# Ealing Council Statement of Accounts 2014/2015

EALING COUNCIL

Ealing
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# Introduction by the Executive Director of Corporate Resources

Ealing Council's accounts show the financial results of the council for the financial year 2014/15 and the financial position as at 31 March 2015

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

The Explanatory Foreword on the next few pages gives a brief summary of the council's financial position in 2014/15. I hope readers of the council's accounts find this helpful.

I should like to thank my staff and colleagues throughout the council for their hard work and support in producing the council's Statement of Accounts for 2014/15.

**Ian O'Donnell BSc, CPFA**
**Executive Director of Corporate Resources**
**Date:**

# Explanatory Foreword

## Introduction

Ealing Borough is the third most populous borough in London with around 342,000 residents.

The council handles significant sums of public money which must be accounted for in accordance with statutory regulation within the council's Statement of Accounts 2014/15, which are presented alongside this explanatory foreword.

The Statement of Accounts is a complex, technical document and the aim of this foreword is to provide readers with a straightforward explanation of the council's overall financial position and financial performance for the 2014/15 financial year.

A glossary of terms can also be found at the back of these accounts to assist in the understanding of the various statements.

### Financial position in 2014/15

Revenue Budget

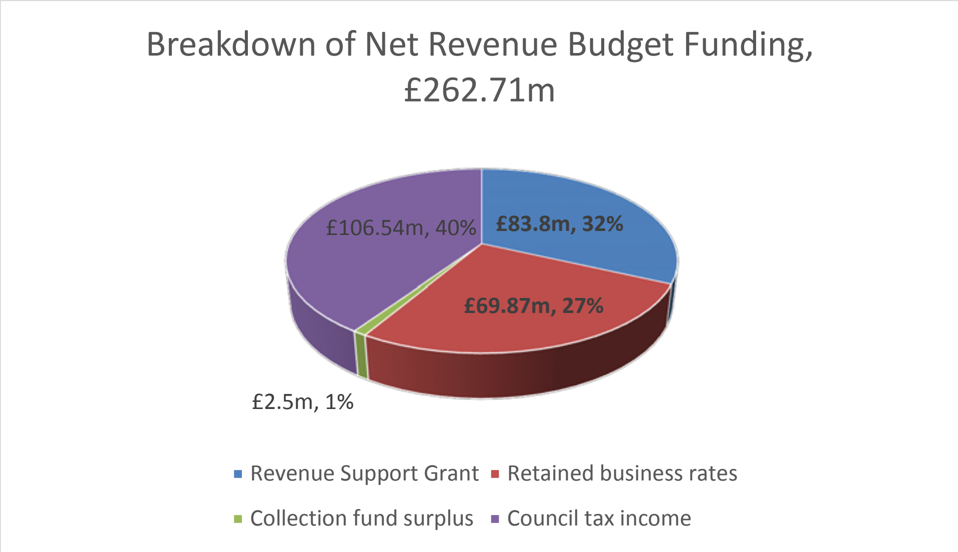
The revenue budget contains the planned income and expenditure for the running expenses of Council services during the year. The council's financial health has been maintained whilst services have been delivered to a high standard despite the challenging financial environment that all councils are facing.

A balanced annual budget of £262.71m was set by the council in February 2014, without using any general reserves.

In spite of the many spending pressures, the council was able to freeze council tax for the seventh year in a row. Band D council tax therefore remains £1,059.93 (excluding the Greater London Authority's element). Implementing a council tax freeze meant that the council qualified for council tax freeze grant funding from the Government of £1.2m, equivalent to a 1% increase in council tax.

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

Council funding and net revenue budget for 2014/15




As the chart shows, almost two thirds of the council's net revenue budget in 2014/15 was funded by central government support from retained business rates and Revenue Support Grant. The remaining balance of the council's funding came from local taxpayers.

Revenue Outturn for 2014/15

The council maintained a strong financial position during the financial year 2014/15 despite the economic climate and a reduction of 10.2% in central government funding from 2013/14. It achieved this by delivering £8.854m of savings and monitoring its financial position throughout the year.

This robust financial management delivered a small underspend at year end as summarised below:-:

| **Revenue Outturn 2014/15** | **Budget £m** | **Outturn £m** | **Variance £m** |
|---|---|---|---|
| Children's and Adults | 127.050 | 128.919 | 1.869 |
| Regeneration and Housing | 12.085 | 12.106 | 0.021 |
| Environment and Customer Services | 26.937 | 26.895 | (0.042) |
| Corporate Resources | 26.573 | 26.573 | - |
| Chief Executives | 1.802 | 1.802 | - |
| Housing Benefit | 3.939 | 5.066 | 1.127 |
| Central items & levies | 64.325 | 61.325 | (3.000) |
| **Total net budget** | **262.711** | **262.686** | **(0.025)** |

As a result of this the General Fund balance (the council's financial safety net) ended the year at £15.463m, as planned in the council's medium term financial strategy, equivalent to 5.9% of the council's General Fund budget.

This result has been achieved despite significant pressures on demand-led budgets such as Adult Social Care and Children's Services placements as well as rising expectations of service users both in terms of quality and quantity.

Fund balances and reserves

The council plans to maintain a minimum of £15.4m General Fund balance as contingency against unforeseen emergencies and events. At the end of 2014/15 the council held a General Fund balance of £15.463m.

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

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

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

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

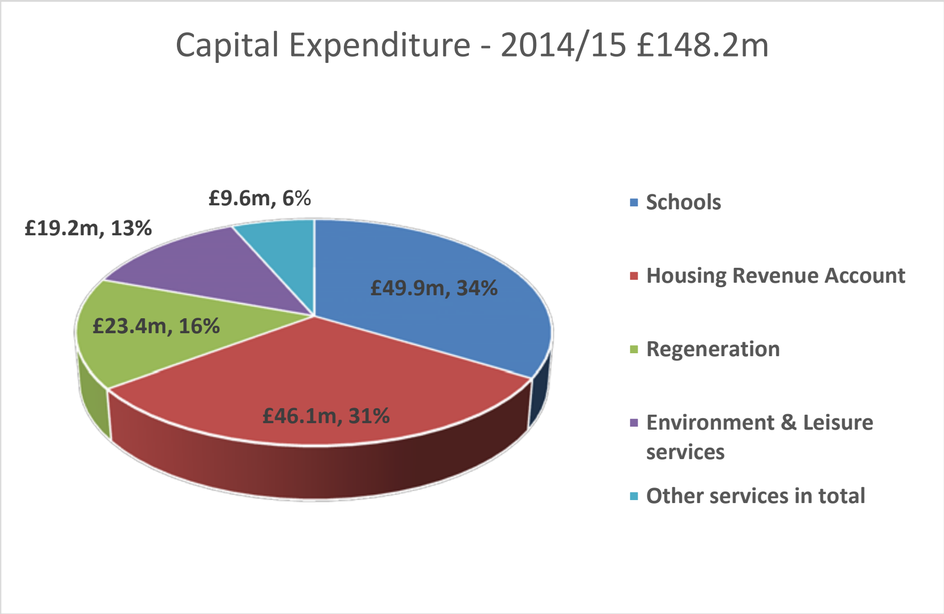
| **Earmarked Reserves** | **Balance at 31/03/14** | **Balance at 31/03/15** |
|---|---|---|
| | **£m** | **£m** |
| PFI Reserves | 35.2 | 35.6 |
| Other Earmarked Reserves | 48.7 | 51.4 |
| **Sub-total** | **83.9** | **87.0** |
| Schools balances (ring-fenced for use by schools only) | 18.7 | 18.2 |
| **Total Earmarked Reserves** | **102.6** | **105.2** |

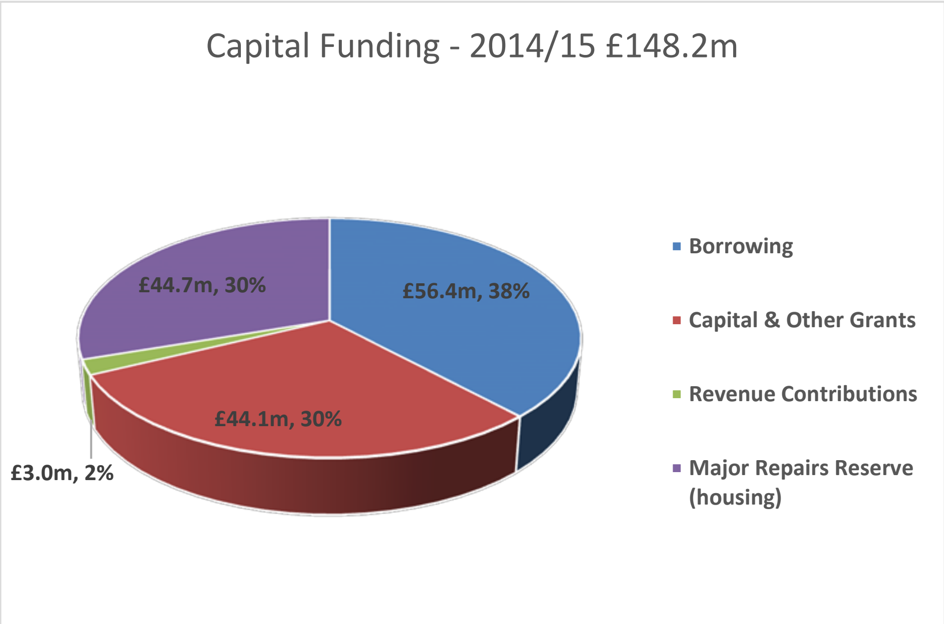
The council also maintains a number of provisions in relation to legal obligations the council may have, for example; insurance claims, bad and doubtful debts and business rates appeals.

Capital Expenditure and Outturn

Capital expenditure relates to adding to, enhancing and improving the council's assets, such as buildings and plant and machinery. Capital investment totalling £148.2m was made by the council in 2014/15 with a significant proportion of this being spent on improving school facilities and improvements to the council's housing stock. In 2014/15 £48.9m was spent on schools expansion and Building Schools for the Future, while over £46m of the total capital spend figure was spent on enhancing the borough's housing stock, new build and street properties.

The chart below highlights total capital expenditure by service area and how it was financed:




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

Investments and Borrowing

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

The council's short term deposits increased by £13m to £232m and £1.4m of income was generated from its investments during the year.

During the year the council repatriated the final £0.420m of funds stranded in an Icelandic escrow account by Iceland's capital controls. The council participated in an Icelandic central bank auction and received a full and final settlement of £0.308m. The final amount written off in respect of the council's £2m impaired Glitnir investment was £0.072m.

The management of the council's debt was maintained within local limits set under the prudential regime. The council's borrowing costs of £24.4m were within the 2014/15 budget. No new long-term external borrowing was undertaken in 2014/15. Loans outstanding at the year-end amounted to £497m.

Pensions

The Pension Fund revenue account shows an in-year surplus of £100.1m and in cash terms remains cash positive returning a cash surplus of £25m (i.e. excluding asset revaluations and disposal gains and losses). As a result the council's Pension Fund net assets increased from £867.4m to £967.5m during the year, representing an increase of 11.5%.

The Pension Fund net liabilities must be reviewed every three years by an actuary and a recovery plan agreed to eliminate any deficit. The latest triennial valuation was completed in 2013/14 based on the position as at 31 March 2013. It showed that the overall funding position had improved from 70% in 2010 to 72% in 2013, the latter calculation being made by comparing assets of £800m to liabilities of £1,116m. These values will fluctuate depending on a number of factors such as the current state of the Government bond markets which feed into the actuarial calculations. It is also important to note that the net liability does not represent an immediate call on the council's reserves; rather, it is a notional amount that forecasts how much the future Council's pension liabilities exceed the Fund's forecast assets.

The latest valuation as at 31 March 2013 is reflected in the general fund budget from 2014/15 and the actuarial recommended employer contributions are in line with those budgeted for in the Medium Term Financial Strategy.

Housing Revenue Account

The Housing Revenue Account has made a surplus of £0.225m for 2014/15, reflecting a positive variance from a budgeted deficit of £0.023m.

The Collection Fund

Despite the economic downturn a strong collection performance for Council Tax of 96.2% and business rates of 96.3% meant the Collection Fund ended the year with a surplus, for Ealing, of £16.5m.

Foundation Schools

Following clarifications made in the CIPFA Code of Practice on Local Authority Accounting 2014/15, foundation schools have been consolidated into the balance sheet. These additions have a value of £67.857m as at 31 March 2015.

I hope that you find the following statement of accounts useful and informative in helping you to understand how the council manages its finances in delivering services for residents. There were no significant changes to the format of the accounts in 2014/15. If you have any questions or comments on the council's accounts or their presentation, please e-mail **finalaccounts@ealing.gov.uk** or write to the Executive Director of Corporate Resources, Ealing Council, Perceval House, 14-16 Uxbridge Road, Ealing W5 2HL.

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

The Accounts and Audit Regulations (England) 2011 require the council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained overleaf.

## Statement of Accounts – key elements

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

Auditor statement (ISA 260 Report) to those charged with governance

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

Core Financial Statements

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

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

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

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

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

### Supplementary Statements

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

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

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

## Statement of Responsibilities for the Accounts 2014/15

Introduction

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

The council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this council I exercise that role as the Executive Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Responsibilities of the Executive Director of Corporate Resources

The Executive Director of Corporate Resources (Section 151 finance officer) is responsible for the preparation of the council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to give a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2015.

In preparing this statement of accounts I have:

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

Certificate of the Executive Director of Corporate Resources

I certify that the accounts set out on pages 1 to 76 give a true and fair view of the financial position of the London Borough of Ealing as at 31 March 2015 and its income and expenditure for the year then ended, and that the accounts set out on pages 77 to 98 give a true and fair view of the net assets of the London Borough of Ealing Pension Fund as at 31 March 2015 and its income and expenditure for the year then ended.

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

Certificate of the Chair of the Audit Committee

I confirm that these accounts were agreed by the Audit Committee at its meeting held on 8 September 2015.

Councillor Murtagh
Chair of the Audit Committee
Date:

## Notes to the Core Financial Statements

### 1. Accounting policies

**1) General Principles**

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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.

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

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

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

**3) Cash and Cash Equivalents**

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

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

**4) Exceptional Items**

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

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

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

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

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

**6) Charges to Revenue for Non-Current Assets**

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

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

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

c) amortisation of intangible assets attributable to the service.

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

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

**7) Employee Benefits**

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

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

b) Termination Benefits

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

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

c) Post-Employment Benefits

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

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

ii) NHS Pension Scheme, administered by NHS Pensions.

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

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

However, the arrangements for the teachers' and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it 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 Public Health line incurs the NHS Pension employer costs.

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

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

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

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

(1) quoted securities – current bid price

(2) unquoted securities – professional estimate

(3) unitised securities – current bid price

(4) property – market value

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

Service cost comprising:

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

Remeasurements comprising:

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

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

d) <u>Discretionary Benefits</u>

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

## 8) Events After the Reporting Period

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

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

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

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

**9) Financial Instruments**

a) 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.

ii) <u>Available for sale assets</u>

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

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

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

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

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the

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

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

**10) Government Grants and Contributions**

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

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

b) the grants or contributions will be received.

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

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

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

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

**11) Business Improvement Districts**

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

**12) Interests in Companies and Other Entities**

The Council has interests in other companies that have the nature of associates. As the Council's interests in these companies are not material to the Council's accounts, these interests are not consolidated into the Council's own accounts. As a result the Council has not prepared group accounts in 2014/15.

**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:

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

(4) 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 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the

Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

**16) Carbon Reduction Commitment Scheme**

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

**17) Property, Plant and Equipment**

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

a) <u>Recognition</u>

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) <u>Measurement</u>

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

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

e) Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

**18) Heritage Assets**

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

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

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

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

**19) Intangible assets**

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

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

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

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

## 20) Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

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

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

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

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

## 21) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

a) Contingent Liabilities

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

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

b) Contingent Assets

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

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

**22) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

**23) Revenue Expenditure Funded from Capital under Statute**

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

**24) VAT**

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

**25) Foundation Schools**

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

**26) Collection Fund**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). The key features of the fund relevant to accounting for 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 Council and the GLA as billing authority and preceptor. There will therefore be a debtor/creditor position between Ealing Council 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 proportionately to Ealing Council as billing authority and the Government and the GLA as preceptors. There will therefore be a debtor/creditor position between Ealing Council and the government and the GLA to be recognised since the net cash paid to the government and the GLA in the year will not be the same as its true share of the cash collected from council taxpayers.

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

There are no new accounting standards not yet adopted that will impact on the financial statements for the Council in 2014/15.

## 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:

a) 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

No events have arisen after the 31 March 2015 to result in changes to the financial statements.

