fund Managers on an active mandate, which helps to manage this risk by looking at company fundamentals rather than broad sector movements.

The Funds maximum exposure to credit risk in relation to its investments 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.

The Bond portfolio is managed closely with reference to credit ratings and duration management. The managers are only allowed to invest in investment grade bonds. The council's bond manager also invests in unrated bonds on which they carry out their own due diligence and award proprietary ratings to. The bond manager, has a comprehensive set of risk controls against which all portfolios are measured and monitored. Portfolio risk is evaluated using UBS Delta allowing them to Value At Risk (VAR). Portfolios are monitored on a live basis on a fund management system, 'ThinkFolio', where applicable mandate guidelines are built in.

From 1 April 2011, Pension Fund cash has been managed separately from the council's in a separate bank account. Under the current strategy, the Pension Fund is only permitted to invest in nationalised or part-nationalised UK banks and HSBC (AA rated by Fitch), thereby severely limiting credit risk.

Non-investment transactions go through Ealing Council’s bank account and balances are transferred throughout the year. As Ealing Council is a local authority the Pension Fund’s credit risk is considered negligible. There is however indirect exposure to the council’s investments but credit risk is managed by employing a restricted counterparty list (Local Authorities, UK banks rated at least AA- or who have been fully or partly nationalised and UK Treasury Bills).

The table below highlights the credit risk exposure to internally managed Pension Fund cash as at 31st March 2012.

Counterparty	Fitch Long Term Rating	2011/12 £m	2010/11 £m
Lloyds TSB Bank plc	A	6	-
RBS Banking Group plc	A	8	-
HSBC Bank plc	AA	-	-
London Borough of Ealing	N/A	2	-
		16	**-**

Payments are received from admitted and scheduled bodies in regard the contributions of their members of the scheme. Based on experience of default and uncollectability over the last five financial years, the risk of default in the future is considered very low. Bond Agreements are in place for Admitted Bodies to ensure liabilities would be met in the event a contractor were to be dissolved, wound-up, liquidated or cease to exist.

18. **Liquidity Risk**

The Pension fund transactions are actioned through the Administering Authority Bank Account. The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Pension fund transaction will continue to be transacted through the Administering Authority Bank Account and the relevant balance will be transferred between the authority and the fund throughout the year. The pension fund maintains the liquidity of its internal cash balances by investing in highly liquid accounts (RBS account is instant access and Lloyds a 32 day notice account). This enables instant access to cash to meet expenditure liabilities as they fall due.

The pension Fund is cash positive so there is a very low risk that the pension fund cash would be fully depleted. Budgeting and forecasting exercises are carried out to monitor this situation. The Pension fund could draw money down from the Fund managers' investment portfolios if expenditure exceeded income, as the scheme is mainly invested in highly marketable securities.

19. **Market Risk**

19.1. Actuarial Risk

The funding of defined benefits is by its nature uncertain. Funding of the Pension Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity-based strategy, so that actual asset out-performance of gilts between successive valuations could diverge significantly from the overall 1.4% per annum currently required on the basis of the 2010 valuation assumptions.

19.2. Price Risk

The Fund invests in equity shares; consequently it is exposed to losses arising from movements in the prices of shares. The council is responsible for the investment return achieved on the Fund's assets. The investment objective is to maximise investment returns over the long term within specified risk tolerances. Investment returns are defined as the overall rates of return (capital growth and income). The Pension Fund Panel has decided that, given the financial circumstances of the Fund, it can afford to take on some risk in the pursuit of incremental return particularly given the strong liquidity status of the fund i.e. being cash flow positive.

The council seeks to diversify risk through having more than one investment management firm with different strategies and investment philosophies to manage the assets of the Fund. Currently, there are three investment managers, with an additional investment manager to be appointed in 2012 to manage a commercial property mandate. The investment policy is to appoint expert investment managers with clear performance benchmarks and to place maximum accountability for out performance against those benchmarks on the investment manager. Ealing has adopted an active specialist approach to investment management.

The individual managers' current activity and transactions are reported quarterly to the Pension Fund Panel who question and seek explanations from the investment consultant and investment managers (when asked to attend Panel meetings) on their activities and performance. The investment performance of the managers is calculated independently by the WM Company. Performance is monitored against the benchmark and a peer group universe of other local authorities.

