

## 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) Benefits Payable During Employment**

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

b) Termination Benefits

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

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

c) Post Employment Benefits

Employees of the council 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) The Council as Lessee**

##### **i) Finance Leases**

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

Lease payments are apportioned between:

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

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

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

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

ii) **Operating Leases**

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

b) **The Council as Lessor**

i) *Finance Leases*

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

Lease rentals receivable are apportioned between:

- (1) a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- (2) finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

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



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

*ii) Operating Leases*

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

## **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) Depreciation

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

Depreciation is calculated on the following bases:

- i) dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- ii) vehicles, plant and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer
- iii) infrastructure – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.
- iv) Intangible assets - straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

Where an 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) Disposals and Non-Current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale 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 led 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 led 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:

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	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
<b>Long Term Assets</b>	<b>1,533,760</b>	<b>1,982</b>	<b>1,535,742</b>
<b>Total Net Assets</b>	<b>520,962</b>	<b>1,982</b>	<b>522,944</b>
Unusable Reserves	357,073	1,982	359,055
<b>Net Worth/ Total Reserves</b>	<b>520,962</b>	<b>1,982</b>	<b>522,944</b>

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
<b>Long Term Assets</b>	<b>1,294,151</b>	<b>1,982</b>	<b>1,296,133</b>
<b>Total Net Assets</b>	<b>338,019</b>	<b>1,982</b>	<b>340,001</b>
Unusable Reserves	169,456	1,982	171,438
<b>Net Worth/ Total Reserves</b>	<b>338,019</b>	<b>1,982</b>	<b>340,001</b>

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

## 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 receipt from Secretary of State		(203,039)	203,039			-								-	-
HRA Subsidy - Capital Grants Contributions Determination Settlement ; Capital receipt applied to repayment of Debt			(203,039)			(203,039)	203,039							203,039	-
HRA Subsidy - Capital Grants Contributions Determination Settlement ; Capital receipt 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	-
<b>Total Adjustments</b>	<b>5,455</b>	<b>(236,422)</b>	<b>1,207</b>	<b>2,104</b>	<b>(2,004)</b>	<b>(229,660)</b>	<b>-</b>	<b>241,790</b>	<b>(88)</b>	<b>(2,566)</b>	<b>455</b>	<b>(34)</b>	<b>(9,897)</b>	<b>229,660</b>	<b>-</b>

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	-
<b>Total Adjustments</b>	<b>(73,536)</b>	<b>333,702</b>	<b>1,658</b>	<b>(729)</b>	<b>(8,876)</b>	<b>252,219</b>	<b>-</b>	<b>(303,431)</b>	<b>7,489</b>	<b>(1,090)</b>	<b>853</b>	<b>388</b>	<b>43,572</b>	<b>(252,219)</b>	<b>-</b>

## 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	Regeneration & Housing	Environment & Customer Services	Corporate Resources & Chief Exec	Housing Benefit	Council Wide	Total
	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
	£000	£000	£000	£000	£000	£000	£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)
<b>Total Income</b>	<b>(117,599)</b>	<b>(44,382)</b>	<b>(48,889)</b>	<b>(19,248)</b>	<b>(277,873)</b>	<b>-</b>	<b>(507,991)</b>
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
<b>Total operating expenses</b>	<b>251,219</b>	<b>58,598</b>	<b>85,371</b>	<b>52,443</b>	<b>281,096</b>	<b>1,643</b>	<b>730,370</b>
<b>Net Cost of Services</b>	<b>133,620</b>	<b>14,216</b>	<b>36,482</b>	<b>33,195</b>	<b>3,223</b>	<b>1,643</b>	<b>222,379</b>

	Children & Adults	Regeneration & Housing	Environment & Customer Services	Corporate Resources & Chief Exec	Housing Benefit	Council Wide	Total
	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11
	£000	£000	£000	£000	£000	£000	£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)
<b>Total Income</b>	<b>(143,382)</b>	<b>(48,614)</b>	<b>(46,453)</b>	<b>(20,990)</b>	<b>(259,541)</b>	<b>-</b>	<b>(518,980)</b>
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
<b>Total operating expenses</b>	<b>263,452</b>	<b>62,817</b>	<b>87,498</b>	<b>54,676</b>	<b>264,593</b>	<b>1,255</b>	<b>734,291</b>
<b>Net Cost of Services</b>	<b>120,070</b>	<b>14,203</b>	<b>41,045</b>	<b>33,686</b>	<b>5,052</b>	<b>1,255</b>	<b>215,311</b>