## MOVEMENT IN RESERVES STATEMENT

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

| | General fund balance £000 | Earmarked reserves £000 | Housing Revenue Account £000 | Usable Capital Receipts £000 | Capital Grants Unapplied £000 | Earmarked HRA Reserves £000 | Total usable reserves £000 | Revaluation reserve £000 | Capital adjustment account £000 | Deferred Capital Receipts £000 | Collection fund adjustment account £000 | Financial instruments adjustment account £000 | Short Term Accumulating Compensated Absences Account £000 | Pensions reserve £000 | Total unusable reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2013 (restated)** | **15,413** | **103,204** | **6,124** | **12,053** | **39,801** | **34,940** | **211,535** | **261,775** | **482,333** | **10,738** | **4,292** | **(1,839)** | **(7,821)** | **(451,409)** | **298,069** | **509,604** |
| **<u>Movement in reserves during 2013/14</u>** | | | | | | | | | | | | | | | | |
| Surplus or (deficit) on provision of services | 6,112 | - | 9,928 | - | - | - | 16,040 | - | - | - | - | - | - | - | - | 16,040 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | 118,229 | - | - | - | - | - | 175,553 | 293,782 | 293,782 |
| **Total Comprehensive Income and Expenditure** | 6,112 | - | 9,928 | - | - | - | 16,040 | 118,229 | - | - | - | - | - | 175,553 | 293,782 | 309,822 |
| Adjustments between accounting basis & funding basis under regulations (note 7) | (6,709) | - | 1,478 | 5,426 | (2,607) | (27,659) | (30,071) | - | 35,971 | 2,513 | 481 | 215 | 2,374 | (11,483) | 30,071 | - |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | **(597)** | **-** | **11,406** | **5,426** | **(2,607)** | **(27,659)** | **(14,031)** | **118,229** | **35,971** | **2,513** | **481** | **215** | **2,374** | **164,070** | **323,853** | **309,822** |
| Transfers to/from Earmarked Reserves | **622** | **(622)** | **(12,829)** | - | - | **12,829** | **-** | **(2,597)** | **2,597** | | | | | | - | - |
| **Increase/(Decrease) in Year** | **25** | **(622)** | **(1,423)** | **5,426** | **(2,607)** | **(14,830)** | **(14,031)** | **115,632** | **38,568** | **2,513** | **481** | **215** | **2,374** | **164,070** | **323,853** | **309,822** |
| **Balance at 31 March 2014 carried forward** | **15,438** | **102,582** | **4,701** | **17,479** | **37,194** | **20,110** | **197,504** | **377,407** | **520,901** | **13,251** | **4,773** | **(1,624)** | **(5,447)** | **(287,339)** | **621,922** | **819,426** |
| **<u>Movement in reserves during 2014/15</u>** | | | | | | | | | | | | | | | | |
| Surplus or (deficit) on provision of services | 52,346 | - | (5,203) | - | - | - | 47,143 | - | - | - | - | - | - | - | - | 47,143 |
| Other Comprehensive Expenditure and Income | - | - | - | - | - | - | - | 84,721 | - | - | - | - | - | (113,124) | (28,403) | (28,403) |
| **Total Comprehensive Expenditure and Income** | 52,346 | - | (5,203) | - | - | - | 47,143 | 84,721 | - | - | - | - | - | (113,124) | (28,403) | 18,740 |
| Adjustments between accounting basis & funding basis under regulations (note 7) | (49,704) | - | 13,700 | 9,754 | (9,782) | (9,088) | (45,120) | - | 37,712 | 5,517 | 11,762 | 16 | 503 | (10,390) | 45,120 | - |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | **2,642** | **-** | **8,497** | **9,754** | **(9,782)** | **(9,088)** | **2,023** | **84,721** | **37,712** | **5,517** | **11,762** | **16** | **503** | **(123,514)** | **16,717** | **18,740** |
| Transfers to/from Earmarked Reserves | **(2,617)** | **2,617** | **(8,272)** | **-** | **-** | **8,272** | **-** | **(3,474)** | **3,474** | **-** | **-** | **-** | **-** | **-** | **-** | - |
| **Increase/(Decrease) in Year** | **25** | **2,617** | **225** | **9,754** | **(9,782)** | **(816)** | **2,023** | **81,247** | **41,186** | **5,517** | **11,762** | **16** | **503** | **(123,514)** | **16,717** | **18,740** |
| **Balance at 31 March 2015 carried forward** | **15,463** | **105,199** | **4,926** | **27,233** | **27,412** | **19,294** | **199,527** | **458,654** | **562,087** | **18,768** | **16,535** | **(1,608)** | **(4,944)** | **(410,853)** | **638,639** | **838,166** |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

| | Note | 2014/15 Gross Expenditure £000 | 2014/15 Income £000 | 2014/15 Net Expenditure £000 | 2013/14 Net Expenditure £000 |
|---|---|---|---|---|---|
| Adult Social Care | | 112,225 | (32,689) | 79,536 | 76,876 |
| Central Services to the Public | | 35,547 | (28,065) | 7,482 | 13,529 |
| Children's and Education Services | | 416,506 | (347,576) | 68,930 | 105,978 |
| Public Health | | 22,422 | (22,145) | 277 | (864) |
| Culture and Related Services | | 15,202 | (4,254) | 10,948 | 16,369 |
| Environmental and Regulatory Services | | 27,712 | (8,978) | 18,734 | 16,650 |
| Planning Services | | 12,305 | (4,626) | 7,679 | 8,941 |
| Highways and transport services | | 52,520 | (29,578) | 22,942 | 24,367 |
| Local authority housing (HRA) | | 72,969 | (68,472) | 4,497 | (14,938) |
| Other housing services | | 333,763 | (318,772) | 14,991 | 14,274 |
| Corporate and Democratic Core | | 4,750 | 72 | 4,822 | 4,408 |
| Non Distributed Costs | | 4,519 | (460) | 4,059 | 3,261 |
| **Cost of Services** | (9) | 1,110,440 | (865,543) | 244,897 | 268,851 |
| Loss on disposal of non-current assets | | | | (12,068) | (7,804) |
| Levies | (17) | | | 13,950 | 14,446 |
| Contribution to Housing Act Advances | | | | 4 | 14 |
| Contribution of Housing Capital Receipts to Central Government Pool | | | | 1,378 | 1,256 |
| **Other Operating Expenditure** | | | | 3,264 | 7,912 |
| **Financing and investment income and expenditure** | (10) | | | 46,002 | 52,642 |
| **Taxation and non-specific grant income** | (11) | | | (341,306) | (345,445) |
| **Surplus on provision of services** | | | | **(47,143)** | **(16,040)** |
| **Other comprehensive income & expenditure** | | | | | |
| Surplus arising on revaluation of non-current assets | | | | (84,721) | (118,229) |
| Re-measurement of the net defined benefit liability (asset) | | | | 113,124 | (175,553) |
| Other comprehensive income & expenditure | | | | - | - |
| **Total comprehensive (surplus)/ loss for the year** | | | | **(18,740)** | **(309,822)** |

## BALANCE SHEET

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

| | See Note | 31 March 2015 £000 | 31 March 2015 £000 | Restated 31 March 2014 £000 | Restated 1 April 2013 £000 |
|---|---|---|---|---|---|
| Property, plant and equipment | (20) | 1,730,583 | | 1,581,829 | 1,410,999 |
| Intangible Assets | (20) | 1,095 | | 801 | 1,069 |
| Heritage Assets | (20) | 2,741 | | 2,741 | 2,741 |
| Long Term Investments | (40) | 630 | | 640 | 600 |
| Long Term Debtors | (28) | 18,937 | | 13,448 | 10,848 |
| **Total long term assets** | | | 1,753,986 | 1,599,459 | 1,426,257 |
| **Current assets** | | | | | |
| Short Term Investments | (40) | 218,073 | | 170,429 | 232,493 |
| Available for sale financial assets | (40) | - | | 14,999 | 500 |
| Short term debtors | (30) | 72,053 | | 74,624 | 50,040 |
| Cash and cash equivalents | (29) | 25,023 | | 52,895 | 34,088 |
| | | | 315,149 | 312,947 | 317,121 |
| **Current Liabilities** | | | | | |
| Short term borrowings | (40) | (24,099) | | (16,347) | (8,835) |
| Short term creditors | (31) | (157,949) | | (136,004) | (112,999) |
| Provisions | (34) | (6,876) | | (8,482) | (3,868) |
| | | | (188,924) | (160,833) | (125,702) |
| **Long term liabilities** | | | | | |
| Long term borrowings | (40) | (473,050) | | (485,246) | (494,756) |
| Long term creditors | (32) | (151,653) | | (151,612) | (152,521) |
| Capital grants receipts in advance | (30) | (2,496) | | (4,428) | (5,780) |
| Provisions | (34) | (3,993) | | (3,522) | (3,606) |
| Pensions Liability | (37.4) | (410,853) | | (287,339) | (451,409) |
| | | | (1,042,045) | (932,147) | (1,108,072) |
| **Net assets** | | | 838,166 | 819,426 | 509,604 |
| **Usable reserves** | | | 199,527 | 197,504 | 211,535 |
| **Unusable reserves** | | | 638,639 | 621,922 | 298,069 |
| **Total Reserves** | | | 838,166 | 819,426 | 509,604 |

Signed: Date:

## CASH FLOW STATEMENT

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

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Net surplus or deficit on the provision of services (note 9) | (47,143) | (16,040) |
| Adjustment to net surplus or deficit on the provision of services for non cash movements (note 12.1) | (86,080) | (66,385) |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 12.2) | 79,387 | 42,130 |
| Net cash flows from operating activities | (53,836) | (40,295) |
| Cash flows from investing activities (note 13.2) | 77,853 | 11,603 |
| Cash flows from financing activities (note 13.3) | 3,855 | 9,885 |
| **(Increase) / decrease in cash and cash equivalents** | **27,872** | **(18,807)** |
| **Cash and cash equivalents at the beginning of the financial year** | 52,895 | 34,088 |
| **Cash and cash equivalents at the end of the financial year** | 25,023 | 52,895 |

**5. Prior Period Adjustments**

A change in the accounting treatment of Local Authority Maintained Schools has resulted in a number of School land and building assets being brought on the Council's balance sheet.

The adjustments to 2013/14 and 2012/13 balances are as follows:

**5.1 Movement in Reserves Statement (MiRS)**

| | Original 31 March 2014 £000 | Restatement £000 | Restated 31 March 2014 £000 | Original 31 March 2013 £000 | Restatement £000 | Restated 31 March 2013 £000 |
|---|---|---|---|---|---|---|
| **Total usable reserves** | **197,504** | **-** | **197,504** | **211,535** | **-** | **211,535** |
| Revaluation reserve | 377,407 | - | 377,407 | 261,775 | - | 261,775 |
| Capital adjustment account | 452,247 | 68,654 | 520,901 | 413,679 | 68,654 | 482,333 |
| Deferred capital receipts | 13,251 | - | 13,251 | 10,738 | - | 10,738 |
| Collection fund adjustment account | 4,773 | - | 4,773 | 4,292 | - | 4,292 |
| account | (1,624) | - | (1,624) | (1,839) | - | (1,839) |
| compensated absences account | (5,447) | - | (5,447) | (7,821) | - | (7,821) |
| Pensions reserve | (287,339) | - | (287,339) | (451,409) | - | (451,409) |
| **Total unusable reserves** | **553,268** | 68,654 | **621,922** | **229,415** | 68,654 | **298,069** |
| **Total authority reserves** | **750,772** | 68,654 | **819,426** | **440,950** | 68,654 | **509,604** |

| **5.2 Balance Sheet** | Original 31 March 2014 £000 | Restatement £000 | Restated 31 March 2014 £000 | Original 31 March 2013 £000 | Restatement £000 | Restated 31 March 2013 £000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 1,513,175 | 68,654 | 1,581,829 | 1,342,345 | 68,654 | 1,410,999 |
| Intangible assets | 801 | - | 801 | 1,069 | - | 1,069 |
| Heritage assets | 2,741 | - | 2,741 | 2,741 | - | 2,741 |
| Long term investments | 640 | - | 640 | 600 | - | 600 |
| Long term debtors | 13,448 | - | 13,448 | 10,848 | - | 10,848 |
| **Total long term assets** | **1,530,805** | 68,654 | **1,599,459** | **1,357,603** | 68,654 | **1,426,257** |
| **Current assets** | **312,947** | - | **312,947** | **317,121** | - | **317,121** |
| **Current liabilities** | **(160,833)** | - | **(160,833)** | **(125,702)** | - | **(125,702)** |
| **Long term liabilities** | **(932,147)** | - | **(932,147)** | **(1,108,072)** | - | **(1,108,072)** |
| **Net assets** | **750,772** | 68,654 | **819,426** | **440,950** | 68,654 | **509,604** |

**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 2015 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. |

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

| 2014/15 | General fund balance £000 | Housing Revenue Account £000 | Usable Capital Receipts £000 | Capital Grants Unapplied £000 | Earmarked HRA Reserves £000 | Total Usable Reserves £000 | Revaluation reserve £000 | Capital adjustment account £000 | Deferred Capital Receipts £000 | Collection fund adjustment account £000 | Financial instruments adjustment account £000 | Short-term Accumulating Compensated Absences Account £000 | Pensions reserve £000 | Total Unusable reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Charges for depreciation and impairment of non current assets | 22,358 | | | | 9,021 | **31,379** | | (31,379) | | | | | | **(31,379)** | - |
| Revaluation losses on Property Plant and Equipment | (7,859) | 25,133 | | | | **17,274** | | (17,274) | | | | | | **(17,274)** | - |
| Capital grants and contributions credited to the CIES and application of grants to capital financing transferred to the Capital Adjustment Account | (53,852) | | | (9,782) | | **(63,634)** | | 63,634 | | | | | | **63,634** | - |
| Revenue expenditure funded from capital under statute | 22,991 | 3,380 | | | | **26,371** | | (26,371) | | | | | | **(26,371)** | - |
| Net gain or loss on sale of non-current assets | (9,142) | (8,527) | 20,090 | | | **2,421** | | (7,938) | 5,517 | | | | | **(2,421)** | - |
| 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 | (16) | | | | | **(16)** | | | | | 16 | | | **16** | - |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations | 36,445 | 1,888 | | | | **38,333** | | | | | | | (38,333) | **(38,333)** | - |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (26,718) | (1,225) | | | | **(27,943)** | | | | | | | 27,943 | **27,943** | - |
| Amount by which council tax & business rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation | (11,762) | | | | | **(11,762)** | | | | 11,762 | | | | **11,762** | - |
| Statutory provision for the repayment of debt | (17,952) | (2,770) | | | | **(20,722)** | | 20,722 | | | | | | **20,722** | - |
| Capital expenditure charged against the General Fund and HRA balances | (5,139) | (4,112) | | | (18,109) | **(27,360)** | | 27,360 | | | | | | **27,360** | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the central government capital receipts pool. | 1,378 | | (1,378) | | | **-** | | | | | | | | **-** | - |
| 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 | (436) | (67) | | | | **(503)** | | | | | | 503 | | **503** | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | (8,958) | | | **(8,958)** | | 8,958 | | | | | | **8,958** | - |
| **Total Adjustments** | (49,704) | 13,700 | 9,754 | (9,782) | (9,088) | **(45,120)** | - | 37,712 | 5,517 | 11,762 | 16 | 503 | (10,390) | **45,120** | - |

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

| 2013/14 | 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 | 21,136 | | | | 8,562 | **29,698** | | (29,698) | | | | | | **(29,698)** | **-** |
| Revaluation losses on Property Plant and Equipment | 9,895 | 9,118 | | | | **19,013** | | (19,013) | | | | | | **(19,013)** | **-** |
| Capital grants and contributions credited to the CIES and application of grants to capital financing transferred to the Capital Adjustment Account | (54,973) | | | (2,607) | | **(57,580)** | | 57,580 | | | | | | **57,580** | **-** |
| Revenue expenditure funded from capital under statute | 45,629 | 3,305 | | | | **48,934** | | (48,934) | | | | | | **(48,934)** | **-** |
| Net gain or loss on sale of non-current assets | (5,313) | (4,869) | 15,439 | | | **5,257** | | (7,770) | 2,513 | | | | | **(5,257)** | **-** |
| 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 | (15) | (200) | | | | **(215)** | | | | | 215 | | | **215** | **-** |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations | 45,427 | 2,528 | | | | **47,955** | | | | | | | (47,955) | **(47,955)** | **-** |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (28,416) | (8,056) | | | | **(36,472)** | | | | | | | 36,472 | **36,472** | **-** |
| Amount by which council tax & business rate income included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation | (481) | | | | | **(481)** | | | | 481 | | | | **481** | **-** |
| Statutory provision for the repayment of debt | (17,543) | (544) | | | | **(18,087)** | | 18,087 | | | | | | **18,087** | **-** |
| Capital expenditure charged against the General Fund and HRA balances | (20,761) | 20 | | | (36,221) | **(56,962)** | | 56,962 | | | | | | **56,962** | **-** |
| Contribution from the Capital Receipts Reserve to finance the payments to the central government capital receipts pool. | 1,256 | | (1,256) | | | **-** | | | | | | | | **-** | **-** |
| 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 | (2,550) | 176 | | | | **(2,374)** | | | | | | 2,374 | | **2,374** | **-** |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | (8,757) | | | **(8,757)** | | 8,757 | | | | | | **8,757** | **-** |
| **Total Adjustments** | (6,709) | 1,478 | 5,426 | (2,607) | (27,659) | **(30,071)** | - | 35,971 | 2,513 | 481 | 215 | 2,374 | (11,483) | **30,071** | **-** |

### 8. Transfers to and From Earmarked reserves

| | Balance at 1 April 2013 | Transfers in 2013/14 | Transfers Out 2013/14 | Balance at 31 March 2014 | Transfers in 2014/15 | Transfers Out 2014/15 | Balance at 31 March 2015 |
|---|---|---|---|---|---|---|---|
| Corporate - Business Risk Reserve | (8,349) | (6,211) | 4,452 | (10,108) | (12,951) | 7,959 | (15,100) |
| Corporate - Ealing Civic Improvement Fund | (2,433) | (2,000) | 1,250 | (3,183) | (32) | 263 | (2,952) |
| Corporate - Insurance Reserve | (4,786) | (325) | 472 | (4,639) | (250) | 360 | (4,529) |
| Corporate - Invest to Save Reserve | (1,042) | (2,011) | 236 | (2,817) | - | 632 | (2,185) |
| Corporate - Welfare Reform | (2,203) | - | 203 | (2,000) | - | 722 | (1,278) |
| Corporate – Others in total | (14,144) | (6,930) | 8,463 | (12,611) | (969) | 5,445 | (8,135) |
| Service – Others in total | (15,179) | (3,860) | 6,943 | (12,096) | (5,135) | 2,500 | (14,731) |
| Parking Places Reserve Account | (1,613) | - | 386 | (1,227) | (1,422) | 131 | (2,518) |
| PFI Reserves | (32,579) | (17,787) | 15,116 | (35,250) | (3,444) | 3,142 | (35,552) |
| **Controllable reserves** | (82,328) | (39,124) | 37,521 | (83,931) | (24,203) | 21,154 | (86,980) |
| School Balances (ring-fenced) | (20,876) | (1,142) | 3,367 | (18,651) | (513) | 945 | (18,219) |
| **Total Earmarked reserves** | **(103,204)** | **(40,266)** | **40,888** | **(102,582)** | **(24,716)** | **22,099** | **(105,199)** |

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

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

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

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

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

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

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

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

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

**8.10** School Balances contain all the school balances which are ring-fenced for schools' use (see note 37 on Dedicated Schools Grant).