The Fund invests in UK Fixed Interest Corporate Bonds, which also exposes the Fund to losses arising from price movements and downgrading of bonds. Bonds in general are considered less risky than stocks, because Bonds carry the promise of their issuer to return the face value of the security to the holder at maturity. Most bonds also pay investors a fixed rate of interest income that is also backed by a promise from the issuer. Historically the bond market has been less vulnerable to price swings or volatility than the stock market, however the average returns from bond investments have also been historically lower, if more stable, than average stock market returns.

Where the bond manager is holding bonds that have been downgraded, and this bond is retained in the portfolio, the Investment manager must explain to the Pension Fund Panel the reasons for retention and update regularly. With downgraded bonds there is the risk that their value will sustain further significant falls, however the Investment manager may predict the reason for downgrade to be temporary based on their expert knowledge of the market.

The table below is a sensitivity analysis looking at the effect of market movements on the Total Net Asset value. Potential price changes (calculated by our performance analysts The WM Company) are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

Asset Type	2011/12 £000	% change	Increase £000	Decrease £000
UK Bonds	190,987	7.5	205,311	176,663
UK Equities	231,203	14.6	264,959	197,447
Overseas Equities	232,264	14.9	266,871	197,657
Pooled Investment Vehicles	4,191	7.5	4,505	3,877
Other non-market balances	32,887	0.0	32,887	32,887
Total Net Assets	**691,532**		**774,533**	**608,531**

Asset Type	2010/11 £000	% change	Increase £000	Decrease £000
UK Bonds	174,533	7.5	187,623	161,443
UK Equities	228,127	14.6	261,434	194,820
Overseas Equities	230,239	14.9	264,545	195,933
Pooled Investment Vehicles	3,931	7.5	4,226	3,636
Other non-market balances	20,677	0.0	20,677	20,677
Total Net Assets	**657,507**		**738,505**	**576,509**

19.3. Inflation Risk

The Fund is invested in a broad range of assets, which have a stake in the real economy and will generally be expected to perform relatively well in an inflationary environment. The decision to diversify into property will provide an additional inflation hedge for the fund as lease agreements tend to stipulate long term inflationary linked cash flows from rental income.

19.4. Interest Rate Risk

Cash balances and Fixed interest securities have a more direct exposure to interest rate movements than equities. The cash flows of the former and market value of the latter are influenced by movements in market interest rates. The sensitivity analysis below looks at the effect of a change in year of 0.5% (GBP 7 day LIBID).

Asset Type	2011/12 £000	% change	Increase £000	Decrease £000
Fixed Interest Securities	190,987	0.5	191,942	190,032
Cash held externally	13,130	0.5	13,196	13,064
Cash held internally	16,076	0.5	16,156	15,996
Total	**220,193**		**221,294**	**219,092**

Asset Type	2010/11 £000	% change	Increase £000	Decrease £000
Fixed Interest Securities	174,533	0.5	175,406	173,660
Cash held externally	7,123	0.5	7,159	7,087
Cash held internally	7,318	0.5	7,355	7,281
Total	**188,974**		**189,920**	**188,028**

19.5. Foreign Exchange risk

Investments in non-sterling securities are subject to extra risk in the form of exchange rate risk. The Fund does not hedge against currency risk as the foreign exchange rates can lead to gains as well as loses. The fund diversifies its risk with foreign exchange by investing in securities in multiple currencies.

Within the Global equities mandate the manager has been set a target allocation Mandate for each asset class, which the manager is assessed against in the performance figures. The mandate reduces the risk of the global manager investing in assets of one currency. The allocations in the mandate are -

UK Equities	9.1%
Europe ex UK Equities	31.8%
North American Equities	31.8%
Japanese Equities	10.9%
Asia Pacific ex Japan Equities	9.1%
Emerging Markets Equities	7.3%

The table below analyses the effect of exchange rate changes on the Pension Fund. Potential currency fluctuations were calculated by our performance analysts The WM Company.

