

Summary of accounts 2011/12

One of Ealing Council's key priorities is to provide 'value for money' for our residents. This is a four-page summary of the council's accounts for the financial year ending 31 March 2012. It presents all income and expenditure across this period as well as the council's assets and liabilities at the end of the year.

It is presented in a way to provide information for residents on where the council's money is spent, on where the money comes from, and what the council owes and is owed, in a more straightforward way than the full 100-page version of the statement of accounts.

Despite the tough economic climate, the council maintained its financial strength, which puts it in good standing for the challenges ahead which includes the continued uncertainty around local authority funding.

The council's general fund balance, its financial 'safety net', now stands at £15.4million, slightly more than the target figure of £15.3million set out in the medium-term financial strategy. This increase is because of a small underspend of £52,000 on the agreed budget of £274.8million. It is the eighth consecutive year of spending within budget, showing that tax-payers' money is being managed carefully and responsibly.

Indeed, thanks to this prudent financial management the council has been able to freeze council tax for a fourth successive year.

The council's income and expenditure account (shown on these pages) includes all expenditure on the day-to-day running of the council, including salaries, utilities, interest on borrowing, waste and recycling contract payments as well as income from specific government grants, council tax, and from fees and charges.

You can find the full 100-page statement of accounts online at www.ealing.gov.uk

The council's detailed statement of accounts was prepared in accordance with accounting codes of practice in the manner required.

Ealing Council's income and expenditure account Year ended 31 March 2012

Income and expenditure account	Expenditure 2011/12 £'000	Income 2011/12 £'000	Net spend 2011/12 £'000	Budget 2011/12 £'000
Service expenditure				
Children and adults	468,131	(334,511)	133,620	133,622
Regeneration and housing	58,598	(44,382)	14,216	14,291
Environment and customer services	85,371	(48,889)	36,482	36,556
Corporate resources and chief executive	52,443	(19,248)	33,195	33,293
Housing benefit	281,096	(277,873)	3,223	3,223
Sub-total	945,639	(724,903)	220,736	220,985
Corporate items				
Levies			24,439	24,439
Interest payable (net of investment income)			29,871	30,427
Other income and expenditure			2,876	2,082
Council tax freeze grant			(3,149)	(3,108)
Total revenue spending			274,773	274,825
How the revenue spending is funded:				
Local council tax			(129,473)	(129,473)
Government grants			(145,352)	(145,352)
Total income			(274,825)	(274,825)
Increase in general fund balance for the year			(52)	0
General fund balance brought forward			15,311	15,311
General fund balance carried forward			15,363	15,311

On this statement you will see income shown in brackets. This is intentional and is the conventional way to show income in local government accounting.

Financial position at 31 March 2012

Below is a summary of Ealing Council's assets (what it owns and is owed by others), and its liabilities (what it owes to other organisations). It has a total of £1.641billion assets and £1.162billion liabilities, meaning its net worth is £479million.

Assets and liabilities as at:	31/03/2012 £'000	31/03/2011 £'000
Assets		
Land, buildings and other assets	1,295,502	1,284,556*
Investments ¹	248,411	179,967
Money owed to the council	85,363	81,284
Cash balances	11,255	14,524
Total assets:	1,640,531	1,560,331
Liabilities		
Borrowing	(510,519)	(656,000)**
Money owed by the council	(232,248)	(229,353)
Pensions liability ²	(378,708)	(304,519)
Other liabilities	(40,403)	(30,458)
Total liabilities:	(1,161,878)	(1,220,330)
Total net assets	478,653	340,001