### Transfers to and from HRA Earmarked reserves

| | Balance at 1 April 2013 | Transfers in 2013/14 | Transfers Out 2013/14 | Balance at 31 March 2014 | Transfers in 2014/15 | Transfers Out 2014/15 | Balance at 31 March 2015 |
|---|---|---|---|---|---|---|---|
| Major Repairs Reserve | (14,929) | (14,392) | 29,321 | - | (16) | - | (16) |
| Estate Regeneration Delivery | (20,011) | (4,500) | 6,901 | (17,610) | (2,901) | 3,732 | (16,779) |
| Repairs and Maintenance Reserve | - | (2,500) | - | (2,500) | - | - | (2,500) |
| **Total HRA Earmarked reserves** | **(34,940)** | **(21,392)** | **36,222** | **(20,110)** | **(2,917)** | **3,732** | **(19,295)** |

## 9. Amounts Reported for Resource Allocation Decisions

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

| | Children & Adults 2014/15 £000 | Regeneration & Housing 2014/15 £000 | Environment & Customer Services 2014/15 £000 | Corporate Resources & Chief Exec 2014/15 £000 | Housing Benefit 2014/15 £000 | Council Wide 2014/15 £000 | Total 2014/15 £000 |
|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (50,936) | (54,262) | (45,648) | (28,632) | - | - | (179,478) |
| Government grants | (99,848) | (2,980) | (6,873) | (1,173) | (273,269) | - | (384,143) |
| **Total Income** | (150,784) | (57,242) | (52,521) | (29,805) | (273,269) | - | (563,621) |
| Employee expenses | 64,717 | 16,966 | 19,015 | 33,164 | | - | 133,862 |
| Other operating expenses | 214,986 | 52,382 | 60,401 | 25,016 | 278,335 | - | 631,120 |
| **Total operating expenses** | 279,703 | 69,348 | 79,416 | 58,180 | 278,335 | - | 764,982 |
| **Net Cost of Services** | 128,919 | 12,106 | 26,895 | 28,375 | 5,066 | - | 201,361 |

| | Children & Adults 2013/14 £000 | Regeneration & Housing 2013/14 £000 | Environment & Customer Services 2013/14 £000 | Corporate Resources & Chief Exec 2013/14 £000 | Housing Benefit 2013/14 £000 | Council Wide 2013/14 £000 | Total 2013/14 £000 |
|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (46,803) | (47,503) | (45,389) | (21,385) | - | - | (161,080) |
| Government grants | (89,656) | (3,154) | (4,418) | (1,115) | (275,728) | - | (374,071) |
| **Total Income** | (136,459) | (50,657) | (49,807) | (22,500) | (275,728) | - | (535,151) |
| Employee expenses | 63,362 | 18,826 | 22,628 | 33,310 | - | - | 138,126 |
| Other operating expenses | 201,642 | 44,407 | 54,974 | 18,945 | 280,753 | 90 | 600,811 |
| **Total operating expenses** | 265,004 | 63,233 | 77,602 | 52,255 | 280,753 | 90 | 738,937 |
| **Net Cost of Services** | 128,545 | 12,576 | 27,795 | 29,755 | 5,025 | 90 | 203,786 |

**9. 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 2014/15 £000 | Not reported to mgmt 2014/15 £000 | Not included CIES 2014/15 £000 | Net Cost of Services 2014/15 £000 | Corporate Amounts 2014/15 £000 | Total 2014/15 £000 |
|---|---|---|---|---|---|---|
| Fees, charges & other service income | (179,478) | (68,453) | 19,011 | (228,920) | - | (228,920) |
| Interest and investment income | - | - | - | - | (1,365) | (1,365) |
| Income from council tax | - | - | - | - | (113,229) | (113,229) |
| Retained Business rates | - | - | - | - | (76,269) | (76,269) |
| Government grants and contributions | (384,143) | - | - | (384,143) | (151,808) | (535,951) |
| **Total Income** | (563,621) | (68,453) | 19,011 | (613,063) | (342,671) | (955,734) |
| | | | | | | |
| Employee expenses | 133,862 | 26,010 | (27,943) | 131,929 | - | 131,929 |
| Other service expenses | 631,120 | 102,110 | (42,868) | 690,362 | - | 690,362 |
| Support Service recharges | - | - | - | - | | - |
| Depreciation, amortisation and impairment | - | 35,669 | - | 35,669 | - | 35,669 |
| Interest Payments | - | - | - | - | 47,367 | 47,367 |
| Precepts & Levies | - | - | - | - | 13,954 | 13,954 |
| Payments to Housing Capital Receipts Pool | - | - | - | - | 1,378 | 1,378 |
| Gain or Loss on Disposal of Fixed Assets | - | - | - | - | (12,068) | (12,068) |
| **Total operating expenses** | 764,982 | 163,789 | (70,811) | 857,960 | 50,631 | 908,591 |
| | | | | | | |
| **(Surplus) or deficit on the provision of services** | 201,361 | 95,336 | (51,800) | 244,897 | (292,040) | (47,143) |

| **Reconciliation to Subjective Analysis Restated** | Service Analysis 2013/14 £000 | Not reported to mgmt 2013/14 £000 | Not included in I&E 2013/14 £000 | Net Cost of Services 2013/14 £000 | Corporate Amounts 2013/14 £000 | Total 2013/14 £000 |
|---|---|---|---|---|---|---|
| Fees, charges & other service income | (161,080) | (68,823) | 30,212 | (199,691) | - | (199,691) |
| Interest and investment income | - | - | - | - | (1,595) | (1,595) |
| Income from council tax | - | - | - | - | (109,973) | (109,973) |
| Retained Business rates | - | - | - | - | (36,409) | (36,409) |
| Government grants and contributions | (374,071) | - | - | (374,071) | (199,063) | (573,134) |
| **Total Income** | (535,151) | (68,823) | 30,212 | (573,762) | (347,040) | (920,802) |
| | | | | | | |
| Employee expenses | 138,126 | 32,135 | (36,472) | 133,789 | - | 133,789 |
| Other service expenses | 600,811 | 119,368 | (47,815) | 672,364 | - | 672,364 |
| Support Service recharges | | | | - | - | - |
| Depreciation, amortisation and impairment | - | 36,460 | - | 36,460 | | 36,460 |
| Interest Payments | | - | - | - | 54,237 | 54,237 |
| Precepts & Levies | | - | - | - | 14,460 | 14,460 |
| Payments to Housing Capital Receipts Pool | | - | - | - | 1,256 | 1,256 |
| Gain or Loss on Disposal of non-current assets | | - | - | - | (7,804) | (7,804) |
| **Total operating expenses** | 738,937 | 187,963 | (84,287) | 842,613 | 62,149 | 904,762 |
| | | | | | | |
| **(Surplus) or deficit on the provision of services** | 203,786 | 119,140 | (54,075) | 268,851 | (284,891) | (16,040) |

## 9. Amounts Reported for Resource Allocation Decisions (Continued)

### Reconciliation to Net Cost of Services in CIES

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Cost of Services in service analysis | 201,361 | 203,786 |
| Add services not included in main analysis | - | - |
| Add amounts not reported to management | 95,336 | 119,140 |
| Remove amounts reported to management not included in CIES | (51,800) | (54,075) |
| **Net Cost of Services in CIES** | 244,897 | 268,851 |

## 10. Financing and Investment Income and Expenditure

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Interest and investment income | (1,365) | (1,595) |
| Interest payable and similar charges | 35,547 | 36,043 |
| Pension interest cost and expected return on pension assets | 11,820 | 18,194 |
| | 46,002 | 52,642 |

## 11. Taxation and Non-Specific Grant Income

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Income from council tax | (113,229) | (109,973) |
| General central government grants (see below) | (151,808) | (170,895) |
| Retained business rates | (47,553) | (36,409) |
| Business rates top up | (28,716) | (28,168) |
| | (341,306) | (345,445) |

## 11.1 Taxation and Non-Specific Grant Income General Central Government Grants

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Revenue support grant | (83,796) | (101,782) |
| Capital grants and contributions | (53,852) | (54,973) |
| Education services grant | (5,787) | (5,829) |
| New homes bonus | (6,839) | (5,144) |
| LACSEG refund | - | (1,331) |
| Council tax freeze grant | (1,279) | (1,265) |
| Capitalisation provision redistribution grant | (255) | (571) |
| | (151,808) | (170,895) |

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

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

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Depreciation | (31,379) | (29,698) |
| Revaluation gains / (losses) charged to CIES | (17,275) | (19,013) |
| Movement in debtors | (2,668) | 24,592 |
| Movement in creditors | (7,590) | (18,478) |
| Pension liability | (10,390) | (11,483) |
| Movement in provisions | (8,804) | (4,530) |
| Adjustment for impairment losses on investments | (133) | - |
| Adjustments for effective interest rate | 22 | - |
| Carrying amount of non-current assets sold | (7,863) | (7,770) |
| Deferred capital receipts | - | (5) |
| | (86,080) | (66,385) |

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

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Capital grants credited to surplus or deficit on the provision of services | 53,852 | 24,312 |
| Net adjustment from the sale of short and long term investments | - | - |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 25,535 | 17,818 |
| | 79,387 | 42,130 |

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

### 13.1. Cash flow statement - operating activities (interest)

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

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Interest received | 1,231 | 1,977 |
| Interest paid | (24,326) | (24,498) |

### 13.2. Cash Flow Statement - Cash Flows from Investing Activities

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Purchase of property, plant and equipment, | 119,162 | 111,456 |
| Purchase of short-term and long-term investments | 9,813,330 | 527,441 |
| Other payments for investing activities | 5,605 | 209 |
| Proceeds from the sale of property, plant and | (25,535) | (15,440) |
| Proceeds from short-term and long-term investments | (9,780,744) | (589,103) |
| Other receipts from investing activities | (53,965) | (22,960) |
| | 77,853 | 11,603 |

### 13.3 Cash Flow Statement - Cash Flows from Financing Activities

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Cash receipts of short- and long-term borrowing | (5,060) | - |
| Council tax and NNDR adjustments | (5,185) | (1,116) |
| Other receipts from financing activities | - | - |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | 4,718 | 9,003 |
| Repayments of short- and long-term borrowing | 9,382 | 1,998 |
| Other payments for financing activities | - | - |
| | 3,855 | 9,885 |

## 14. Trading Accounts

**14.1** Off street car parking - this is provided in competition with privately run car parks.

**14.2** 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 2014/15 £000 | Income 2014/15 £000 | Net Expenditure 2014/15 £000 | Net Expenditure 2013/14 £000 |
|---|---|---|---|---|
| Off street car parking | 805 | (1,806) | (1,001) | (1,241) |
| Trade refuse | 573 | (1,520) | (947) | (807) |
| | 1,378 | (3,326) | (1,948) | (2,048) |

## 15. Pooled fund memorandum account for Ealing Community Equipment Services

Ealing Council and Ealing Clinical Commissioning Group 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.

| | 2014/15 Total Costs £000 | 2013/14 Total Costs £000 |
|---|---|---|
| Community Equipment | 2,494 | 2,357 |
| <u>Funding :</u> | | |
| Ealing Council | 1,257 | 1,198 |
| Ealing Clinical Commissioning Group | 1,237 | 1,159 |
| Total Funding | 2,494 | 2,357 |

## 16. Related Party Transactions

**16.1** 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.

**16.2** Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 11 on reporting for resources allocation decisions.

**16.3** 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 £834,000 (£776,000 in 2013/14) for expenses incurred in administering the fund. There was a balance of £1.6m at 31 March 2015 (£2.9m in 2013/14) but this was for that day only, there was no such balance for the rest of the year.

**16.4** Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 18. Information relating to Councillors has been obtained from their individual Declarations of Interest. Individual returns are completed by relevant officers of the authority. The only significant declarations are:-

**I)** In 2014/15 the Executive Director of Corporate Resources acted as the Treasurer for the West London Waste Authority (WLWA), and the Executive Director of Environment and Customer Services acted as the Chief Technical Advisor. One Councillor acted as Chair to the WLWA. In 2014/15 the Council paid a levy of £12.8m (£13.2m in 2013/14) and loaned a total of £8.0m (£2.4m as at 2013/14) to WLWA. As at 31 March 2015 Ealing held £4.5m (£0m 2013/14) from WLWA to invest on their behalf.
**ii)** In 2014/15 the Director of Safer Communities was on a non-decision making Board for Catalyst Housing Association, the council paid £290,708 to Catalyst for their services.
**iii)** One Councillor is on the Mortlake Crematorium Board for the year ended 31 March 2015. The board has £778,000 (£218,000 at 31 March 2014) invested with the Council. The amount invested in previous years has been less as there were significant works being done, such works were finished by 2014/15 and hence more funds were available to be invested. Mortlake also purchased accountancy, internal audit and payroll services from the Council, at a total cost of £17,582 in 2014/15 (£17,057 in 2013/14).
**iv)** 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.
**v)** Two members are involved with the Ealing Racial Equality Council. In 2014/15 the Council paid £108,441 to the trust (£83,038 in 2013/14).
**vi)** Two members let properties in the borough, one member lets properties through a managing agency company that rents properties to Ealing Council, and one member is the Director of a Property company in the borough with a net worth of £0.6m.

**16.5** Ealing has one Section 75 agreement to pool funding relating to the Integrated Community Equipment Service with Ealing CCG. The total funding between the partners is £2.494m in 2014/15 (£2.357m in 2013/14).

## 17. Levies

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| London Pension Fund Authority | 393 | 399 |
| Lee Valley Park | 316 | 327 |
| National Rivers Authority | 232 | 234 |
| West London Waste Authority | 12,793 | 13,197 |
| Coroners Services | 216 | 289 |
| | 13,950 | 14,446 |

## 18. Members Allowances

The total of allowances paid to the members of the Council was £1.001m in 2014/15 (£0.961m in 2013/14).