Asset Type	2011/12 £000	% change	Increase £000	Decrease £000
North America	73,275	9.2	80,016	66,534
Europe	106,179	7.8	114,461	97,897
Japan	16,407	13.3	18,589	14,225
Pacific	18,497	7.2	19,829	17,165
Emerging Markets	10,919	7.9	11,782	10,056
Other balances	466,255	0	466,255	466,255
Total	**691,532**		**710,932**	**672,132**

Asset Type	2010/11 £000	% change	Increase £000	Decrease £000
North America	59,295	9.2	64,750	53,840
Europe	107,497	7.8	115,882	99,112
Japan	22,061	13.3	24,995	19,127
Pacific	18,166	7.2	19,474	16,858
Emerging Markets	17,492	7.9	18,874	16,110
Other balances	432,996	0	432,996	432,996
Total	**657,507**		**676,971**	**638,043**

IAS 24 Related Party Transactions

20. The London Borough of Ealing is the administrator of the London Borough of Ealing Pension Fund. The council charged the Pension Fund £732k for expenses incurred in administering the fund in 2011/12 (£697k 2010/11). The council paid £8k interest in respect of 2011/12 cash balances held on behalf of the Pension Fund (£35k 2010/11). The total cash balance held by the council at 31 March 2012 on behalf of the Pension Fund was £2.2M (£7.3m at 31 March 2011).

Members of the Pension Fund panel are required by law to declare certain interests when they become a Councillor and a full register is kept by the Head of Democratic Services and published on the council's website. Councillor Johnson is portfolio holder for Finance and Performance at Ealing Council and Councillor Sabiers is deputy. Councillor Manro is Governor of Greenford High School, a Scheduled body in the Pension Fund. Councillor Potts, Councillor Young and Councillor Manro are all members of the Pension Fund. There were no other relevant declarations of interest by members of the Pension Fund panel.

All council employees acting as officers of the Pension Fund were members of the Pension Fund during 2011/12.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the council, for the supply of goods or services to the Fund.

£364k was due in contributions from employers of admitted and scheduled bodies contributing to the fund at 31 March 2012.

There are no known material transactions with related parties that are not already disclosed.

PENSION FUND APPENDIX – ACTUARIAL REPORT

LONDON BOROUGH OF EALING PENSION FUND

Accounts for the year ended 31 March 2012

Statement by Consulting Actuary

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the London Borough of Ealing Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 31 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £610 million represented 70% of the Funding Target of £868 million at the valuation date. The valuation also showed that a common rate of contribution of 12.1% of pensionable pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 9.6% of pensionable pay for 20 years. This would imply an average employer contribution rate of 21.7% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2011. 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). Different approaches adopted in implementing 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 common contribution rate were as follows:

	For past service liabilities	For future service liabilities
Rate of return on investments:		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases:	4.75% per annum	4.75% per annum

	For past service liabilities	For future service liabilities
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

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.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 is £916 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £822 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2011

APPENDIX 1: ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement 2011/2012

1. Scope of responsibility

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

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

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. A copy of the code can be obtained from the Council's Monitoring Officer.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the approval of the Annual Governance Statement.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, culture and values 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 The governance framework has been in place at Ealing Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3. The governance framework

Identifying and communicating the Councils vision and intended outcomes for citizens

3.1 Ealing Council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The administration's five priorities form the basis of the Corporate Plan and Business Plans and provide focus for improvement:

- making the borough safer
- improving public services
- securing jobs and homes
- making the borough cleaner
- delivering value for money

All committee and cabinet reports are required to be referenced to one or more of these five priorities. The Corporate Plan and any amendments or updates to it are considered and approved by full council.

Measuring service quality and ensuring best use of resources

3.2 The Policy and Performance Directorate drives delivery of the Corporate Plan, working closely with Directorates to spread best practice, track performance and strengthen performance of national and local targets. The Directorate also ensures that performance statements and other published information are accurate and reliable.

3.3 There is a respected active scrutiny function managed by the Overview and Scrutiny Committee (OSC).

3.4 The Policy Team and Improvement and Efficiency Service work with all directorates and other specialist areas such as Legal, Strategic Procurement and Finance to ensure the economical, effective and efficient use of resources. The teams play a key role in supporting delivery of projects and initiatives within the Council's Value for Money programme. They also help drive continuous improvement in the way in which functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness. In addition to managing delivery of the Value for Money programme (reported to VFM Board and Corporate Board), the teams also deliver targeted service improvement support.