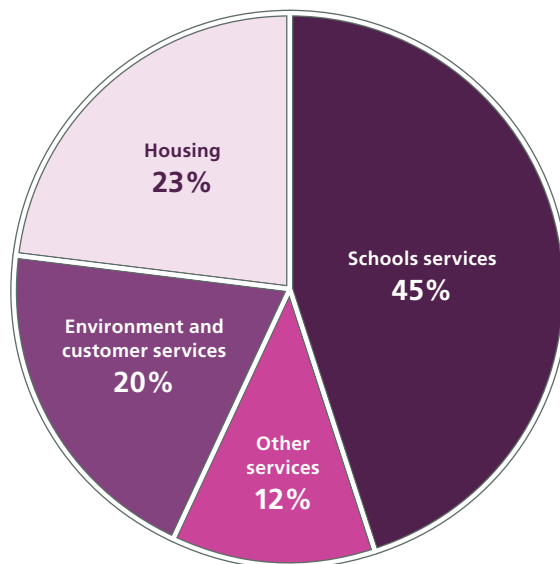
¹ Any short-term surpluses of cash that the council holds are invested to gain extra income from interest.

² The council is required by regulations to calculate a liability for future drawing of pensions from its pension fund. Although this liability is a significant sum the pension fund holds assets of £691million to meet this commitment and there is a long-term plan in place signed off by independent actuaries.

* This includes all physical assets the council owns, for example the council's whole housing stock is valued at £629million, and Ealing Town Hall is valued at £4.1million

** Some of the investment in long-term assets such as building leisure centres or schools is funded by borrowing. This is comparable to taking out a mortgage to purchase your own home. The reduction in the level of borrowing in 2011/12 is because of changes in the way housing is financed.

Capital expenditure by service



Capital expenditure

Capital expenditure relates to items that have a long-term value to the council such as the buying or construction of buildings, road improvements or a significant purchase of equipment. This expenditure is treated separately from the day-to-day spending on services. In 2011/12, the council invested more than £88million in housing improvements, new infrastructure, schools and regeneration programmes across the borough. Some of the highlights of this programme over the last year have been:

- Expansion of existing schools £18.2million
- Building schools for the future £14.6million
- Council housing improvements £13.3million
- Disabled facilities grants £3.3million
- Infrastructure renewal £3.2million
- Children's centres £2.7million
- Westside Centre £1.7million
- Town centre regeneration £1.1million

Our funding for capital investment comes from different sources to our day-to-day spending on services and is a mix of borrowing, proceeds from the sale of assets, revenue contributions and central government grants.



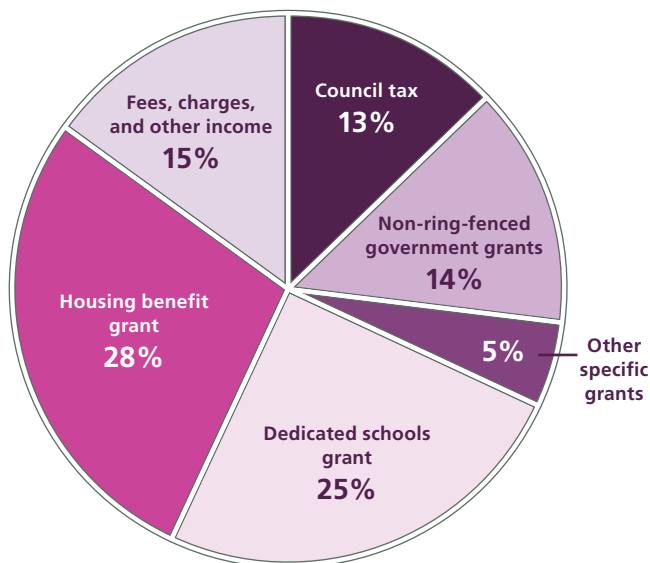
Sources of income

In order to manage overall spending of £1billion carefully and responsibly the council has to monitor both the money it spends on services to the public and the income it receives to provide these services. It is commonly believed that council tax pays for a lot of the council's services but, in fact, the council's income comes in a variety of forms. This includes grants, mainly from central government, and the council also receives income charged to residents for specific services such as planning fees, and pest control.

In fact, although council tax is an important source of income, it may surprise you to know that it only made up 13% of the council's total income received in the 2011/12 financial year. As the chart shows, the government grants for housing benefit and for funding our schools made up more than half of the council's income.