## 19. Employee Remuneration

### 19.1 Employees receiving remuneration of over £50,000 per annum

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

| Remuneration Band | Number of Employees 2014/15 | | Number of Employees 2013/14 | |
|---|---|---|---|---|
| | Ealing Council | Schools | Ealing Council | Schools |
| £50,000 - £54,999 | 42 | 200 | 80 | 132 |
| £55,000 - £59,999 | 24 | 97 | 35 | 79 |
| £60,000 - £64,999 | 16 | 44 | 27 | 33 |
| £65,000 - £69,999 | 15 | 37 | 14 | 29 |
| £70,000 - £74,999 | 20 | 25 | 25 | 21 |
| £75,000 - £79,999 | 6 | 18 | 8 | 18 |
| £80,000 - £84,999 | 10 | 9 | 14 | 13 |
| £85,000 - £89,999 | 3 | 15 | 6 | 7 |
| £90,000 - £94,999 | 2 | 4 | 4 | 6 |
| £95,000 - £99,999 | 1 | 4 | 1 | 3 |
| £100,000 - £104,999 | 3 | - | 2 | 2 |
| £105,000 - £109,999 | 5 | - | 3 | 1 |
| £110,000 - £114,999 | - | - | - | - |
| £115,000 - £119,999 | - | - | - | - |
| £120,000 - £124,999 | - | 1 | - | - |
| £125,000 - £129,999 | 1 | - | - | - |
| £130,000 - £134,999 | 3 | - | 3 | - |
| £135,000 - £139,999 | 1 | - | - | - |
| £140,000 - £144,999 | - | - | - | - |
| £145,000 - £149,999 | - | - | - | - |
| £150,000 - £154,999 | - | 1 | - | - |
| £155,000 - £159,999 | - | - | - | - |
| £160,000 - £164,999 | - | - | - | - |
| £165,000 - £169,999 | - | - | - | - |
| £170,000 - £174,999 | 1 | - | 1 | - |
| £175,000 - £179,999 | - | - | - | - |
| £180,000 - £184,999 | - | - | - | - |
| £185,000 - £189,999 | - | - | - | - |
| **Total:** | **153** | **455** | **223** | **344** |

The table above includes the senior officers who remuneration is detailed in note 19.3. The school total for 2014/15 includes 98 officers at Foundation Schools which are now included in the Council's accounts (note 5)

### 19.2 Exit packages

A breakdown of all compulsory and voluntary redundancy payments agreed in the 2014/15 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 2014/15 | | | Total Value of Exit Packages £000 | Total Number of departures agreed in 2013/14 | Total Value of Exit £000 |
|---|---|---|---|---|---|---|
| | Voluntary | Compulsory | Total | | | |
| Under £20,000 | 24 | 47 | 71 | 531 | 45 | 339 |
| £20,000 - £39,999 | 5 | 10 | 15 | 438 | 13 | 357 |
| £40,000 - £59,999 | 1 | 7 | 8 | 374 | 2 | 100 |
| £60,000 - £79,999 | 1 | 2 | 3 | 211 | 1 | 62 |
| £80,000 - £99,999 | - | 2 | 2 | 174 | 1 | 99 |
| £100,000 - £159,999 | - | 2 | 2 | 255 | 1 | 118 |
| Total: | 31 | 70 | 101 | 1,983 | 63 | 1,075 |

### 19.3 Senior Officer Remuneration :-

The following table sets out the remuneration disclosures for senior officers and those whose salary is £150,00 or more per year. The meaning of senior officers is defined in the Accounts and Audit Regulations 2011 and the officers shown below are members of the Corporate Board.

| 2014/15 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 | | 170,631 | - | - | - | - | 170,631 | | 170,631 |
| Ian O'Donnell - Executive Director for Corporate Resources | | 132,870 | - | - | - | - | 132,870 | 26,043 | 158,913 |
| Pat Hayes - Executive Director for Regeneration & Housing | | 132,359 | - | - | - | - | 132,359 | 25,942 | 158,301 |
| Keith Townsend - Executive Director for Environment and Customer Services | | 132,870 | - | - | - | - | 132,870 | 26,043 | 158,913 |
| David Archibald - Executive Director for Children and Adults | A | See below | | | | | | - | |
| Director of Public Health | B | 94,575 | - | - | - | - | 94,575 | 18,639 | 113,214 |
| | | 663,305 | - | - | - | - | 663,305 | 96,667 | 759,972 |

| 2013/14 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 | | 170,631 | - | - | - | - | 170,631 | - | 170,631 |
| Ian O'Donnell - Executive Director for Corporate Resources | | 132,870 | - | - | - | - | 132,870 | 26,043 | 158,913 |
| Pat Hayes - Executive Director for Regeneration & Housing | | 132,870 | - | - | - | - | 132,870 | 26,043 | 158,913 |
| Keith Townsend - Executive Director for Environment and Customer Services | | 132,870 | - | - | - | - | 132,870 | 26,043 | 158,913 |
| David Archibald - Executive Director for Children and Adults | A | See below | - | - | - | - | - | | - |
| Director of Public Health | B | 140,129 | - | - | - | - | 140,129 | 18,639 | 158,768 |
| | | 709,370 | - | - | - | - | 709,370 | 96,768 | 806,138 |

**Notes**

A - David Archibald is not a direct employee of the Council. If the post had been filled by a Council employee during 2014/15 the salary range would have been between £120,303 - £132,870.
(2013/14 £120,444 - £133,011)

B - This post was covered by two people during 2014/15, neither employees' individual remuneration (including pension contributions) were over £150,000 and therefore have not been individually named.

**20. Property, plant and equipment**

**20.1 The movement during the year was:-**

| 2014/15 | 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 | Intangible assets £000 | Heritage assets £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | | | | |
| At 1 April 2014 | 713,630 | 511,781 | 158,423 | 87,426 | 180,875 | 31,977 | 6,152 | 6,916 | 50,340 | 1,747,520 | 1,497 | 2,741 |
| Additions | 34,747 | 30,091 | - | 1,249 | 10,631 | - | 960 | - | 44,044 | 121,722 | 242 | - |
| Revaluation Increases / (decreases) to Revaluation Reserve | 71,820 | 2,472 | 7,118 | - | - | - | - | 269 | - | 81,679 | - | - |
| Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services | (33,272) | 2,171 | - | - | - | - | - | (233) | - | (31,335) | - | - |
| Derecognition-Disposals | (7,415) | (270) | - | - | - | - | - | (255) | - | (7,940) | - | - |
| Other Reclassifications | 4,491 | 34,421 | - | 8,427 | 5,354 | - | 1,401 | - | (54,365) | (270) | 270 | - |
| **At 31 March 2015** | 784,000 | 580,665 | 165,541 | 97,103 | 196,860 | 31,977 | 8,513 | 6,698 | 40,019 | 1,911,376 | 2,009 | 2,741 |
| **Depreciation and Impairment** | | | | | | | | | | | | |
| At 1 April 2014 | - | (8,201) | (11,850) | (73,203) | (68,763) | (3,478) | - | (196) | - | (165,691) | (696) | - |
| Depreciation Charge | (8,382) | (8,802) | (3,352) | (3,647) | (7,282) | (640) | - | (69) | - | (32,175) | (218) | - |
| Depreciation written out to Revaluation Reserve | 243 | 2,786 | - | - | - | - | - | 13 | - | 3,042 | - | - |
| Depreciation written out to Surplus / Deficit on Provision of Services | 8,139 | 5,725 | - | - | - | - | - | 166 | - | 14,030 | - | - |
| Derecognition-Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - | - | - | - | - | - | - |
| **At 31 March 2015** | - | (8,491) | (15,202) | (76,850) | (76,045) | (4,118) | - | (86) | - | (180,793) | (914) | - |
| **Net Book Value:** | | | | | | | | | | | | |
| **At 31 March 2015** | 784,000 | 572,174 | 150,339 | 20,252 | 120,815 | 27,859 | 8,513 | 6,611 | 40,019 | 1,730,583 | 1,095 | 2,741 |
| **At 31 March 2014** | 713,630 | 503,580 | 146,573 | 14,223 | 112,112 | 28,499 | 6,152 | 6,720 | 50,340 | 1,581,829 | 801 | 2,741 |

20. Property, plant and equipment

**20.1 The movement during the year was:-**

| **2013/14** | 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** | Intangible assets **£000** | Heritage assets **£000** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | | | | |
| **At 1 April 2013** | 626,768 | 474,339 | 148,346 | 84,764 | 167,941 | 31,977 | 5,951 | 6,949 | 18,496 | **1,565,531** | **1,355** | **2,741** |
| Additions | 36,553 | 18,501 | - | 2,571 | 12,934 | - | 201 | 39 | 38,327 | **109,126** | 59 | - |
| Donations | | | | | | | | | | **-** | - | - |
| Revaluation Increases / (decreases) to Surplus / Deficit on Provision of Services | (17,057) | (14,873) | - | - | - | - | - | 66 | - | **(31,864)** | **-** | - |
| Derecognition-Disposals | (7,322) | (353) | - | - | - | - | - | (220) | - | **(7,895)** | **-** | **-** |
| Derecognitions-Other | - | - | - | - | - | - | - | - | - | **0** | - | - |
| At 31 March 2014 | 713,630 | 511,781 | 158,423 | 87,426 | 180,875 | 31,977 | 6,152 | 6,916 | 50,340 | **1,747,520** | 1,497 | **2,741** |
| Depreciation and Impairment | | | | | | | | | | | | |
| **At 1 April 2013** | - | (10,238) | (9,534) | (69,629) | (62,131) | (2,838) | - | (162) | - | **(154,532)** | **(286)** | **-** |
| Depreciation Charge | (8,069) | (8,974) | (2,316) | (3,574) | (6,632) | (640) | - | (70) | - | **(30,275)** | (410) | - |
| Depreciation written out to Revaluation Reserve | 130 | 5,373 | - | - | - | - | - | 21 | - | **5,524** | - | - |
| Depreciation written out to Surplus / Deficit on Provision of Services | 7,936 | 5,638 | - | - | - | - | - | 7 | - | **13,581** | - | - |
| Impairment losses/reversals to Revaluation Reserve | - | - | - | - | - | - | - | - | - | **-** | - | - |
| Impairment losses/reversals to Surplus / Deficit on Provision of Services | - | - | - | - | - | - | - | - | - | **-** | - | - |
| Derecognition-Disposals | 3 | - | - | - | - | - | - | 8 | - | **11** | - | - |
| Derecognitions-Other | - | - | - | - | - | - | - | - | - | **-** | - | - |
| Eliminated on reclassification to Held for Sale | - | - | - | - | - | - | - | - | - | **-** | - | - |
| At 31 March 2014 | - | (8,201) | (11,850) | (73,203) | (68,763) | (3,478) | - | (196) | - | **(165,691)** | (696) | - |
| Net Book Value: | | | | | | | | | | | | |
| **At 31 March 2014** | 713,630 | 503,580 | 146,573 | 14,223 | 112,112 | 28,499 | 6,152 | 6,720 | 50,340 | **1,581,829** | **801** | **2,741** |
| **At 31 March 2013** | 626,768 | 464,101 | 138,812 | 15,135 | 105,810 | 29,139 | 5,951 | 6,787 | 18,496 | **1,410,999** | **1,069** | **2,741** |

## 21. Private Finance Initiative (PFI)

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

The Council has entered into a number of PFI commitments as shown below. These schemes all meet the criteria outlined in the accounting policies and the assets and liabilities are therefore on the Council's balance sheet. Details of the assets and liabilities in respect of these schemes can be found in note 22.

### 21.1 Ealing Schools' PFI

In December 2002 the Council entered into a design, build, finance and operate contract with Ealing Schools' Partnership Ltd for the provision of school buildings and services for Brentside High, Downe Manor Primary, Gifford Primary and Ravenor Primary. The contract is for 27 years. The value of the unitary charge in 2014/15 was £5.311m (2013/14 £5.273m).

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 2014/15 was £8.725m (2013/14 £8.744m).

### 21.2 Building Schools for the Future (BSF) PFI

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

The main work completed in August 2012 and service availability began in September 2012. The value of the unitary charge in 2014/15 was £4.612m (2013/14 £4.754m).

### 21.3 Resource Centres for Older Peoples PFI

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 2014/15 was £11.779m (2013/14 £12.879m).

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.

### 21.4 Street Lighting PFI

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

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

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

The value of the Unitary charge in 2014/15 was £4.223m (2013/14 £4.165m).

## 22.1 Private Finance Initiative (PFI) payments due

| To write down liability | 31 March 2015 Schools 1 £000 | 31 March 2015 Schools 2 £000 | 31 March 2015 Street Lighting £000 | 31 March 2015 Care Homes £000 | 31 March 2015 BSF £000 | 31 March 2015 Total £000 |
|---|---|---|---|---|---|---|
| within 1 year | 1,108 | 1,432 | 609 | 436 | 448 | 4,033 |
| between 2 to 5 years | 3,370 | 6,071 | 3,158 | 2,794 | 2,633 | 18,026 |
| between 6 to 10 years | 4,769 | 10,250 | 5,903 | 3,145 | 4,270 | 28,337 |
| between 11 to 15 years | 7,809 | 14,852 | 8,693 | 5,535 | 5,890 | 42,778 |
| between 16 to 20 years | 2,943 | 9,647 | (279) | 8,101 | 8,281 | 28,693 |
| between 21 to 25 years | | | | 3,437 | 7,258 | 10,695 |
| Total | 19,998 | 42,251 | 18,085 | 23,448 | 28,780 | 132,563 |

| Interest charges | 31 March 2015 Schools 1 £000 | 31 March 2015 Schools 2 £000 | 31 March 2015 Street Lighting £000 | 31 March 2015 Care Homes £000 | 31 March 2015 BSF £000 | 31 March 2015 Total £000 |
|---|---|---|---|---|---|---|
| within 1 year | 1,173 | 3,523 | 1,579 | 1,778 | 2,607 | 10,659 |
| between 2 to 5 years | 4,045 | 12,906 | 5,723 | 6,702 | 9,931 | 39,307 |
| between 6 to 10 years | 4,041 | 12,848 | 5,324 | 7,304 | 10,884 | 40,402 |
| between 11 to 15 years | 2,277 | 7,971 | 2,252 | 5,734 | 8,709 | 26,943 |
| between 16 to 20 years | 229 | 1,421 | (24) | 3,345 | 5,641 | 10,612 |
| between 21 to 25 years | | | | 349 | 1,380 | 1,729 |
| Total | 11,765 | 38,669 | 14,854 | 25,212 | 39,152 | 129,652 |

| Service charges & lifecycle costs | 31 March 2015 Schools 1 £000 | 31 March 2015 Schools 2 £000 | 31 March 2015 Street Lighting £000 | 31 March 2015 Care Homes £000 | 31 March 2015 BSF £000 | 31 March 2015 Total £000 |
|---|---|---|---|---|---|---|
| within 1 year | 1,004 | 2,050 | 1,830 | 6,897 | 1,140 | 12,921 |
| between 2 to 5 years | 5,722 | 9,040 | 7,194 | 26,946 | 4,215 | 53,118 |
| between 6 to 10 years | 7,612 | 11,922 | 8,867 | 35,105 | 5,820 | 69,326 |
| between 11 to 15 years | 6,335 | 12,198 | 8,870 | 34,285 | 6,376 | 68,064 |
| between 16 to 20 years | 1,488 | 5,274 | 582 | 34,107 | 7,053 | 48,504 |
| between 21 to 25 years | | | | 9,880 | 3,947 | 13,827 |
| Total | 22,161 | 40,484 | 27,344 | 147,220 | 28,550 | 265,760 |

### 22.2 Movements in PFI assets and liabilities

| Assets: | Assets at 01 April 2014 £000 | Movement In Year £000 | Assets at 31 March 2014 £000 | Movement In Year £000 | Assets at 31 March 2015 £000 |
|---|---|---|---|---|---|
| Ealing Schools' PFI - Ealing Schools' Partnership Ltd | 29,898 | 7,645 | 37,543 | (705) | 36,838 |
| Ealing Schools' PFI - Seafort Ealing Ltd | 50,929 | (292) | 50,637 | 898 | 51,535 |
| Street Lighting PFI - EDF / Southern Electric | 29,139 | (639) | 28,500 | (639) | 27,861 |
| Resource Centre for Older People PFI - Ealing Care Alliance | 22,886 | 955 | 23,841 | 4,119 | 27,960 |
| Building Schools for the Future - Future Ealing Limited | 35,100 | (548) | 34,552 | (548) | 34,004 |
| | 167,952 | 7,121 | 175,073 | 3,125 | 178,198 |

| Liabilities: | Liabilities 01 April 2014 £000 | Movement In Year £000 | Liabilities 31 March 2014 £000 | Movement In Year £000 | Liabilities 31 March 2015 £000 |
|---|---|---|---|---|---|
| Ealing Schools' PFI - Ealing Schools' Partnership Ltd | (21,935) | 935 | (21,000) | 1,001 | (19,999) |
| Ealing Schools' PFI - Seafort Ealing Ltd | (44,791) | 1,168 | (43,623) | 1,372 | (42,251) |
| Street Lighting PFI - EDF / Southern Electric | (19,480) | 732 | (18,748) | 663 | (18,085) |
| Resource Centre for Older People PFI - Ealing Care Alliance | (24,193) | 446 | (23,747) | 299 | (23,448) |
| Building Schools for the Future - Future Ealing Limited | (29,738) | 507 | (29,231) | 451 | (28,780) |
| | (140,137) | 3,788 | (136,349) | 3,786 | (132,563) |

### 23. Audit Costs

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

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Agreed fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the financial year | 223 | 220 |
| Additional fee payable to the external auditor in respect of completion of statutory duties on 2013/14 audit | - | 11 |
| Agreed fees payable to the external auditor for the certification of grant claims and returns for the financial year | 29 | 37 |
| Fees payable to KPMG for the certification of grant claims and returns in relation to prior financial year | - | (8) |
| Fees payable in respect of other services provided by KPMG during the year | 3 | 10 |
| | 255 | 270 |

## 24. Heritage assets

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

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

## 25. The capital expenditure in the year was financed and analysed as follows:-

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Borrowing | 48,576 | 34,322 |
| Revenue Contributions | 12,840 | 20,594 |
| Capital receipts | 8,940 | 8,757 |
| Capital grants and other | 63,464 | 57,580 |
| Major repairs reserve | 14,374 | 36,222 |
| Finance lease liability | 140 | 481 |
| Private Finance Initiative | - | - |
| | 148,334 | 157,956 |

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Fixed assets purchased | 121,824 | 108,541 |
| Fixed assets acquired | | |
| under finance lease | 140 | 481 |
| under PFI | - | - |
| Revenue expenditure funded from Capital under Statute : | 24,708 | 47,570 |
| De-minimus capital expenditure | 1,662 | 1,364 |
| | 148,334 | 157,956 |

The closing capital financing requirement for 2014/15 was £696.9m (2013/14 £669.5m).