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

3.6 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.

3.7 The Performance Monitor reviewed monthly at Corporate Board sets out analysis of performance against key targets and Corporate Plan commitments. A copy is also distributed to Cabinet Members. Directorate, Divisional and Service unit business plans contain a variety of performance indicators and targets. A regular review is also done to ensure that systems, processes and controls are in place to ensure the efficient and effective delivery of high-quality services and to ensure that performance information is accurate and reliable.

3.8 Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on Performance each month. Portfolio holders have weekly meetings with Executive Directors and review finance and performance indicators each month. Scrutiny monitors performance through the regular review of performance information and make recommendations for the improvement of services.

Defining roles and responsibilities

3.9 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 set out the basic rules governing the Council's business, as well as detailed procedures and codes of practice.

3.10 The Council's Constitution is regularly reviewed by the Monitoring Officer and any change proposals are considered by the Constitutional Review Group (an informal group of senior councillors) and advertised on the web prior to adoption by full council on the basis of a full 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 (Section 151) Officer – Executive Director, Corporate Resources
- Monitoring Officer – Director of Legal and Democratic Services
- Director of Children's Services – Executive Director, Children and Adults
- Director of Adult Social Services – Executive Director, Children and Adults
- Statutory Scrutiny Officer - Head of Scrutiny and Committees

3.11 The Council operates a Leader and Cabinet model of Local Government. Twenty three ward forums operate, to maximise opportunities for local engagement and participation. These forums have informal governance arrangements designed to achieve maximum flexibility and engagement. Under the ward forum arrangements, elected members lead 23 ward forums across the borough – each supported by an annual budget for local improvements. Each ward forum makes recommendations to Cabinet on how their "budget" should be spent. The final decision on spending choices is made by Cabinet.

Standards of behaviour and decision making

3.12 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. The Contract Procedure Rules were recently reviewed and revised and also form part of the Constitution.

3.13 The Code of Conduct for Councillors is contained within the Constitution. This is currently being reviewed by the council's Standards Committee, supported by the Monitoring Officer, to take account of the requirements of the Localism Act 2011.

All Councillors receive regular training on the implications 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. Again, training is provided (and compulsory) for all members working in these areas.

3.14 The Employees 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.

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

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

Whistleblowing and complaints

3.17 The Standards Committee has nine members, four of whom are independent of the Council including the chair, in line with best practice and legislative requirements. The Committee reviews and oversees member development and the Council's Whistle Blowing Policy. The Committee also deals with matters of member conduct, including complaints. The committee submits an annual report on its work to full Council. The Council's standards arrangements are being reviewed, to take account of changes to be introduced as a result of the Localism Act 2011.

Training and Development

3.18 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 and all Councillors have now completed the training. 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 precondition of their participation.

Communication and Consultation

3.19 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. A residents' survey is undertaken biannually. The last survey was undertaken in September 2010, the next will take place September 2012.

3.20 There is a corporate induction programme in place for staff and one for new managers, supplemented by various internal training courses and e learning modules with information regarding current policies and procedures held on the intranet.

Partnerships

3.21 The Council contributes to the delivery of the Local Strategic Partnership's Community Strategy that sets out a vision for the borough of Ealing over the next 10 years. The Council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership's (LSP) Community Strategy. 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.

3.22 The Council clarified its definition of partnership as set out in its Constitution to ensure alignment to the Audit Commission's definition and to recognise operational realities. 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. This list was reviewed and agreed by the Audit Commission. Evidence has been gathered to support good governance arrangements for these significant contractors. Assurance is gained through the Contracts Review Board and internal audit reviews.

Ensuring compliance with established policies, procedures, laws and regulations.

3.23 Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the Council's Corporate Plan and LSP's Community Strategy. Regard to equality, diversity and human rights duties are 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. The Corporate Board take regular updates on progress and developments in relation to implementation of the Equality Act, and the Cabinet report process and proforma have been amended to ensure that Service Directors sign off on service-related EIAs before Cabinet pre-agenda, and that salient points from EIAs carried out on Cabinet reports are included in the body of the Cabinet reports. Proposals that impact on staffing/workforce are currently signed off by an HR Equality specialist before submission to cabinet or action.