## 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)
<b>Total Income</b>	<b>(507,991)</b>	<b>(71,664)</b>	<b>48,018</b>	<b>(531,637)</b>	<b>(598,674)</b>	<b>(1,130,311)</b>
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
<b>Total operating expenses</b>	<b>730,370</b>	<b>97,929</b>	<b>(66,399)</b>	<b>761,900</b>	<b>133,319</b>	<b>895,219</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>222,379</b>	<b>26,265</b>	<b>(18,381)</b>	<b>230,263</b>	<b>(465,355)</b>	<b>(235,092)</b>

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)
<b>Total Income</b>	<b>(518,980)</b>	<b>(318,798)</b>	<b>30,074</b>	<b>(807,704)</b>	<b>(345,624)</b>	<b>(1,153,328)</b>
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)
<b>Total operating expenses</b>	<b>734,291</b>	<b>659,781</b>	<b>(47,855)</b>	<b>1,346,217</b>	<b>54,656</b>	<b>1,400,873</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>215,311</b>	<b>340,983</b>	<b>(17,781)</b>	<b>538,513</b>	<b>(290,968)</b>	<b>247,545</b>



## 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)
<b>Net Cost of Services in CIES</b>	<b>230,263</b>	<b>538,513</b>

## 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	-
	<b>99,262</b>	<b>91,347</b>

## 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)
	<b>1,518</b>	<b>3,198</b>	<b>(1,680)</b>	<b>(1,311)</b>

## 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.

Remuneration Band	Number of Employees 2011/12		Number of Employees 2010/11	
	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	-	-	-
<b>Total:</b>	<b>241</b>	<b>312</b>	<b>247</b>	<b>296</b>

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			Total Value of Exit Packages in 2011/12
	Voluntary	Compulsory	Total	£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
<b>Cost or Valuation</b>										
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)
<b>At 31 March 2012</b>	<b>629,126</b>	<b>426,721</b>	<b>78,698</b>	<b>76,894</b>	<b>157,259</b>	<b>31,977</b>	<b>5,493</b>	<b>7,031</b>	<b>18,988</b>	<b>1,432,187</b>
<b>Depreciation and Impairment</b>										
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
<b>At 31 March 2012</b>	<b>-</b>	<b>(11,153)</b>	<b>(7,443)</b>	<b>(65,123)</b>	<b>(55,248)</b>	<b>(2,198)</b>	<b>-</b>	<b>(107)</b>	<b>-</b>	<b>(141,272)</b>
<b>Net Book Value</b>										
<b>At 31 March 2012</b>	<b>629,126</b>	<b>415,568</b>	<b>71,255</b>	<b>11,771</b>	<b>102,011</b>	<b>29,779</b>	<b>5,493</b>	<b>6,924</b>	<b>18,988</b>	<b>1,290,915</b>
<b>At 31 March 2011</b>	<b>614,072</b>	<b>408,387</b>	<b>73,023</b>	<b>14,416</b>	<b>99,470</b>	<b>30,419</b>	<b>5,071</b>	<b>7,136</b>	<b>29,725</b>	<b>1,281,719</b>

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
<b>Cost or Valuation</b>										
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)	-
<b>At 31 March 2011</b>	<b>614,072</b>	<b>415,576</b>	<b>78,698</b>	<b>74,245</b>	<b>147,780</b>	<b>31,977</b>	<b>5,071</b>	<b>7,362</b>	<b>29,725</b>	<b>1,404,506</b>
<b>Depreciation and Impairment</b>										
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
<b>At 31 March 2011</b>	<b>-</b>	<b>(7,189)</b>	<b>(5,675)</b>	<b>(59,829)</b>	<b>(48,310)</b>	<b>(1,558)</b>	<b>-</b>	<b>(226)</b>	<b>-</b>	<b>(122,787)</b>
<b>Net Book Value</b>										
<b>At 31 March 2011</b>	<b>614,072</b>	<b>408,387</b>	<b>73,023</b>	<b>14,416</b>	<b>99,470</b>	<b>30,419</b>	<b>5,071</b>	<b>7,136</b>	<b>29,725</b>	<b>1,281,719</b>
<b>At 31 March 2010</b>	<b>894,337</b>	<b>400,889</b>	<b>74,791</b>	<b>19,163</b>	<b>91,877</b>	<b>28,082</b>	<b>4,480</b>	<b>7,653</b>	<b>11,390</b>	<b>1,532,662</b>