## 26. 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 2015. 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.

| | 2015/16 £000 | 2016/17 £000 | Total £000 |
|---|---|---|---|
| Schools services | 24,382 | 276 | 24,658 |
| Adult services | 1,164 | 225 | 1,389 |
| Children's services | - | - | - |
| Environment and leisure | 3,164 | - | 3,164 |
| Customer services | 100 | 100 | 200 |
| E&CS Executive Directorate | 410 | 151 | 561 |
| Parking services | - | - | - |
| Corporate resources | 91 | - | 91 |
| Housing (General Fund) | 205 | - | 205 |
| Housing (HRA) | 30,801 | - | 30,801 |
| Property and regeneration | - | - | - |
| Safer communities | - | - | - |
| Built environment | - | - | - |
| Council wide | - | - | - |
| Total | 60,317 | 752 | 61,069 |

## 27. Leases

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

| | Other Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Total 2014/15 £000 | Total 2013/14 £000 |
|---|---|---|---|---|
| **Future Minimum Lease Payments:** | | | | |
| Within 1 year | 475 | 435 | 910 | 891 |
| Between 2 to 5 years | 1,581 | 605 | 2,186 | 2,513 |
| Over 5 years | 738 | - | 738 | 1,127 |
| **Total** | 2,794 | 1,040 | 3,834 | 4,531 |

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

| | Total 2014/15 £000 | Total 2013/14 £000 |
|---|---|---|
| **Minimum lease payments by service:** | | |
| Adult Social Care | 75 | 70 |
| Central Services to the Public | 370 | 328 |
| Children's and Education Services | 275 | 224 |
| Cultural and Related Services | 47 | 42 |
| Democratic Representation and Management | 9 | 7 |
| Environmental and Regulatory Services | 71 | 38 |
| Housing Services | 33 | 50 |
| Highways and Transport Services | 68 | 66 |
| (Sublease payments receivable) | (223) | (201) |
| | 725 | 624 |

### 27.2 Operating Leases - Lessor

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

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

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

| | Total 2014/15 £000 | Total 2013/14 £000 |
|---|---|---|
| **Future Minimum Lease Payments:** | | |
| Within 1 Year | 1,504 | 1,621 |
| 2 to 5 years | 4,274 | 4,859 |
| Over 5 Years | 8,643 | 9,007 |
| **Total** | 14,421 | 15,487 |

For details of the Council's activities as a lessor of finance leases, see note 44.

The Council has 85 vehicles and 4 items of equipment held under finance leases including items that are lease arrangements embedded within contracts. This includes 44 vehicles as part of the recycling contract that commenced in 2012/13. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | Vehicle, Plant & Equipment 2014/15 £000 | Vehicle, Plant & Equipment 2013/14 £000 |
|---|---|---|
| **Value at 1 April** | 4,554 | 5,058 |
| Additions | 141 | 481 |
| Revaluations | - | - |
| Depreciation | (1,014) | (985) |
| Disposals | - | - |
| **Value at 31 March** | 3,681 | 4,554 |

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

| | Total 2014/15 £000 | Total 2013/14 £000 |
|---|---|---|
| **Finance lease liabilities ( net present value of minimum lease payments )** | | |
| Current | 958 | 913 |
| Non current | 2,956 | 3,802 |
| Finance costs payable in future years | 463 | 693 |
| **Total** | 4,377 | 5,408 |

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

| | Vehicle, Plant & Equipment Lease Payments 2014/15 £000 | Vehicle, Plant & Equipment Finance Charges 2014/15 £000 | Vehicle, Plant & Equipment Lease Payments 2013/14 £000 | Vehicle, Plant & Equipment Finance Charges 2013/14 £000 |
|---|---|---|---|---|
| Within 1 year | 958 | 182 | 913 | 231 |
| Between 2 to 5 years | 2,956 | 281 | 3,802 | 462 |
| Over 5 years | - | - | - | - |
| | 3,914 | 463 | 4,715 | 693 |

## 28. Long Term Debtors

| | 31 March 2015 £000 | 31 March 2014 £000 |
|---|---|---|
| Council House Sales | 58 | 90 |
| Housing Associations | 4 | 34 |
| Deferred Capital Receipt | 10,000 | 10,000 |
| Finance Lease Income | 670 | 723 |
| Car Loans to Employees | 48 | 51 |
| WLWA Loan | 7,983 | 2,378 |
| Other | 174 | 172 |
| | 18,937 | 13,448 |

## 29. Cash and cash equivalents

Cash and cash equivalents include the following components:

| | 31 March 2015 £000 | 31 March 2014 £000 |
|---|---|---|
| Cash at bank and in hand | 11,523 | 19,295 |
| Short term deposits | 13,500 | 33,600 |
| | 25,023 | 52,895 |

## 30. Short-term Debtors

| | 31 March 2015 £000 | 31 March 2014 £000 |
|---|---|---|
| Government Departments | 10,133 | 18,784 |
| Allowance for non-collection | - | - |
| Other Public Authorities | 18,053 | 17,943 |
| Allowance for non-collection | - | - |
| Payments in Advance | 1,905 | 2,898 |
| | | |
| NNDR | 6,501 | 6,905 |
| Allowance for non-collection | (4,198) | (6,836) |
| **NNDR ( net of non collection)** | **2,303** | **69** |
| Council Tax | 14,362 | 13,589 |
| Allowance for non-collection | (10,337) | (11,859) |
| **Council Tax (net of non-collection)** | **4,025** | **1,730** |
| Rent Arrears (including Housing Benefit overpayments) | 23,328 | 20,971 |
| Allowance for non-collection | (20,554) | (18,203) |
| **Rent Arrears (net of non-collection)** | **2,774** | **2,768** |
| **Housing Association Grant Due** | **31** | **22** |
| Sundry Debtors | 49,095 | 49,980 |
| Allowance for non-collection | (16,266) | (19,570) |
| **Sundry Debtors (net of non-collection)** | **32,829** | **30,410** |
| **Total** | **72,053** | **74,624** |

## 31. Short-term Creditors

| | 31 March 2015 £000 | 31 March 2014 £000 |
|---|---|---|
| HM Revenue & Customs | (5,607) | (5,572) |
| Other Government Departments | (36,109) | (21,483) |
| Other Public Authorities | (18,505) | (14,956) |
| Receipts in Advance | (778) | (4,156) |
| Finance Leases | (929) | (913) |
| NNDR | (2,756) | (3,137) |
| Council Tax Payers | (7,316) | (5,888) |
| Ealing Pension Fund | (1,626) | (2,907) |
| **Housing:** | - | |
| Rents | (1,953) | (2,030) |
| Mortgages | - | |
| Ealing Homes | - | |
| | - | |
| Sundry Creditors | (82,370) | (74,962) |
| | (157,949) | (136,004) |

## 32. Long Term Creditors

| | Balance at 1 April 2013 £000 | Receipts in year £000 | Payments in year £000 | Balance at 31 March 2014 £000 | Receipts in year £000 | Payments in year £000 | Balance at 31 March 2015 £000 |
|---|---|---|---|---|---|---|---|
| Hull-Grundy Bequest Fund | (185) | - | 6 | (179) | (1) | 77 | (103) |
| Northala Fields | (28) | - | - | (28) | - | 14 | (14) |
| Deposits | (222) | - | - | (222) | (1) | - | (223) |
| PFI Schemes | (136,343) | - | 3,483 | (132,860) | | 3,841 | (129,019) |
| Finance Leases * | (4,336) | (276) | 810 | (3,802) | (85) | 931 | (2,956) |
| Education Balances | (302) | (563) | 552 | (313) | (574) | 557 | (330) |
| Section 106 Agreements | (11,057) | (5,714) | 2,615 | (14,156) | (6,555) | 1,751 | (18,960) |
| Microsoft Licences Phase Payments | - | - | - | - | - | - | - |
| Other | (48) | (67) | 63 | (52) | (44) | 48 | (48) |
| **Total** | (152,521) | (6,620) | 7,529 | (151,612) | (7,260) | 7,219 | (151,653) |

* see note 27.3

## 33. 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.

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Balance at 1 April | (4,428) | (5,780) |
| Amounts received | (12,718) | (22,960) |
| Conditions met - credited to Capital Grants Unapplied | - | 318 |
| Applied in year | 14,650 | 23,994 |
| Balance at 31 March | (2,496) | (4,428) |

## 34. Provisions

### Short-term provisions

| | Balance at 1 April 2013 £000 | Payments in year £000 | Receipts in year | Balance at 31 March 2014 £000 | Payments in year £000 | Receipts in year £000 | Balance at 31 March 2015 £000 |
|---|---|---|---|---|---|---|---|
| Insurance Provision | 1,105 | (284) | 238 | 1,059 | (345) | - | 714 |
| Other Provisions | 2,763 | (1,639) | 6,299 | 7,423 | (2,156) | 895 | 6,162 |
| Total Provisions | 3,868 | (1,923) | 6,537 | 8,482 | (2,501) | 895 | 6,876 |

### Long-term provisions

| | Balance at 1 April 2013 £000 | Payments in year £000 | Receipts in year | Balance at 31 March 2014 £000 | Payments in year £000 | Receipts in year £000 | Balance at 31 March 2015 £000 |
|---|---|---|---|---|---|---|---|
| Insurance Provision | 2,320 | (1,344) | 1,454 | 2,430 | (1,760) | 2,260 | 2,930 |
| Other Provisions | 1,286 | (581) | 387 | 1,092 | (543) | 514 | 1,063 |
| Total Provisions | 3,606 | (1,925) | 1,841 | 3,522 | (2,303) | 2,774 | 3,993 |

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

**1.** Claims and self insurance provision - this is used to provide funding to cover liability claims, risk management and "al 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 tc 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 chargec for under the property search legislation introduced in 2008 should have been provided free of charge. Ealing Council is ε defendant in proceedings brought by a group of property search companies for refunds of fees paid to the Council to access land charges data including interest and costs. A second group of property search companies is also seeking to claim refunds although no proceedings have yet been issued. There is also a contingent liability for the Council arising from further potentia action .

**4.** Redundancy - a provision has been set up to cover the redundancy costs to be incurred in 2015/16, where decisions tc restructure services have resulted in notice of redundancy being given prior to 31 March 2015.

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

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

**35.** 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 (2013/14 £48,207) with revenue balances of £11,258 (2013/14 £11,440).

## 36. Disclosure of Deployment of Dedicated Schools Grant

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

| | 2014/15 Central Expenditure £000 | 2014/15 Individual School Budget £000 | 2014/15 Total £000 | 2013/14 Total £000 |
|---|---|---|---|---|
| Final DSG for the year before Academy Recoupment | | | 287,215 | 282,912 |
| Academy Figure Recouped | | | (22,942) | (22,780) |
| Total DSG After Academy Recoupment | | | 264,273 | 260,132 |
| Brought forward from previous year | | | 1,600 | 1,290 |
| Carry forward agreed in advance | | | - | - |
| Agreed initial budgeted distribution in year | | | 265,873 | 261,422 |
| In year adjustments | | | - | - |
| Final budgeted distribution | 44,418 | 219,997 | 264,415 | 261,422 |
| Less actual central expenditure | (44,413) | - | (44,413) | (42,326) |
| Less Actual ISB deployed to schools | | (219,997) | (219,997) | (217,496) |
| Plus Local Authority Contribution | - | - | - | - |
| **Carry Forward to 2015/16** | **5** | **-** | **5** | **1,600** |

## 37. Retirement Benefits

### 37.1 Local Government Pension Scheme

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

## 37 Retirement Benefits (continued)

### 37.2 Transactions relating to retirement benefits

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

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Comprehensive Income & Expenditure Statement (CIES)** | | |
| **Net Cost of Services:** | | |
| current service cost | 24,723 | 28,328 |
| effect of settlements or curtailments | 914 | 583 |
| administration expenses | 876 | 850 |
| **Net Operating Expenditure:** | | |
| interest on pension liabilities | 46,701 | 48,629 |
| interest on plan assets | (34,881) | (30,435) |
| **Net Charge to CIES** | **38,333** | **47,955** |
| **Movement in Reserves Statement** | | |
| reversal of net charges made for retirement benefits in accordance with IAS 19 | (38,333) | (47,955) |
| remeasurement of the net defined benefit liability (asset) | (113,124) | 175,553 |
| actual amount charged against the General Fund Balance for pensions in the year: | | |
| employers' contributions payable to scheme | 27,943 | 36,472 |

### 37.3 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| As at 1 April | (1,077,313) | (1,173,354) |
| Transfer of Ealing homes deficit | | |
| Current service cost | (24,723) | (28,328) |
| Interest on pension liabilities | (46,701) | (48,629) |
| Contributions by scheme participants | (8,644) | (8,154) |
| Experience gain/(loss) | - | 69,989 |
| Gain/(loss) on financial assumptions | (175,614) | 87,416 |
| Gain/(loss) on demographic assumptions | - | (14,917) |
| Benefits/transfers paid | 40,469 | 39,247 |
| Curtailments | (914) | (583) |
| | | - |
| As at 31 March | (1,293,440) | (1,077,313) |

Reconciliation of fair value of the scheme assets:

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| As at 1 April | 789,974 | 721,945 |
| Interest on plan assets | 34,881 | 30,435 |
| Gain/(loss) on assets | 62,490 | 33,065 |
| Administration expenses | (876) | (850) |
| Employer contributions | 27,943 | 36,472 |
| Contributions by scheme participants | 8,644 | 8,154 |
| Benefits/transfers paid | (40,469) | (39,247) |
| As at 31 March | 882,587 | 789,974 |

## 37. Retirement Benefits (continued)

### 37.4 Scheme History

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Present Value of Liabilities | (1,293,440) | (1,077,313) |
| Fair Value of Assets | 882,587 | 789,974 |
| Surplus/(deficit) in the scheme: | (410,853) | (287,339) |

### 37.5 Basis for estimating assets and liabilities

The principal assumptions used by the actuary have been:

| | 2014/15 | 2013/14 |
|---|---|---|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity investments | 6.5% | 7.0% |
| Bonds | 2.9% | 3.4% |
| Property | 5.9% | 6.2% |
| Cash/liquidity | 0.5% | 0.5% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| - Men | 23.0 | 22.9 |
| - Women | 25.5 | 25.4 |
| Longevity at 65 for future pensioners: | | |
| - Men | 25.2 | 25.1 |
| - Women | 27.9 | 27.8 |
| Rate of CPI inflation | 2.0% | 2.4% |
| Rate of increase in salaries | 3.75% | 4.15% |
| Rate of increase in pensions | 2.0% | 2.4% |
| Rate for discounting scheme liabilities | 3.2% | 4.4% |

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

| | 31 March 2015 % | 31 March 2014 % |
|---|---|---|
| Equity investments | 64.0 | 68.8 |
| Bonds | 25.7 | 25.7 |
| Pooled Investments - Property | 6.8 | 1.7 |
| - Other | 0.0 | 0.7 |
| Cash / Liquid Assets | 3.5 | 3.1 |
| | 100.0 | 100.0 |

**37.7 Sensitivity analysis**

The following is a sensitivity analysis showing how the pension liability of £1,293,440,000 is affected by changes in individual assumptions

| Sensitivity | New liability £000 | % Change |
|---|---|---|
| +0.1% p.a. discount rate | 1,270,898 | -1.7% |
| +0.1% p.a. inflation | 1,316,383 | 1.8% |
| +0.1% p.a. pay growth | 1,297,922 | 0.3% |
| 1 year increase in life expectancy | 1,318,444 | 1.9% |

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

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

**37.8 Future cashflows**

The funding arrangements and policy affecting the Council are decided every three years with the triennial valuation. Employer contribution levels are set with the Pension Fund's actuary so as to secure the solvency of the Pension Fund and to maintain stable employer rates. The last valuation was completed 31 March 2013 and a funding strategy was agreed to achieve a 100% funding level in 17 years (previously 20).

The estimated contributions expected to be paid to the scheme during the annual period beginning 1 April 2015 is £28.3m.

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

## 38. Pension Costs - Teachers and NHS

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

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

### Teachers

In 2014/15 the Council paid £13.2m (2013/14 - £13.0m) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 14.1% (2013/14 - 14.1%) of teachers pensionable pay for the year. At 31 March 2015 the pension contributions due to the scheme in respect of the March 2015 salaries were £1.37m (£1.88m as at 31 March 2014).

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 2014/15 these amounted to £1.27m, (2013/14 - £1.54m) representing 1.04% (2013/14 – 1.48%) of pensionable pay.

### NHS

In 2014/15 the Council paid £169,000 (£162,400 in 2013/14) to the NHS Pension Scheme in respect of public health employees' retirement benefits, which represented 14.9% of their pensionable pay for the year (14.0% in 201-3/14). At 31 March 2015 the pension contributions due to the scheme in respect of the March 2015 salaries were £12,800 (£12,800 as at 31 March 2014).

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

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2014/15 these amounted to £0 (£6,900 in 2013/14).

### 39. Investments in associates

**39.1.** The Council entered into a PFI agreement with Balfour Beatty Education in 2010/11 for the provision of a new school under the Building Schools for the Future (BSF) scheme. The special purpose vehicle (SPV) company set up for this contract, Future Ealing Phase 1 Limited is owned jointly by the Council and Balfour Beatty Education, with the Council having a 20% stake in the company. In addition to this, the Council has invested £600,000 into Future Ealing's working capital which is shown as a short term investment in these accounts.

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.