3.24 Until recently, the Comprehensive Area Assessment (CAA) aimed to provide an overall assessment of the Council, based on assessments of performance and use of resources. This has recently been abolished by the coalition Government. No replacement framework is planned at this time.

3.25 The Carbon Reduction Commitment (CRC) scheme was initially devised as a carbon dioxide emissions allowance purchase and trading scheme to compel organisations to reduce their carbon footprint and help meet UK targets of reducing greenhouse gas emissions by 2050 by at least 80% compared to the1990 baseline. As a consequence of the Spending Review, Government changed the scheme and now requires a payment for all carbon dioxide emissions from all stationary sources, including schools. No payments will be recycled back to organisations, and the money will now support public finances. On account of this change, from April 2012 the council's annual exposure is estimated to exceed £400,000 (at £12/tonne CO2). This unit cost is likely to increase with time, with forecasts of £18/tonne CO2 by 2016. Inaction will increase the annual exposure, which could rise to £600K or more. This cost combined with the increasing cost of energy illuminate the urgency for the council to reduce its energy consumption. In order to deal with actions specific to energy consumption and supply, the Sustainability Board created the Carbon Management subgroup. This group has been charged with navigating compliance with the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme (CRC) and developing projects that will reduce the council's exposure to the costs of the scheme.

3.26 All critical services have business continuity plans, all non-critical services have been reviewed. A North West London emergency exercise was undertaken in January 2012 to test Olympic preparations, emergency planning and business continuity. Several more borough, North West London and pan London exercises are planned before the start of the London 2012 Olympic Games. Business Continuity guidance and templates are being prepared for significant contractors and partners.

3.27 The Minimum Standards for London Tranche 2 have been adopted as the guide to measure emergency planning and business continuity arrangements. Tranche 2 arrangements have been implemented and have been accessed via a peer review. A borough wide risk assessment has been undertaken and used to produce a Community Risk Register, that identifies the key risks for West London. In January 2012 an Olympic Minimum Standards for London was issued, which Ealing are compliant with. An Olympic borough risk register has been produced with emergency partners and forms the bases of borough Olympic planning.

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

3.29 The budgeting process requires departments to submit budgets that are aligned to the Council's objectives, and which are based on a required savings target. Through the year Cabinet Members receive a monthly Finance Monitor; this shows the position for each department and what is being done to address potential overspends. In addition a quarterly finance and budget update report is produced for Cabinet.

3.30 The Council's governor support service provides training, membership advice and guidance on key issues affecting schools and governors. All schools have the option to buy into the bursarial service.

3.31 Due to the devolved nature of schools finances there is close liaison between the Education Department and Internal Audit. The Financial Management System in Schools inspection regime has been abolished and the Council is now placing greater emphasis on risk based probity audits. The current cyclical approach to schools audits ensures each school is audited at least once every three years.

3.32 The Chief Financial Officer provides annual assurance that the systems and processes in schools are robust and that expenditure is appropriate.

4. Review of effectiveness

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

4.2 The Council's review of the effectiveness of its system of internal control is informed by:

- The review of Internal Audit by External Audit on the extent to which they place reliance on key financial systems work done by Internal Audit;
- A review of the effectiveness of its system of internal audit;
- Performance against targets;
- Letters of representation;
- Customer quality assurance questionnaires; and
- A review of the previous year's AGS.

4.3 The review of the 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 framework, the Head of Audit and Investigation's annual report, comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Working Group (AGSWG) considers these sources of information and formulates the Annual Governance Statement.

4.4 The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the Annual Governance Statement and relevant supporting evidence. The AGSWG meets on a regular basis during the year to ensure compliance with the corporate timetable. The draft Annual Governance Statement is reviewed by the AGSWG to ensure early robust challenge. The AGSWG also undertook a review of the 2010/11 AGS, in particular the disposition of the significant governance issues identified.

4.5 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's exposure to risk and weakens the control environment; and
- oversee the financial reporting process.