Sources of income in 2011/12



Council tax breakdown

Although each council tax bill is not directly split up between the different council departments, we can give an estimate of how each person's council tax was spent in 2011/12 based upon the net cost of each service so that all council tax payers understand how the money they pay is used. We have used a band D council tax bill as an example, (band D is the average property band for the calculation of council tax paid by Ealing residents). Of the typical band D council tax bill, £309.82 goes to fund London-wide services provided by the Greater London Authority, and £1,059.93 towards funding services provided at a local level.

Category:	£	Examples of how this is spent:
Greater London Authority	309.82	Transport for London, police and fire services
Schools services	22.51	Other schools services (the majority of funding for schools comes from the Dedicated Schools Grant from central government)
Children's services	180.28	Services for all children, young people and families
Adults services	312.64	Services for adults with physical and learning disabilities, older people who need additional support
Regeneration and housing	54.84	Housing services, community safety, planning
Environment and customer services	140.73	Benefits administration, leisure services, waste collection and highways
Corporate resources and the chief executive's	128.05	Finance, property, IT and legal services
Others	220.88	Housing benefit, levies and interest payments
Total Band D council tax in 2011/12	1369.75	

Questions and answers

Q How does the council monitor its budgets?

Each month every service has to report on how much has been spent compared to the budget it has been allocated and produce a forecast for how much further expenditure it will incur before the end of the financial year. If it is likely to overspend against its budget, it must identify the steps required to counteract this. The council has been commended by external inspectors for its monitoring arrangements and delivered an underspend of £52,000 against the budget in 2011/12.

Q Why does the council borrow money?

The council borrows money to fund some of its capital expenditure, such as new school buildings and other major works. The cost of these projects is too much for the council to pay out all at once, so we borrow the money instead, in a similar way to people taking out a mortgage to buy their house. Nearly all the money is borrowed from the government and the council is bound by legislation as to the amount it can borrow. The total amount borrowed was reduced by £143million in 2011/12. This was because of a change in the way the government assists the funding of social housing. The system of annual subsidy paid by the government to the council is being removed from 2012/13. This additional cost is offset by a reduction in the amount owed (and therefore the interest payable) by the council to the government.

Q What happens to the rents paid by council tenants?

Rents are used to fund repairs and maintenance of the council's houses and to pay interest on the money

borrowed to build council houses and make major improvements to them. Housing income is treated separately from the council's other funding to ensure it is only spent on the above services for council housing.

Q How are schools' running costs funded?

The day-to-day costs of running the borough's schools are met through a separate ring-fenced grant from the government called the Dedicated Schools Grant. This grant was £252million in 2011/12.

Q What are 'long-term assets'?

A long term asset relates to an asset that the council owns for more than one year. This includes land, properties, vehicles, equipment, roads etc. At 31 March 2012, the council had physical assets worth £1.3billion, of which council housing accounts for about half.

Q What are 'levies'?

Levies are payments made by the council towards the costs of other public service organisations such as the West London Waste Authority and the Coroners' Service. In 2011/12 these payments made up around 9% of the council's budget.

Q Where can I find more information?

The council produces a full 100-page statement of accounts that can be found on our website at www.ealing.gov.uk/downloads/download/482/statement_of_accounts

Also further information on how your money is being spent is set out at www.ealing.gov.uk/info/200687/council_budgets_and_spending/1256/open_and_accountable

If you have any comments or questions 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.

Council housing

The council performs the role of landlord for a number of the borough's residents and owns 13,108 properties for which it charges rent. It is a legal requirement that this expenditure and income relating to council houses is accounted for separately. During the year, income exceeded expenditure by £1.1million. This has been added to the reserves brought forward, giving a balance of £8.1million at the end of the year. The majority of this balance will be used to repair existing properties and build new ones. The costs and income associated with council housing are shown below.

	Year 2011/12 £000
Income	
Council house rents	57,439
Housing subsidy grant	6,274
Other income	8,505
Total income	72,218
Expenditure	
Repair and maintenance	11,879
Management and supervision	20,710
Interest and capital costs	36,706
Other costs	1,834
Total expenditure	71,129
Surplus for the year	1,089