### 40. Financial Instruments Balances

Types of Financial Instruments

The financial instruments 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 2015 £000 | 31 March 2014 £000 | 31 March 2013 £000 | 31 March 2015 £000 | 31 March 2014 £000 | 31 March 2013 £000 |
| Financial liabilities at amortised cost | 473,050 | 485,246 | 494,756 | 24,119 | 16,347 | 8,835 |
| Trade Creditors | 22,634 | 18,752 | 16,178 | 147,877 | 126,979 | 107,442 |
| Financial liabilities at fair value through profit and loss | - | - | - | - | - | - |
| **Total financial liabilities** | 495,684 | 503,998 | 510,934 | 171,996 | 143,326 | 116,277 |
| Loans and receivables | 630 | 640 | 600 | 218,073 | 170,429 | 232,493 |
| Loans and receivables - shown as cash equivalents | - | - | - | 13,500 | 33,600 | 18,900 |
| Trade Debtors | 18,219 | 12,674 | 10,316 | 65,725 | 72,825 | 46,909 |
| Available-for-sale financial assets | - | - | - | - | 14,999 | 500 |
| Fair value through Profit and Loss | - | - | - | - | - | - |
| **Total financial assets** | 18,849 | 13,314 | 10,916 | 297,298 | 291,853 | 298,802 |

Notes

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 £78m have been included in long term borrowing but have a call date in the next 12 months.

**41. 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: Liabilities measured at amortised cost £000 | Financial Assets: Loans and receivables £000 | 2014/15 Total £000 | Financial Liabilities: Liabilities measured at amortised £000 | Financial Assets: Loans and receivables £000 | 2013/14 Total £000 |
|---|---|---|---|---|---|---|
| Interest expense | (24,204) | - | (24,204) | (24,498) | - | (24,498) |
| Losses on derecognition | - | - | - | - | - | - |
| Impairment losses | - | - | - | - | - | - |
| **Interest payable and similar charges** | (24,204) | - | (24,204) | (24,498) | - | (24,498) |
| Interest income | - | 1,413 | 1,413 | - | 1,610 | 1,610 |
| Gains on derecognition | - | - | - | - | - | - |
| **Interest and investment income** | - | 1,413 | 1,413 | - | 1,610 | 1,610 |
| | | | | | | |
| **Net gain/(loss) for the year** | (24,204) | 1,413 | (22,791) | (24,498) | 1,610 | (22,888) |

The fair values are calculated as follows:

TABLE 3 - FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

| | 31 March 2015 | | 31 March 2014 | | 31 March 2013 | |
|---|---|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB - maturity | 400,885 | 500,786 | 410,368 | 442,770 | 412,246 | 473,724 |
| LOBOs | 90,986 | 112,262 | 91,007 | 90,000 | 91,022 | 94,940 |
| Other | 5,298 | 5,298 | 218 | 218 | 323 | 323 |
| Financial Liabilities | 497,169 | 618,346 | 501,593 | 532,988 | 503,591 | 568,987 |

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 2015 | | 31 March 2014 | | 31 March 2013 | |
|---|---|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Loans and receivables | 232,203 | 232,277 | 219,688 | 219,348 | 252,493 | 252,479 |
| Financial assets | 232,203 | 232,277 | 219,688 | 219,348 | 252,493 | 252,479 |

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at the 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

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

## 42. Nature and extent of risks arising from financial instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Full Council in the annual treasury management strategy report. The procedures for risk management are set out through a legal framework underpinned by the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk actively. The annual treasury management strategy for 2014/15, which incorporates the prudential indicators was approved by Council on 25th February 2014 and is available on the Council's website.

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

### 42.1 Credit risk

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

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with either Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and durations in respect of each financial institution. Additional selection criteria are also applied after this initial criteria is applied. Following the financial crises of 2008/09 treasury officers are still operating to a restricted counterparty list (institutions to which the Council can lend) to ensure that any new investment exposure is to local authorities, UK banks rated at least AA- or who have the Bank of England support, or AAA. Money Market Funds remained suspended for the whole of the financial year 2014/15 . 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 2015 | Historical experience of default 31 March 2015 | Historical experience adjusted for market conditions at 31 March 2014 | Estimated Maximum exposure to default 31 March 2015 | Estimated Maximum exposure to default 31 March 2014 |
|---|---|---|---|---|---|
| | £000 | % | % | £000 | £000 |
| AA+ | **13,500** | 0.00% | 0.00% | - | 16 |
| AA- | **30,000** | 0.02% | 0.02% | 6 | - |
| A+ | - | 0.00% | 0.00% | - | 2 |
| A | **70,000** | 0.09% | 0.09% | 63 | 15 |
| BBB+ | **30,000** | 0.17% | 0.20% | 60 | 17 |
| Local Authorities | **87,502** | 0.00% | 0.00% | - | 5 |
| Future Ealing | **600** | 0.00% | 0.00% | - | - |
| Ealing Community Resource Centre Ltd | **40** | 0.00% | 0.00% | - | - |
| Escrow account (Glitnir) | - | 0.00% | 0.00% | - | - |
| **Total** | **231,642** | | | **129** | **55** |

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

The treasury management strategy for 2014/15 was approved by Full Council on 25/2/2014 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 £231.64m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

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

### 42.2 Liquidity Risk

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

In addition, the Council has access to a facility to borrow from the Public Works Loans Board. As a result, there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. 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. No long-term borrowing was taken out in 2014/15.

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

| | 31 March 2015 £000 | 31 March 2014 £000 |
|---|---|---|
| **Loans Outstanding:** | | |
| Public Works Loans Board | 395,350 | 404,732 |
| Market debt | 88,000 | 88,000 |
| Temporary borrowing | - | - |
| Other | 5,278 | 218 |
| **Total** | **488,628** | **492,950** |
| | | |
| Less than 1 year | 17,234 | 9,383 |
| Between 1 and 2 years | 15,956 | 12,952 |
| Between 2 and 5 years | 30,829 | 39,305 |
| More than 5 years | 424,609 | 431,310 |
| **Total** | **488,628** | **492,950** |

In the more than 5 years category, there are £78m of market loans Lenders Option Borrowers Option (LOBOs) which have call dates in the next 12 months, i.e. the lender has the option to call the loan. The risk exposure and options for restructuring these loans are carried out on an ongoing basis.

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

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

## 42.3 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 central government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

The policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. There is a £6.7m PWLB variable rate loan, and £78m Market Loans LOBO's with call dates that fall within the financial year 2014/15. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of central government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and so provide compensation for a proportion of any higher costs.

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

### TABLE 8 - INTEREST RATE RISK

| | 31 March 2015 £000 | 31 March 2014 £000 |
|---|---|---|
| Increase in interest payable on variable rate borrowings | 780 | 510 |
| Decrease in interest receivable on variable rate investments | - | - |
| Decrease in government grant receivable for financing costs | - | - |
| **Impact on Comprehensive Income and Expenditure Statement (CIES)** | **780** | **510** |
| **Share of overall impact debited to HRA** | **231** | **151** |

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

#### 42.4 Price Risk

The Council does not invest in equity shares, other than an investment in Future Ealing Limited, where the Council invested in share capital to the value of £39.60, and £600k investment to cover 20% of the PFI subdebt.

#### 42.5 Foreign Exchange Risk

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

## 43 Finance Leases - Lessor

The Council has leased out 14 properties under finance leases with remaining terms of between 1 and 19 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:

## 43. Finance Leases - Lessor (continued)

| | 31 March 2015 £000 | 31 March 2014 £000 |
|---|---|---|
| Finance lease debtor (net present value of minimum lease payments): | | |
| - current | 53 | 53 |
| - non-current | 670 | 723 |
| Unearned finance income | 423 | 482 |
| Unguaranteed residual value of property | 117 | 117 |
| Gross investment in the lease | 1,263 | 1,375 |

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

| | Gross Investment in the Lease | | Minimum Lease Payments | |
|---|---|---|---|---|
| | 31 March 2015 £000 | 31 March 2014 £000 | 31 March 2015 £000 | 31 March 2014 £000 |
| Not later than one year | 108 | 112 | 53 | 53 |
| Later than one year and not later than five years | 426 | 433 | 231 | 222 |
| Later than five years | 729 | 830 | 439 | 501 |
| | 1,263 | 1,375 | 723 | 776 |

The Council has not set aside any allowance for uncollectible amounts in respect of these leases as at 31 March 2015.
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.

## 44. Contingent Liabilities

At 31 March 2015, the Council had the following material contingent liabilities:

**1.** In addition to the provision for the refund of land charges fees referred to in note 34 a group of property search companies have indicated that they may bring a claim against all English and Welsh authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be . It is possible that additional claimants may come forward to submit claims for refunds but none have been intimated at present.

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

**3.** The Council has 5 employment disputes where the Council could be ordered to pay compensation. The maximum liability for these is estimated at £158,000. However, due to the inherent uncertainties surrounding their outcome, the Council has not made a provision for these in the accounts.

## 45. Contingent Assets

At 31 March 2015, the Council had no material contingent assets.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

| | Notes | 2014/15 £000 | 2013/14 £000 |
|---|---|---|---|
| **Expenditure** | | | |
| Repairs and Maintenance | | 13,205 | 12,878 |
| Supervision and management | | 21,042 | 20,048 |
| Rent, rates, taxes and other charges | | 843 | 428 |
| Depreciation and impairment of non-current assets | 7 | 34,182 | 16,946 |
| Debt Management Costs | | 47 | 36 |
| Movement in the allowance for bad debts | 3 | 270 | 244 |
| Revenue expenditure funded from capital under statute | 8 | 3,380 | 3,305 |
| **Total Expenditure** | | 72,969 | 53,885 |
| **Income** | | | |
| Dwelling rents | | (60,244) | (61,102) |
| Non-dwelling rents | | (1,038) | (983) |
| Charges for services and facilities | | (5,340) | (5,174) |
| Contributions towards expenditure | | (1,850) | (1,564) |
| **Total Income** | | (68,472) | (68,823) |
| **Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement** | | 4,497 | (14,938) |
| HRA services' share of Corporate and Democratic Core | | 296 | 293 |
| HRA share of other amounts included in the whole authority Cost of services but not allocated to specific services | | 1,306 | 1,569 |
| **Net Cost of HRA Services** | | 6,099 | (13,076) |
| (Gain) or loss on disposal of HRA fixed assets | | (8,526) | (4,869) |
| Interest payable and similar charges | | 7,248 | 7,244 |
| Interest and investment income | | (200) | (186) |
| Pension Interest cost and expected return on pension assets | | 582 | 959 |
| Capital grants and contributions receivable | | - | - |
| **(Surplus) or deficit for the year on HRA services** | | 5,203 | (9,928) |

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

### Movement on the HRA Statement

| | Notes | 2014/15 £000 | 2013/14 £000 |
|---|---|---|---|
| Balance on the HRA at the end of the previous year | | 4,701 | 6,124 |
| (Surplus) or deficit for the year on the HRA Income and Expenditure Statement | | (5,203) | 9,928 |
| Adjustments between accounting basis and funding basis under statute | | 13,700 | 1,478 |
| Net increase or decrease before transfers to or from reserves | | 8,497 | 11,406 |
| Transfers to or from reserves | 9 | (8,272) | (12,829) |
| Increase or decrease in year on the HRA | | 225 | (1,423) |
| Balance on the HRA at the end of the current year | | 4,926 | 4,701 |

### Adjustments between accounting basis and funding basis under statute

| | | 2014/15 £000 | 2013/14 £000 |
|---|---|---|---|
| Revaluation losses on Dwellings and Other Land and Buildings | | 25,132 | 9,118 |
| Statutory Provision for the Repayment of Debt | 10 | (2,770) | (544) |
| Revenue expenditure funded from capital under statute | 8 | 3,380 | 3,305 |
| Net gain or loss on sale of non-current assets | | (8,526) | (4,869) |
| 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 | | - | (200) |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations | | 1,888 | 2,528 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | | (1,225) | (8,056) |
| Capital expenditure charged against the HRA balance | | (4,112) | 20 |
| Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | (67) | 176 |
| **Total Adjustments** | | 13,700 | 1,478 |

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1 Stock Analysis

| | 2014/15 | 2013/14 |
|---|---|---|
| Flats | 9,896 | 9,938 |
| Houses | 2,637 | 2,878 |
| Temporary Accommodation (Hostels) | 15 | 116 |
| Shared Ownership | 6 | 6 |
| Long Leases | 19 | 19 |
| | 12,573 | 12,957 |

## 2 Stock Valuation at Net Book Value

| | 31 March 2015 £000 | 31 March 2014 £000 |
|---|---|---|
| **Council Dwellings** | | |
| Dwellings - vacant possession value | 3,135,212 | 2,790,948 |
| Less: reduction to reflect Social Housing use | (2,351,211) | (2,070,527) |
| Dwellings - equivalent Social Housing value | 784,001 | 720,421 |
| **Other Land & Buildings** | | |
| Garages | 22,076 | 22,192 |
| Shops | 4,890 | 5,175 |
| Land & Buildings | 5,606 | 4,094 |
| **Total** | 816,573 | 751,882 |
| **Vehicles, Plant, Furniture and Equipment** | 114 | 39 |
| **Assets Under Construction** | 7,963 | 6,184 |
| **TOTAL** | 824,650 | 758,105 |

The vacant possession value of dwellings within the HRA as 31st March 2015 is £3.135m (£2,791m 31st March 2014). The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to government of providing council housing at less than market rents.

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

### a Rent Arrears

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Tenants:** | | |
| Dwellings | 3,121 | 3,446 |
| Temporary Accommodation (net) | 545 | 509 |
| Long Leases (net) | 32 | 33 |
| Total | 3,698 | 3,988 |
| **Leaseholders:** | | |
| Service Charge - Capital | 3,873 | 3,607 |
| Service Charge - Revenue | 471 | 344 |
| Total | 4,344 | 3,951 |

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

### b Provision for Bad or Doubtful Debts

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Tenants:** | | |
| Provision at 1 April | 2,584 | 2,759 |
| Write-offs in year | (369) | (419) |
| Increase in provision | 270 | 244 |
| Provision at 31 March | 2,485 | 2,584 |
| | | |
| **Leaseholders** | | |
| Provision at 1 April | - | - |
| Write-offs in year | - | - |
| Provision at 31 March | - | - |

## 4. Major Repairs Reserve (MRR)

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Balance at 1 April | - | 14,929 |
| Depreciation charges for all dwellings | 9,021 | 8,562 |
| Capital projects funded from the MRR | (14,376) | (29,320) |
| Additional Transfer Above Depreciation to MRR allowed under statute | 5,371 | 5,829 |
| Balance at 31 March | 16 | - |

## 5 Capital expenditure and funding

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Dwellings | 45,887 | 45,949 |
| Other Properties | 203 | 93 |
| Total | 46,090 | 46,042 |
| Funded by: | | |
| Borrowing | - | - |
| Capital Receipts | 14,885 | 4,958 |
| Developer Contribution S.106 | 75 | - |
| Revenue contributions | 7,863 | 6,901 |
| Major Repairs Reserve | 14,373 | 29,207 |
| Leaseholder's Income | 7,923 | 2,754 |
| Capital Grants | 971 | 2,222 |
| | 46,090 | 46,042 |

## 6 Capital Receipts

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Land | - | - |
| Council Dwellings | 15,940 | 12,192 |
| Other Receipts | 53 | 58 |
| Total | 15,993 | 12,250 |

Local authorities are required to contribute to the Housing Capital Receipt Pool a proportion of receipts generated from the disposal of HRA assets. In 2014/15 £1.4m (2013/14 £1.3m) of receipts was paid into the pool.