4.6 This remit was extended in April 2009 to include governance. In October 2009 in response to the new CIPFA statutory backed Treasury Management Code of practice the Audit Committee was assigned specific responsibility for scrutiny of the Council's treasury management function. The Audit Committee also reviews Internal Audit performance against targets and quality assurance results. Since its inauguration, the Committee has worked in tandem with the Ealing Council Audit Board ("the Audit Board"). The results are reported formally to the Committee's meeting and to Council. The Committee has recruited an independent member in line with best practice.

4.7 The Audit Board was established in 2005 and comprises of senior officers. The Audit Board meets throughout the year 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. Officers are also held to account by the Audit Board through the use of challenge sessions to focus on any areas of weakness or non-compliance. Following amendment of the ToR for the Corporate Risk Management Forum, the ToR for the Audit Board were amended to include review of the effectiveness of the risk management framework and the profile of the Council's strategic risks.

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

4.9 One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of annual letters of representation by senior officers. LoR were sent to 19 senior officers.

- Executive Directors were asked to compile their letter after reviewing the letters of representation from their directors.
- Directors were asked to compile their letter after taking assurance from their direct reports.

4.10 The response rate was 100% and out of the dataset of 30 questions 0% of the questions received a failure rate of more than 10%.

4.11 Letters of Representation from Executive Directors and Directors, including the Monitoring Officer for the year ended 31 March 2012 stated that they are aware of their responsibilities and had complied with the Council's policies and procedures. In particular they stated that the internal controls for the area under their responsibility were sufficient to provide reasonable assurance of effective financial and operational control. They also stated that their review of the operation of the system of internal control confirmed that it had been working effectively and had been complied with in all material respects. The letter of representation process in no way absolved officers of their responsibility to continue addressing issues noted.

5. Significant governance issues

Table 1 2011-12 Governance Issues			
Issue	**Actions**	**Officer Responsible**	**Timescale**
1. Data Protection Breach The Information Commissioner's Office served the Council with penalties for serious breaches of the Data Protection Act.	The Council contacted affected individuals and put in place significantly improved policies for information security. The Council also agreed to consider an audit by the ICO. **Update** The updated policies and procedures were communicated to the organization. In addition a comprehensive Self-Assessment Audit ("SAA") was undertaken, appropriate and necessary remedial actions were undertaken as a result of the SAA. The process is now bedding in and is being kept under review.	Director of Business Services Group	In place

Table 1 2011-12 Governance Issues			
Issue	**Actions**	**Officer Responsible**	**Timescale**
2. Equality Impact Assessment (EIA) Development and Sign Off Weaknesses in the system of internal controls over publication, compliance monitoring and reporting of EIAs were identified which put the Council's objectives at risk.	Recommendations were made to address identified weaknesses and agreed with officers in the affected areas. The implementation status of all audit recommendations and in particular these recommendations will be monitored by the Audit Board and Audit Committee along with senior managers in the area. Officers will be called in to Audit Board and Audit Committee to provide explanations where implementation is not carried out within the agreed timescale. **Update** Actions have been taken to improve, reporting, awareness and the process for collection and publication of EIAs	Acting Director of Policy and Performance	September 2012

3. Pupil Places The Council has a statutory duty to secure sufficient school places. Current projections for pupil places indicate that Ealing is facing a shortfall of between 40 and 50 forms of entry (FE) for primary pupil places by 2015. The existing expansion programme will provide 24 additional FE so the net shortfall may be between 16 and 26 FE. . At secondary schools it is projected that by September 2019, there will be a need for between 12 and 25 additional FE (this takes into account the establishment of the new high school in Greenford and expansions at two secondary schools). It is anticipated that around 300 additional specialist provision places will be required by 2024/25 at primary and secondary school age groups. In the shorter term (by 2015) expansions of primary aged provision are required This issue is also highlighted on the Councils Strategic Risk Register.	Regular ongoing monitoring and reporting is being undertaken by members, senior manager and directors on a fortnightly and monthly basis. The Council is investing £122m in developing new primary school places to provide an additional 24FE and is currently considering the implications of the latest information, i.e. that between a further 16 and 26FE may be required beyond the current programme. Officers are reviewing options for delivering expansion of secondary school places, looking at the most cost effective ways in which additional places may be provided (further to the cancellation of the Building Schools for the Future programme). A consultation on SEN expansion will take place in Spring 2012 and this will help inform the priorities for investment in SEN provision.	Assistant Director: Schools Planning & RD	Ongoing to 2020