**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
<b>Total charged to CIES</b>	<b>(8,071)</b>



## 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 Resource Centre for Older People PFI - Ealing Care Alliance	25,093	(526)	24,567	(526)	24,041
Street Lighting PFI - EDF / Southern Electric	22,959	(981)	21,978	(981)	20,997
Building Schools for the Future - Future Ealing Limited	28,082	2,337	30,419	(640)	29,779
	-	-	-	-	-
	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 Resource Centre for Older People PFI - Ealing Care Alliance	(48,241)	1,165	(47,076)	1,107	(45,969)
Street Lighting PFI - EDF / Southern Electric	(25,464)	403	(25,061)	368	(24,693)
Building Schools for the Future - Future Ealing Limited	(18,915)	(1,998)	(20,913)	669	(20,244)
	-	-	-	-	-
	(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
<b>Cost or Valuation</b>	
At 1 April 2011	855
Additions	43
Transfers	96
<b>At 31 March 2012</b>	<b>994</b>
<b>Amortisation and Impairment</b>	
At 1 April 2011	-
Amortisation Charge	(258)
<b>At 31 March 2012</b>	<b>(258)</b>
<b>Net Book Value</b>	
<b>At 31 March 2012</b>	<b>736</b>
<b>At 31 March 2011</b>	<b>855</b>

## 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
<b>Balance outstanding at 1 April 2011</b>	-
Assets newly classified as held for sale:	
Property, Plant and Equipment	1,869
Revaluation losses / gains	-
<b>At 31 March 2012</b>	<b>1,869</b>

## 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
<b>Total</b>	<b>69,804</b>	<b>4,063</b>	<b>73,867</b>

## **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 as 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	31 March 2012	31 March 2012 Street Lighting	31 March 2012 Care Homes	31 March 2012 BSF	31 March 2012 Total
	Schools 1 £000	Schools 2 £000	£000	£000	£000	£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
<b>Total</b>	<b>22,896</b>	<b>45,968</b>	<b>20,244</b>	<b>24,693</b>	<b>28,284</b>	<b>142,085</b>

### Interest charges

	31 March 2012	31 March 2012	31 March 2012 Street Lighting	31 March 2012 Care Homes	31 March 2012 BSF	31 March 2012 Total
	Schools 1 £000	Schools 2 £000	£000	£000	£000	£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
<b>Total</b>	<b>15,627</b>	<b>49,874</b>	<b>19,960</b>	<b>30,719</b>	<b>46,156</b>	<b>162,336</b>

### Service charges & lifecycle costs

	31 March 2012	31 March 2012	31 March 2012 Street Lighting	31 March 2012 Care Homes	31 March 2012 BSF	31 March 2012 Total
	Schools 1 £000	Schools 2 £000	£000	£000	£000	£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
<b>Total</b>	<b>25,254</b>	<b>46,574</b>	<b>32,136</b>	<b>167,801</b>	<b>31,772</b>	<b>303,537</b>

## 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
<b>Commitment to Expire:</b>					
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
<b>Total</b>	<b>3,785</b>	<b>100</b>	<b>3,885</b>	<b>6,444</b>	<b>7,218</b>

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
<b>Commitment to Expire:</b>						
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
<b>Cost or Valuation (as restated)</b>				
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				
<b>At 31 March 2011</b>	<b>206</b>	<b>1,304</b>	<b>472</b>	<b>1,982</b>
<b>Cost or Valuation (as restated)</b>				
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				
<b>At 31 March 2012</b>	<b>206</b>	<b>1,304</b>	<b>472</b>	<b>1,982</b>

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

### 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)
<b>Housing:</b>		
Rents	(2,067)	(2,264)
Mortgages	-	-
Ealing Homes	-	(2,065)
Sundry Creditors	(71,066)	(68,220)
	<b>(117,781)</b>	<b>(115,090)</b>

### 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)
<b>Total</b>	<b>(112,091)</b>	<b>(7,411)</b>	<b>5,239</b>	<b>(114,263)</b>	<b>(8,877)</b>	<b>8,673</b>	<b>(114,467)</b>