## 7 Depreciation and Impairment Charge

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Depreciation Charges** | | |
| Council Dwellings | 8,382 | 8,067 |
| Other Land & Buildings | 639 | 495 |
| **Total** | 9,021 | 8,562 |
| | | |
| **Impairment Charges / Revaluation Losses/(Gains)** | | |
| Dwellings and Other Land and Buildings | 25,132 | 9,118 |
| **Total** | **34,153** | **17,680** |

## 8 Revenue Expenditure Funded from Capital under Statute

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Dwellings | - | - |
| Other Properties | 3,380 | 3,305 |
| | 3,380 | 3,305 |

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

## 9 Transfers to / from reserves

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **To Major Repairs Reserve** | | |
| Additional Transfer Above Depreciation to MRR allowed under statute | (5,371) | (5,829) |
| **To Repairs & Maintenance Reserve** | | |
| Taken from Accumulated Balances in Year | - | (2,500) |
| **To HRA Earmarked Reserves** | | |
| Estate Regeration Delivery | (2,901) | (4,500) |
| **To General Fund** | | |
| Capital cost of early retirement | - | - |
| | (8,272) | (12,829) |

## 10 Transfers to Capital Adjustment Account

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Contribution towards repayment of Debt | (2,770) | (544) |
| **Total** | (2,770) | (544) |

## COLLECTION FUND ACCOUNT

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

### INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2015

| | 2014/15 Council Tax £'000 | 2014/15 NNDR/BRS £'000 | 2014/15 TOTAL £'000 | 2013/14 £'000 |
|---|---|---|---|---|
| **INCOME** | | | | |
| Income from Council Tax Payers (note 1) | 144,824 | - | 144,824 | 144,924 |
| Income collectable from business ratepayers | - | 142,306 | 142,306 | 145,588 |
| Small Business Rate Relief Payment | | | | 621 |
| Income collectable in respect of Business Rate Supplement | - | 3,640 | 3,640 | 4,319 |
| **TOTAL** | **144,824** | **145,946** | **290,770** | **295,452** |
| **EXPENDITURE** | | | | |
| Precepts and Demands: | | | | |
| - Ealing Council | 106,538 | 37,185 | 143,723 | 143,889 |
| - Greater London Authority | 30,054 | 24,790 | 54,844 | 55,717 |
| - Central Government (note 3) | - | 61,975 | 61,975 | 63,831 |
| Contribution towards previous year's estimated surplus | - | - | - | - |
| - Ealing Council | 2,500 | - | 2,500 | 2,010 |
| - GLA | 715 | - | 715 | 0,582 |
| Impairment of debts/appeals: | | | | |
| - Write offs | 1,976 | 4,683 | 6,659 | 2,569 |
| - Allowance for impairment | (2,283) | (8,791) | (11,074) | 5,678 |
| - Provision for appeals | - | (6,372) | (6,372) | 20,570 |
| **Business Rates** | | | | |
| Transitional Protection payments | - | 1,029 | 1,029 | - |
| Cost of collection | - | 494 | 494 | 557 |
| **Business Rate Supplements** | | | | |
| Payment to levying authority (GLA) (note 4) | - | 3,621 | 3,621 | 4,297 |
| Administrative costs | - | 19 | 19 | 22 |
| **TOTAL** | **139,500** | **118,633** | **258,133** | **299,722** |
| **Fund Surplus / (Deficit)** | | | | |
| Fund surplus / (deficit) brought forward | 8,553 | (7,297) | 1,256 | 5,526 |
| Correction of 2013/14 transactions | - | (1,071) | (1,071) | - |
| Surplus/(Deficit) for year | 5,323 | 27,313 | 32,636 | (4,270) |
| **Fund surplus / (deficit) at 31 March** | **13,876** | **18,945** | **32,822** | **1,256** |
| **Analysis of Surplus / (Deficit)** | | | | |
| Ealing Council | 10,855 | 5,684 | 16,539 | 4,775 |
| DCLG | - | 9,473 | 9,473 | (3,735) |
| Greater London Authority | 3,021 | 3,788 | 6,845 | 216 |
| **Fund surplus / (deficit) at 31 March** | **13,876** | **18,945** | **32,822** | **1,256** |

## NOTES TO THE COLLECTION FUND ACCOUNT

### 1. Income from Council Tax

| | 2014/15<br>£000 | 2013/14<br>£000 |
|---|---|---|
| Council Tax Income | 144,824 | 144,924 |

### 2. Council Tax

Council Tax is a banded capital value based property tax with a 25% discount for single adult households. For the 2014/15 estimate, 97,197 properties provided a taxbase equivalent to 103,966 Band D properties after adjustments for discounts and exemptions. This was calculated as shown below:

| Band | Estimated No. of properties after discounts, exemptions and council tax support | Ratio | Equivalent No. of Band D properties at 31 March 2014 |
|---|---|---|---|
| A | 3,316 | 6/9 | 2,210 |
| B | 11,276 | 7/9 | 8,770 |
| C | 27,870 | 8/9 | 24,773 |
| D | 18,479 | 9/9 | 18,479 |
| E | 20,247 | 11/9 | 24,746 |
| F | 8,902 | 13/9 | 12,859 |
| G | 6,260 | 15/9 | 10,433 |
| H | 848 | 18/9 | 1,696 |
| **Total Council Tax Base** | 97,197 | | **103,966** |
| Adjustment for actual collection rate | | | 3,452 |
| **Council Tax Base for 2014/15** | | | **100,514** |

The current budgeted collection rate is 96.7%. This rate is kept under review as more actual data following implementation of the Localised Council Tax Support becomes available.

### 3. Income from NNDR

The Council collects National Non-Domestic Rates (NNDR) for its area based on local Rateable Values provided by the Valuation Office Agency multiplied by a standard national rate in 2014/15 of 48.2p or 47.1p for qualifying Small Businesses (47.1p and 46.2p for

2013/14 respectively). The local rateable value for Ealing at 31 March 2015 was £349.3m (£351.4m at 31 March 2014).

Ealing retains 30% of the business rates that it collects, with 50% being paid into a Central Pool for redistribution by Central Government and 20% being paid to the Greater London Assembly (GLA). As part of the budget-setting process for 2014/15, the business rates shares payable were estimated as £62.0m for Central Government, £24.8m for the GLA and £37.2m for Ealing's retained share. These sums, totalling £124.0m, have been paid to the respective bodies from the Collection Fund in 2014/15.

Ealing also received a top-up grant of £28.7m (2013/14 £28.2m) as the business rates income has been assessed as being lower than need.

In addition to these amounts, Central Government has paid Section 31 Grants to local authorities and major preceptors to reimburse them for NNDR income lost as a result of certain Government policies (such as restricting the increase to the multiplier below inflation and discounts to some retailers). In 2014/15 Ealing received £2.8m in Section 31 Grant income related to NNDR.

As part of their management of local business rates, authorities are expected to finance the estimated losses arising from appeals made by businesses against their rateable values. As such, authorities are required to make a provision for these amounts which are charged and provided for in proportion of the precepting shares. As a result of Government announcements on the period for which historical appeals can be brought, along with a reassessment of the provision methodology as more actual data becomes available, the appeals provision has been reduced from £20.6m in 2013/14 to £14.2m in 2014/15 and these has been reflected in a credit to the collection fund for the difference of £6.4m.

Actual collection in Ealing, allowing for adjustments to reliefs and provisions, was £151.3m. Once adjustments are made for Transitional Protection Payments and Ealing's cost of collection allowance, this results in a surplus in collection of £18.9m (2013/14 deficit of £8.4m) of which Ealing's share is £5.7m (2013/14 £(1.9m)). The calculations of the amounts due from the Collection Fund to Ealing, Central Government and the GLA are as set out below:

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Non-domestic charges raised | 157,926 | 162,268 |
| Add / (deduct) allowances and other adjustments: | | |
| Mandatory relief | (4,826) | (6,861) |
| Discretionary relief | (885) | (293) |
| Empty and Void Relief | (4,406) | (5,571) |
| Retail relief | (1,958) | |
| Hardship relief | (1) | - |
| Small business rate relief | (4,573) | (4,389) |
| Cost of collection and interest | (495) | (509) |
| Transitional protection payments | 1,029 | 449 |
| Provisions for appeals | 6,372 | (20,570) |
| Adjustment to provision for bad debt | 8,791 | (4,322) |
| Bad debts written off | (4,683) | (396) |
| **Net rates collectible** | **152,291** | **119,806** |
| Transitional protection payments due to pool | (1,029) | (449) |
| Legal fees to be passed to revenue | - | (63) |
| **Contribution to NNDR national pool** | **151,262** | **119,294** |

## 4. Business Rate Supplements (BRS)

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

## LONDON BOROUGH OF EALING PENSION FUND ACCOUNTS

### INTRODUCTION TO THE FUND, ACCOUNTING POLICIES AND PRINCIPLES

#### Introduction

1. The London Borough of Ealing Pension Fund is part of the Local Government Pension Scheme (LGPS), which is a statutory, funded pension scheme. The LGPS benefits are defined and set out in law, there were significant changes to the LGPS scheme in the year 2014/15.

2. LGPS scheme changes came into effect from 1st April 2014. The main points to note are:

| | |
|---|---|
| 1 | Final salary scheme replaced by a Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor. |
| 2 | The accrual rate is 1/49th (the previous scheme was 1/60th). |
| 3 | There is no normal scheme pension age; instead each member's Normal Pension Age (NPA) would be their State Pension Age (the previous scheme had an NPA of 65). |
| 4 | Average member contributions to the scheme is 6.5% (same as the previous scheme) with the rate determined on actual pay (the previous scheme determined part-time contribution rates on full time equivalent pay).<br><br>While there is no change to average member contributions, the lowest paid will pay the same or less and the highest paid will pay higher contributions on a more progressive scale. |
| 5 | Members who have already or are considering opting out of the scheme can instead elect to pay half contributions for half the pension, while still retaining the full value of other benefits. This is known as the 50/50 option (the previous scheme had no such flexible option). |
| 6 | For current scheme members, benefits for service prior to 1st April 2014 are protected and continue to be based on final salary and current NPA. |
| 7 | Where scheme members are outsourced they will be able to stay in the scheme on first and subsequent transfers (previously this was a choice for the new employer). |

Further details can be found at http://lgps2014.org/.

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

4. The Fund is operated under regulations made by the Department of Communities and Local Government under Section 7 of the Superannuation Act 1972. The rules of the scheme are set out in LGPS (Benefits, Membership and Contributions) Regulations 2007, the LGPS (Administration) Regulations 2008 and the LGPS (Investment and Management of Funds) Regulations 2009, as amended. New governance arrangements have been introduced from 1 April 2014 under regulations made under the Public Service Pensions Act 2013.

5. Membership of the fund consists of contributing members, deferred members,

pensioners, widows and dependants as shown below.

| | 31st March 2015 | 31st March 2014 |
|---|---|---|
| Contributing members | 6,977 | 6,565 |
| Deferred members | 7,564 | 7,232 |
| Pensioners, widows and dependants | 6,701 | 6,511 |
| **Total** | **21,242** | **20,308** |

The Council is the administering authority of the scheme and has the major share of contributors and pensioners. There are now 17 scheme employers as shown below, all of the bodies contribute to the Fund.

**SCHEME EMPLOYERS as at 31 March 2015**

**Scheduled Bodies**
Alex Reed Academy
Ark Priory Primary Academy
Brentside Primary
Drayton Manor High
Featherstone High
St Mary's Academy
Twyford CE Academy Trust
University of West London
Wood End Academy

**Admitted Bodies**
Carillion
EC Harris
Greenwich Leisure
Mitie
NSL Parking
Serco
SLM
Viridian Housing

6. Some investments are managed under segregated mandates by external fund managers: Lazard Asset Management Ltd for UK Equities, Allianz Global Investors (previously RCM Ltd) for Global Equities and Royal London Asset Management Ltd for Corporate Bonds. In addition, we currently invest directly in three pooled property funds managed by Lothbury Investment Management, Standard Life Investment Management, and Hermes Investment Management.

## Accounting Policies

7. The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting policies contained in the Code apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS19 Employee Benefits and IAS26 Accounting and Reporting by Retirement Benefit Plans are of particular relevance to these statements. Where IAS26 is less detailed in its reporting requirements and this leads to lack of clarity then due to the hierarchy of standards recourse is to UK GAAP and thus the Pension Statement of Recommended Practice (SORP). The fund accounts are not consolidated with the accounts of the authority.

8. Pension benefits, expenses, contributions from employees and employers and transfers in and out of the fund are accounted for on an accruals basis i.e. income/expenditure is recognised in the period it is earned/incurred, rather than when the cash is received.

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

10. Both the costs of the investment management arrangements and Pension Fund administration expenses are charged to the Fund.

11. As per the Code cash balances, consist of cash in hand, fixed term deposits, certificates of deposit, floating rate notes and other cash instruments.

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

13. Notes 7 and 9 from the 2013/14 accounts (administrative and investment management expenses) have been amalgamated into one note in this set of accounts, as per CIPFA guidance on accounting for management expenses.

### Actuarial Valuation

14. The Fund is valued by an independent actuary every 3 years. An independent valuation was carried out by Mercer Limited as at 31 March 2013 to determine the contribution rate from 1 April 2014 to 31 March 2017. The Actuary used a "market value" basis for the valuation of the Fund at 31 March 2013. Assets amounted to £800m and accrued liabilities to £1,116m, resulting in a funding deficit of £316m (a funding level of 72%).

15. Contributions to the Scheme by employers are set at rates determined by the Scheme's Actuary and approved by the London Borough of Ealing Pension Fund Panel. The Council is meeting the fund's liabilities by a recovery plan that has been certified by the Actuary for the next three years. The 2013 Actuarial Valuation report is available on the Council's website.

16. In accordance with IAS26 the actuarial present value of promised retirement benefits are shown in the attached report by the Actuary, Appendix A. This report also details the discount rates used and other financial assumptions in assessing the liabilities of the fund.

### Basis for Valuation

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

    17.1. All valuations for investments at 31 March 2015 and transactions during 2014/15 financial year are obtained from the accounting records of the Custodian Bank of New York Mellon (BNYM). This is the same principle as applied in the 2013/14 accounts.

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

    17.3. All Fund investments (excluding cash) have their fair value derived from unadjusted quoted prices in active markets. Actively traded investments are valued on the basis of bid market prices.

    17.4. Unit trust and other pooled funds are valued according to the pricing structure applicable to them – dual price funds based on the bid price, single price funds based on that single price and where the value of underlying assets of a fund are based on valuation techniques then the net asset value per unit is used.

17.5. Overseas investments are valued using official vendor feeds in accordance with BNYM's Global Pricing Guidelines and translated into sterling at the rate prevailing on 31st March 2015. IDC is usually used for foreign equities except US equities that are typically priced using Interactive Data Pricing and Reference Data Inc (IDSI).

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

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

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

## Statement of Investment Principles (SIP)

19. The Statement of Investment Principles for Ealing Pension Fund is reviewed annually and was updated to incorporate an allocation to property in 2011/12. The SIP is published on Ealing Council's website and is available to any interested party.

# PENSION FUND - FUND ACCOUNT

| | Notes | 2014/15 £000 | 2013/14 £000 |
|---|---|---|---|
| **Dealings with members, employers and others directly involved in the scheme** | | | |
| Contributions | 4 | (41,190) | (48,533) |
| Transfers in from other pension funds | | (3,206) | (2,681) |
| | | (44,396) | (51,214) |
| Benefits | 5 | 40,812 | 39,816 |
| Payment to and on account of leavers | 6 | 5,679 | 2,780 |
| Management expenses | 7 | 3,914 | 3,529 |
| | | 50,405 | 46,125 |
| **Net (additions) / withdrawals from dealings with members** | | 6,009 | (5,089) |
| **Returns on investments** | | | |
| Investment Income | 8 | (32,443) | (31,882) |
| Taxes on Income | | 1,417 | 1,149 |
| Profit and losses on disposal of investments and changes in value of investments | 9 | (75,125) | (31,580) |
| **Net returns on investments** | | (106,151) | (62,313) |
| **(Surplus) / deficit of the fund for the year** | | **(100,142)** | **(67,402)** |

# PENSION FUND - NET ASSETS STATEMENT

| | Notes | 2014/15 £000 | 2013/14 £000 |
|---|---|---|---|
| Investment assets | 9 | 952,792 | 839,189 |
| Cash deposits | 9 | 23,559 | 30,764 |
| | | 976,351 | 869,953 |
| Investment liabilities | 9 | (8,525) | (2,062) |
| | | 967,826 | 867,891 |
| Current assets | 11 | 534 | 391 |
| Current liabilities | 12 | (864) | (928) |
| **Net Assets of the fund available to pay benefits at year end** | | **967,496** | **867,354** |

## NOTES TO THE ACCOUNTS

### NOTE 1. MANAGEMENT OF INVESTMENTS

In 2006/07 the Pension Fund Panel appointed Allianz (formerly RCM) to manage global equities, Lazards for UK equities and Royal London Asset Management (RLAM) for fixed interest securities and the transition to the new arrangements was completed in April 2007. The three specialised managers were set rolling 3 year out-performance targets of 2.0% pa for Lazard and Allianz and 1.0% pa for RLAM against their selected benchmarks. In January 2011 the Pension Fund Panel approved an allocation to property via pooled investment vehicles of up to 10% of the Fund. The Statement of Investment Principles was updated to reflect revised target allocations for the existing managers as shown below.

| MANAGER | Mandate | FUNDS UNDER MANAGEMENT as at 31.03 | | | | Target Allocation |
|---|---|---|---|---|---|---|
| | | 2014/15 | | 2013/14 | | |
| | | £000 | % | £000 | % | |
| Lazard | UK Equities | 360,750 | 37% | 330,224 | 38% | 37% |
| Allianz | Global Equities | 285,683 | 30% | 278,130 | 33% | 28% |
| RLAM | Fixed Interest | 247,288 | 25% | 231,339 | 27% | 25% |
| Lothbury | UK Property | 34,803 | 4% | 9,960 | 1% | 10% |
| Standard Life | UK Property | 25,945 | 3% | 5,034 | 1% | |
| Hermes | UK Property | 5,346 | 1% | - | - | |
| **Total** | | **959,815** | **100%** | **854,687** | **100%** | **100%** |

## NOTE 2. INVESTMENT TRANSACTION COSTS

Investment transactions costs for the Fund amounted to £997k in 2014/15 (£1,014k in 2013/14). These transaction costs are included in the cost of purchases and in the proceeds from sales. Transaction costs charged directly to the scheme include fees, commissions, stamp duty and other levies. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on tradeable investments including within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

## NOTE 3. SECURITES ABOVE 5% OF AN ASSET CLASS

| Asset Class / Security | 2014/15 £000 | % of Asset Class | 2013/14 £000 | % of Asset Class |
|---|---|---|---|---|
| **Property:** | | | | |
| Lothbury Property Trust | 34,496 | 53% | 9,834 | 66% |
| Standard Life long lease property fund | 25,945 | 39% | 5,035 | 34% |
| Hermes Property Unit Trust | 5,295 | 8% | - | - |

There are no individual securities which exceed 5% of net assets.