4. Budget Savings As part of the budget process leading up to Council tax setting in February 2012 savings of £79m over four years (2011/12 – 2014/15) were identified. These savings will be monitored closely over the next three years to ensure delivery by the service departments.	Savings tracker monitored monthly at FSG. Quarterly budget monitoring reports for Cabinet. Review annually at the Star Chamber. Detailed implications of all savings proposals are investigated and considered at an early stage in the decision making process. **Update** On going actions	All EDG for Service delivery Monitoring reports and process DCF&A	Throughout next 3 years
5. Use of Consultants and Interims Use of consultants, interims or other temporary staff in the public sector has received substantial media interest recently. The arrangements for the appointment of non permanent staff should be reviewed to ensure systems are robust.	The organisation will undertake a review of the processes in place to appoint non permanent staff. The review will focus on ensuring the best use resources, VFM and a system that is robust, transparent, consistent and accountable.	Assistant Director HR and OD	December 2012

Signed …………………..

Chief Executive – Ealing Council
Martin Smith
September 2012

Signed …………………………..

Leader of the Council
Julian Bell
September 2012

APPENDIX 2: GLOSSARY OF TERMS

GLOSSARY OF TERMS

Wherever possible we have tried to minimise the use of technical accounting terminology. We set out below a glossary which aims to simplify and explain this terminology where it has been used.

Accounting Period

The timescale during which accounts are prepared. The council's annual accounting period is from 1 April to 31 March.

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 policies define the process whereby transactions and other events are reflected in the financial statements.

Accounting Standards

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

Accruals

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

Acquisitions

The council spends funds from the capital programme to buy assets such as land and buildings.

Actuarial Gains

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 (e.g. liabilities during the period were lower than estimated)

Actuarial Losses

These may arise on the LGPS liabilities and assets. A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated)

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.

Agency Services

Services provided by or for another local council or public body where the cost of carrying out the service is reimbursed.

Asset Register

A record of council assets including land and buildings, housing, infrastructure, vehicles and equipment etc. This is maintained to show the value of all council assets and for the purpose of calculating capital charges that are made to service revenue accounts. It is update annually to reflect new acquisitions, disposals, revaluations and depreciation.

Assets

All items of significant economic value owned by the council, including those which can be converted to cash and those held for cultural and other reasons (heritage assets).

Assets under Construction

Assets not yet ready for use. This could be new building work in schools or road construction.

Audit Commission

The body responsible for the appointment of external auditors to local council's, co-ordinating audits throughout the country, setting standards and monitoring performance.

Balance Sheet

This is a 'snapshot' of the council's assets, liabilities and reserves on 31 March 2012. 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.

Balances

The amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. A full list is shown in the Movement in Reserves Statement on page 9 of the Statement of Accounts

Capital Adjustment Account (CAA)

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

Capital Expenditure

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

Capital Financing

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

Capital Financing Requirement

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

Capital Receipts

These are proceeds arising from the sale of non current (fixed) assets and repayments of capital grants and loans. They may be used to finance new capital expenditure or to repay outstanding loan debts as laid down in rules set by government.

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 contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future event 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.

Council Tax

A tax which is levied on the broad capital value of domestic properties, and charged to the resident or owner of the property.

Creditors

These are 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 Credits

This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when non current (fixed) assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

Deferred Member

A member who is no longer active in the 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.

Emoluments

All sums paid to or receivable by an employee, and including sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and also the money value of any other benefits received other than in cash. Pension contributions payable by employees are excluded.

Equities

The capital of a company belonging to the ordinary shareholders who have voting rights allowing them to influence the management of the company.

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction.

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.

Historic Cost

The actual amount paid to purchase or construct an asset as opposed to its current value.

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.