### 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	<b>(33,574)</b>	<b>(22,662)</b>

### 33. Provisions

#### Short-term provisions

	Balance at				Payments in year £000	Receipts in year £000	Balance at 31 March 2012 £000
	1 April 2010 £000	Payments in year £000	Receipts in year £000	Balance at 31 March 2011 £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
<b>Total Provisions</b>	<b>5,391</b>	<b>(4,995)</b>	<b>2,684</b>	<b>3,080</b>	<b>(1,690)</b>	<b>1,936</b>	<b>3,326</b>

#### Long-term provisions

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

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

	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>	<b>Total</b>
	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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

	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
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

	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
<b>General Fund:</b>							
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
<b>Sub-total Ear-marked Reserves</b>	<b>50,915</b>	<b>27,564</b>	<b>(17,513)</b>	<b>60,966</b>	<b>25,188</b>	<b>(40,335)</b>	<b>45,819</b>
<b>PFI and Schools Balances:</b>							
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
<b>Sub-total Other Reserves</b>	<b>37,239</b>	<b>3,454</b>	<b>(1,004)</b>	<b>39,689</b>	<b>21,907</b>	<b>(10,455)</b>	<b>51,141</b>
<b>Total Reserves &amp; Revenue Balances</b>	<b>88,154</b>	<b>31,018</b>	<b>(18,517)</b>	<b>100,655</b>	<b>47,095</b>	<b>(50,790)</b>	<b>96,960</b>

**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 comparative 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 31<sup>st</sup> 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 31<sup>st</sup> March 2011 with the management of the council's housing stock transferring back to the council's direct control on 1<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>		
<b>Net Cost of Services:</b>		
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
<b>Net Operating Expenditure:</b>		
interest cost	50,945	52,092
expected return on assets in the scheme	(38,733)	(34,720)
	<b>44,745</b>	<b>(16,166)</b>
<b>Movement in Reserves Statement</b>		
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 transferred to the council for direct control. All staff transferred to the council and as a result the pension deficit of £17,412k was taken over by the council.

The estimated 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	<b>(1,006,540)</b>	<b>(903,282)</b>

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	<b>627,832</b>	<b>598,763</b>

## 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

The principal assumptions used by the actuary have been:

Long-term expected rate of return on assets in the scheme:

Equity investments

Bonds

Other

Mortality assumptions:

Longevity at 65 for current pensioners:

- Men

- Women

Longevity at 65 for future pensioners:

- Men

- Women

Rate of RPI inflation

Rate of CPI inflation

Rate of increase in salaries

Rate of increase in pensions

Rate for discounting scheme liabilities

Take-up of option to convert annual pension into retirement lump sum

	2011/12	2010/11
	7.0%	7.5%
	4.1%	5.1%
	0.5%	0.5%
	21.6	21.5
	24.2	24.2
	23.0	22.9
	25.9	25.8
		3.4%
	2.5%	2.9%
	4.25%	4.65%
	2.5%	2.9%
	4.9%	5.5%
	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](http://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	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>514,874</b>	<b>655,147</b>	<b>596,206</b>	<b>120,046</b>	<b>120,661</b>	<b>152,276</b>
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	-	-	-	-	-	-
<b>Total financial assets</b>	<b>10,279</b>	<b>10,893</b>	<b>-</b>	<b>319,984</b>	<b>249,534</b>	<b>258,930</b>

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

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	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£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
<b>Financial Liabilities</b>	<b>510,519</b>	<b>551,337</b>	<b>656,000</b>	<b>646,816</b>	<b>605,573</b>	<b>645,783</b>

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	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£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
<b>Total</b>	<b>276,863</b>			<b>58</b>	<b>58</b>

**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:

	<b>Date invested</b>	<b>Maturity date</b>	<b>Amount invested £000</b>	<b>Interest £000</b>	<b>Amount Repaid to date £000</b>	<b>New Investment Retained in Escrow £000</b>	<b>Total £000</b>	<b>Net £000</b>
Glitnir	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 meet 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
<b>Loans Outstanding:</b>			
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
<b>Total</b>	<b>501,732</b>	<b>644,671</b>	<b>594,446</b>
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
<b>Total</b>	<b>501,732</b>	<b>644,671</b>	<b>594,446</b>

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)
<b>Impact on Comprehensive Income and Expenditure Statement (CIES)</b>	<b>(2,107)</b>	<b>(1,737)</b>
<b>Share of overall impact debited to HRA</b>	<b>(225)</b>	<b>(149)</b>
Decrease in fair value of 'available for sale' investment assets	-	-
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>-</b>	<b>-</b>
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)**

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
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:

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
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.