Housing Subsidy

The grant payable by central government to local councils to subsidise the cost of providing council housing and management and maintenance of that housing. The grants are paid into the Housing Revenue Account. This method of funding ends from 1 April 2012 following the introduction of the new self-financing arrangements.

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.

International Financial Reporting Standards (IFRS)

The accounting standards adopted by the International Accounting Standards Board (IASB). Local councils are required to produce their accounts using IFRS.

Intangible Assets

These are 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.

Investment Managers

Firms appointed by the Pension Fund Panel to deal with the pension fund's investments on a day-to-day basis.

Levies

Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by local councils in the area concerned, based on their Council Tax base.

Liability

A financial obligation, debt, claim, or potential loss.

Minimum Revenue Provision

The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

Movement in Reserves Statement

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

National Non-Domestic Rate (NNDR)

The rates paid by businesses. The amount paid is based on the rateable value set by the Inland Revenue multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local councils and paid over to the government. They are the redistributed to local councils on the basis of relevant population.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in disposing of the asset.

Non Distributed Costs

These are costs relating to retirement and unused and unusable share of assets. These cannot be charged to current service revenue accounts.

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.

Pension Fund

Pension Fund Accounts are a separate entity and are not consolidated within the council's revenue account, balance sheet or other statements. The London Borough of Ealing Pension Fund was established to provide benefits for employees which include retirement pensions, widows pensions, death grants and other lump sum payments. The Fund is financed by contributions from employees, employers and from profits on realised investments, interest and dividends on its investments.

Pooling Arrangements (capital receipts)

Since 1 April 2004, 75% of 'Right to buy' capital receipts have to be paid to the DCLG; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet events

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Precept

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

Prior Year Adjustments

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

Provision

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

Prudential Code

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

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. Local councils are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Related Party Transaction

A related party transaction is 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 in simple terms balance the council's Balance Sheet and cannot be released to spend on services. For example, the Revaluation Reserve records the effect of revaluing fixed assets and is not available for general use in the financing of capital expenditure.

Reserves (Usable)

Usable reserves are those reserves that can be released to spend on services or added to for future spending on services. Details of these are set out in the note 40 on earmarked reserves

Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the non-current assets (fixed assets) held by the council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The overall balance on the Reserve represents the amount by which the current value of non-current (fixed) assets carried in the Balance Sheet is greater because they are carried at re-valued amounts rather than at cost of purchase less depreciation.

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. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure funded by Capital under Statute (REFCUS)

Expenditure that may be classified under legislation as capital but does not result in the creation of a non current (fixed) asset on the Balance Sheet. This expenditure is generally charged to the relevant service revenue account in the year incurred with a corresponding credit to the Statement of Movements in Reserves to ensure there is no cost to the General Fund.

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 taking into account its ability to raise income from Council Tax and its share of income from the NNDR national pool.

Section 151 officer

A term used to describe the chief financial officer, whose responsibilities are set out in the *Statement of Responsibilities for the Statement of Accounts*. The council's chief financial officer is the Executive Director of Corporate Resources.

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

There are a number of employers who are required to provide membership of the Local Government Pension Scheme to all their employees. These employers are listed in a schedule that appears at the back of the Local Government Pension Scheme Regulations. Unlike admitted bodies, scheduled bodies cannot refuse membership of the Scheme to their employees

Security

Any kind of transferable certificate of ownership.

Soft Loans

Loans made by the council at less than the prevailing market rate of interest. The SORP requires the discounted interest rate to be recognised as a reduction in the Fair Value of the asset when measured for the first time and a charge to the Income & Expenditure Account to represent the interest forgone.

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 (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 currently based upon property market values as at April 1991.

Write-offs

Income is recorded in the council's accounts on the basis of amounts due. 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.

APPENDIX 3: INDEPENDENT AUDITORS REPORT

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

I have audited the financial statements of the London Borough of Ealing for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the London Borough of Ealing in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Corporate Resources and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Corporate Resources and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the Pension Fund annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Ealing as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:
- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of Ealing in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Corporate Resources and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Corporate Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, the London Borough of Ealing has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of London Borough of Ealing in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andrea White
District Auditor

First Floor Millbank Tower
Millbank
London
SW1P 4HQ

28 September 2012