## NOTE 4. CONTRIBUTIONS

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **By category** | | |
| Employer contributions | (31,278) | (39,245) |
| Member contributions | (9,912) | (9,288) |
| | (41,190) | (48,533) |
| **By authority** | | |
| Administering authority (LB Ealing) | (36,021) | (44,517) |
| Scheduled bodies | (4,390) | (3,476) |
| Admitted bodies | (779) | (540) |
| | (41,190) | (48,533) |
| **By type** | | |
| Employees' normal contributions | (9,912) | (9,288) |
| Employers' normal contributions | (19,382) | (16,696) |
| Employers' deficit recovery contributions | (10,483) | (21,025) |
| Employers' augmentation contributions | (1,413) | (1,524) |
| | (41,190) | (48,533) |

## NOTE 5. BENEFITS

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **By category** | | |
| Pensions | 33,772 | 32,700 |
| Commutation of pensions & lump sum retirement benefits | 6,196 | 6,580 |
| Lump sum death benefits | 844 | 536 |
| | 40,812 | 39,816 |
| **By authority** | | |
| Administering authority (LB Ealing) | 38,410 | 37,957 |
| Scheduled bodies | 1,957 | 1,625 |
| Admitted bodies | 445 | 234 |
| | 40,812 | 39,816 |

## NOTE 6. PAYMENT TO AND ON ACCOUNT OF LEAVERS

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Refunds of contributions | 61 | 22 |
| Transfers out to other schemes | 5,618 | 2,758 |
| | 5,679 | 2,780 |

## NOTE 7. MANAGEMENT EXPENSES

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Administrative Expenses** | | |
| Pension administration & payroll | 763 | 802 |
| Other Administrative expenses | 109 | 113 |
| | 872 | 915 |
| **Investment Management Expenses** | | |
| Fund management | 2,486 | 2,092 |
| Custodian | 148 | 108 |
| Other Investment expenses | 19 | 19 |
| | 2,653 | 2,219 |
| **Oversight and Governance Costs** | | |
| Actuarial expenses | 26 | 82 |
| External audit | 14 | 19 |
| Investment consultancy | - | 3 |
| Administering authority (LB Ealing) | 349 | 291 |
| | 389 | 395 |
| | 3,914 | 3,529 |

## NOTE 8. INVESTMENT INCOME

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| Income from fixed interest securities | (12,087) | (12,099) |
| Dividends from equities | (18,132) | (19,266) |
| Pooled funds | (2,110) | (430) |
| Interest on cash deposits | (23) | (86) |
| Other | (91) | (1) |
| | (32,443) | (31,882) |

## NOTE 9. INVESTMENTS

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **INVESTMENT ASSETS** | | |
| Fixed Interest Securities | 233,618 | 220,839 |
| Equities | 629,785 | 590,172 |
| Pooled Investment Vehicles | 77,987 | 20,475 |
| Cash Deposits | 23,559 | 30,764 |
| Other Investment Balances | 11,402 | 7,703 |
| **Total Investment Assets** | 976,351 | 869,953 |
| | | |
| **INVESTMENT LIABILITIES** | | |
| Other Investment Balances | (8,525) | (2,062) |
| | | |
| **NET INVESTMENTS** | 967,826 | 867,891 |

## NOTE 9a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

| | Net Assets of Scheme 31/03/2014 £000 | Purchases of Investments and cash deposits £000 | Sales of Investments and cash withdrawals £000 | Change in Market Value during year £000 | Net Assets of Scheme 31/03/2015 £000 |
|---|---|---|---|---|---|
| Fixed Interest Securities | 220,839 | 33,862 | (39,438) | 18,355 | 233,618 |
| Equities | 590,172 | 224,308 | (236,030) | 51,335 | 629,785 |
| Pooled Investment Vehicles | 20,475 | 57,944 | (6,012) | 5,580 | 77,987 |
| Cash Deposits | 30,764 | 787,469 | (794,529) | (145) | 23,559 |
| | 862,250 | 1,103,583 | (1,076,009) | 75,125 | 964,949 |
| Other Investment Assets | 7,703 | | | | 11,402 |
| Other Investment Liabilities | (2,062) | | | | (8,525) |
| **NET INVESTMENT ASSETS** | **867,891** | | | **75,125** | **967,826** |

| | Net Assets of Scheme 31/03/2013 £000 | Purchases of Investments and cash deposits £000 | Sales of Investments and cash withdrawals £000 | Change in Market Value during year £000 | Net Assets of Scheme 31/03/2014 £000 |
|---|---|---|---|---|---|
| Fixed Interest Securities | 220,624 | 54,581 | (51,710) | (2,656) | 220,839 |
| Equities | 546,056 | 266,069 | (256,025) | 34,072 | 590,172 |
| Pooled Investment Vehicles | 5,087 | 15,054 | - | 334 | 20,475 |
| Cash Deposits | 26,090 | 638,714 | (633,870) | (170) | 30,764 |
| | 797,857 | 974,418 | (941,605) | 31,580 | 862,250 |
| Other Investment Assets | 7,459 | | | | 7,703 |
| Other Investment Liabilities | (4,894) | | | | (2,062) |
| **NET INVESTMENT ASSETS** | **800,422** | | | **31,580** | **867,891** |

## NOTE 9b. ANALYSIS OF INVESTMENTS

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **INVESTMENT ASSETS** | | |
| **Fixed Interest Securities** | | |
| **UK** Corporate | 230,755 | 219,763 |
| Public Sector | 2,863 | 481 |
| **Overseas** Corporate | - | 595 |
| **Equities** | | |
| UK | 343,832 | 312,946 |
| Europe | 147,041 | 138,036 |
| North America | 95,282 | 90,897 |
| Japan | 23,794 | 21,524 |
| Pacific | 10,953 | 8,387 |
| Emerging Markets | 8,883 | 10,518 |
| Other | - | 7,864 |
| **Pooled Investment Vehicles** | | |
| Property | 65,736 | 14,868 |
| Fixed Interest | 8,894 | 5,607 |
| Equity | 3,357 | - |
| **Cash Deposits** | | |
| Cash held by Administering Authority | 7,669 | 13,205 |
| Cash held by Custodian | 2,869 | 3,989 |
| Money market instrument | 13,021 | 13,570 |
| **Other Investment Balances** | | |
| Debtors | | |
| Interest due | 4,288 | 4,370 |
| Dividends due | 3,335 | 2,506 |
| Recoverable tax | 583 | 424 |
| Unsettled sales | 3,044 | 206 |
| Other income receivable | 152 | 197 |
| **Total Investment Assets** | 976,351 | 869,953 |
| | | |
| **INVESTMENT LIABILITIES** | | |
| **Other Investment Balances** | | |
| Creditors | | |
| Unsettled purchases | (8,256) | (1,868) |
| Taxes payable | (237) | (194) |
| Other payables | (32) | - |
| **NET INVESTMENTS** | 967,826 | 867,891 |

## NOTE 10. FINANCIAL INSTRUMENTS

| | 2014/15 Fair value through profit and loss £000 | 2014/15 Loans and receivables £000 | 2014/15 Financial liabilities at amortised costs £000 | 2013/14 Fair value through profit and loss £000 | 2013/14 Loans and receivables £000 | 2013/14 Financial liabilities at amortised costs £000 |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Fixed Interest Securities | 233,618 | | | 220,839 | | |
| Equities | 629,785 | | | 590,172 | | |
| Pooled Investment Vehicles | | | | | | |
| - Property | 65,736 | | | 14,868 | | |
| - Fixed Interest | 8,894 | | | 5,607 | | |
| - Equity | 3,357 | | | | | |
| Cash Deposits: | | | | | | |
| - Cash held by Administering Authority | | 7,669 | | | 13,205 | |
| - Cash held by Custodian | | 2,869 | | | 3,989 | |
| - Money market instrument | 13,021 | | | 13,570 | | |
| Other Investment Balances | 11,402 | | | 7,703 | | |
| Current Assets | | 534 | | | 391 | |
| **Total Financial Assets** | **965,813** | **11,072** | **-** | **852,759** | **17,585** | **-** |
| **Financial Liabilities** | | | | | | |
| Other Investment Balances | (8,525) | | | (2,062) | | |
| Current Liabilities | | | (864) | | | (928) |
| **Total Financial Liabilities** | **(8,525)** | **-** | **(864)** | **(2,062)** | **-** | **(928)** |
| **Net Financial Assets** | **957,288** | **11,072** | **(864)** | **850,697** | **17,585** | **(928)** |

Note that the valuation of financial instruments are classed into 3 levels according to the quality and reliability of the data used to determine fair values. All assets shown above carried at fair value apart from pooled property funds are valued at Level 1 where the fair values are derived from unadjusted quoted prices in an active market. The pooled property funds are valued at Level 2 as the prices of the underlying assets are derived from independent valuation techniques.

## NOTE 10a. Nature and extent of risks arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Fund.
- Liquidity risk - the possibility that the Fund might not have funds available to meet its commitments, in particular pension benefits.

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

**Credit Risk**

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

10.3 The fixed interest securities mandate allows investment in a range of bonds with a minimum of 70% in investment grade corporate bonds and specified maximum limits for other categories. The bond manager has a comprehensive set of risk controls against which all portfolios are measured and monitored. Portfolio risk is evaluated using UBS Delta allowing them to Value At Risk (VAR). Portfolios are monitored on a live basis on a fund management system, 'ThinkFolio', where applicable mandate guidelines are built in.

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

10.5 Non-investment transactions go through Ealing Council's bank account and balances are transferred throughout the year. As Ealing Council is a local authority the Pension Fund's credit risk is considered negligible.

10.6 The table below highlights the credit risk exposure to internally managed Pension Fund cash as at 31st March 2015.

| Counterparty | Fitch Long Term Rating | 2014/15 £m | 2013/14 £m |
|---|---|---|---|
| Lloyds TSB Bank plc | A+ | 6 | 0 |
| RBS Banking Group plc | BBB+ | 0 | 10 |
| HSBC Bank plc | AA- | 0 | 0 |
| London Borough of Ealing | N/A | 2 | 2 |
| **Total** | | **8** | **12** |

10.7 Payments are received from scheme employers in relation to employer and employee contributions for LGPS members. Based on experience of default and uncollectability over the last five financial years, the risk of default in the future is considered very low. Bond agreements are in place for scheme employers to ensure liabilities would be met in the event a contractor were to be dissolved, wound-up, liquidated or cease to exist.

**Liquidity Risk**

10.8 The Pension Fund transactions are actioned through the Administering Authority's bank account and the monthly balance will be transferred between the authority and the fund throughout the year. The Pension Fund maintains the liquidity of its internal cash balances by investing in call accounts or short term deposits. This enables instant access to cash to meet expenditure liabilities as they fall due.

10.9 The Pension Fund internal cash position is kept under review and budgeting and forecasting exercises are carried out to monitor this situation. The Pension Fund could draw money down from the Fund managers' investment portfolios if internal cash balances reached very low levels, as the scheme is invested in highly marketable securities.

**Market Risk**

Actuarial Risk

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

10.11 The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity-based strategy, so that actual asset out-performance of gilts between successive valuations could diverge significantly from the overall 1.4% per annum currently required on the basis of the 2013 valuation assumptions.

Price Risk

10.12 The Fund invests in equity shares; consequently it is exposed to losses arising from movements in the prices of shares. The investment objective is to maximise investment returns over the long term within specified risk tolerances and in accordance with the LGPS investment regulations. The Pension Fund Panel has decided that, given the financial circumstances of the Fund, it can afford to take on some risk in the pursuit of incremental return.

10.13 The Council seeks to diversify risk through having more than one investment management firm with different strategies and investment philosophies to manage the assets of the Fund. The investment policy is to appoint expert investment managers with clear performance benchmarks and to place maximum accountability for out performance against those benchmarks on the investment manager. Ealing has adopted an active specialist approach to investment management.

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

10.15 The Fund invests in fixed interest securities, which also exposes the Fund to losses arising from movements in price and creditworthiness. Bonds in general are considered less risky than stocks, because bonds carry the promise of their issuer to return the face value of the security to the holder at maturity.

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

| Asset Type | 2014/15 £000 | % change | Increase £000 | Decrease £000 |
|---|---|---|---|---|
| UK Equities | 347,189 | 10.5% | 383,748 | 310,630 |
| Overseas Equities | 285,953 | 9.5% | 313,204 | 258,702 |
| Fixed Interest Securities | 242,512 | 5.6% | 256,044 | 228,980 |
| Cash Deposits | 23,559 | 0.0% | 23,561 | 23,557 |
| Pooled Property Funds | 65,736 | 3.0% | 67,728 | 63,744 |
| Total Assets | 964,949 | | 1,044,285 | 885,613 |

| Asset Type | 2013/14 £000 | % change | Increase £000 | Decrease £000 |
|---|---|---|---|---|
| UK Equities | 312,946 | 13.4% | 354,849 | 271,042 |
| Overseas Equities | 277,226 | 13.0% | 313,321 | 241,131 |
| Fixed Interest Securities | 226,446 | 5.3% | 238,358 | 214,535 |
| Cash Deposits | 30,764 | 0.0% | 30,770 | 30,758 |
| Pooled Property Funds | 14,868 | 2.7% | 15,275 | 14,461 |
| Total Assets | 862,250 | | 952,573 | 771,927 |

Inflation Risk

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

Interest Rate Risk

10.18 Cash balances and fixed interest securities have a more direct exposure to interest rate movements than equities. The cash flows of the former and market value of the latter are influenced by movements in market interest rates. The sensitivity analysis below looks at the effect of a change in year of 0.50%, being a possible change in the UK base rate (previously a rate of 0.25% was used).

| Asset Type | 2014/15 £000 | % change | Increase £000 | Decrease £000 |
|---|---|---|---|---|
| Fixed Interest Securities | 242,512 | 0.50 | 243,725 | 241,299 |
| Cash deposits | 23,559 | 0.50 | 23,677 | 23,441 |
| Total Assets | 266,071 | | 267,402 | 264,740 |

| Asset Type | 2013/14 £000 | % change | Increase £000 | Decrease £000 |
|---|---|---|---|---|
| Fixed Interest Securities | 226,446 | 0.50 | 227,578 | 225,314 |
| Cash deposits | 30,764 | 0.50 | 30,918 | 30,610 |
| Total Assets | 257,210 | | 258,496 | 255,924 |

Foreign Exchange risk

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

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

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

10.21 The fixed interest securities mandate permits investments in the UK, Europe and North America, most of which is denominated in Sterling but may also include a maximum of 10% non-Sterling investments.

10.22 The table below analyses the effect of exchange rate changes on the Pension Fund. Typically, around 30% of the Fund is denominated in a foreign currency. Potential currency fluctuations were calculated by our performance analysts The WM Company.

| Currency | 2014/15 £000 | % change | Increase £000 | Decrease £000 |
|---|---|---|---|---|
| Australian Dollar | 8,504 | 8.9% | 9,258 | 7,750 |
| Brazilian Real | 2,879 | 11.7% | 3,216 | 2,542 |
| Danish Krone | 2,780 | 6.2% | 2,952 | 2,608 |
| EURO | 70,454 | 6.1% | 74,787 | 66,121 |
| Hong Kong Dollar | 5,365 | 7.7% | 5,780 | 4,950 |
| Japanese Yen | 24,024 | 11.0% | 26,673 | 21,375 |
| Swedish Krona | 5,351 | 7.3% | 5,742 | 4,960 |
| Swiss Franc | 22,990 | 9.3% | 25,138 | 20,842 |
| US Dollar | 101,573 | 7.8% | 109,477 | 93,669 |
| Total Assets | 243,920 | | 263,023 | 224,817 |

| Currency | 2013/14 £000 | % change | Increase £000 | Decrease £000 |
|---|---|---|---|---|
| Australian Dollar | 8,527 | 9.8% | 9,363 | 7,691 |
| Brazilian Real | 4,977 | 12.7% | 5,609 | 4,345 |
| EURO | 58,075 | 6.3% | 61,740 | 54,410 |
| Japanese Yen | 21,794 | 11.5% | 24,309 | 19,279 |
| Swedish Krona | 4,236 | 7.0% | 4,534 | 3,938 |
| Swiss Franc | 24,592 | 7.4% | 26,417 | 22,767 |
| US Dollar | 114,054 | 8.1% | 123,258 | 104,850 |
| Total Assets | 236,255 | | 255,230 | 217,280 |

## NOTE 11. CURRENT ASSETS

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Debtors** | | |
| Contributions due from employers | 444 | 384 |
| Payments in advance | - | 4 |
| Other debtors | 90 | 3 |
| | 534 | 391 |
| **Total Current Assets** | 534 | 391 |
| **Analysis of debtors** | | |
| Central government bodies | - | - |
| Local authorities | 128 | 93 |
| NHS bodies | - | - |
| Public corporations and trading funds | - | - |
| Other entities and individuals | 406 | 298 |
| | 534 | 391 |

## NOTE 12. CURRENT LIABILITIES

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Creditors** | | |
| Unpaid benefits | (213) | (308) |
| Accrued expenses | (651) | (620) |
| | (864) | (928) |
| | | |
| **Analysis of Creditors** | | |
| Central government bodies | (100) | (78) |
| Local authorities | (7) | (30) |
| NHS bodies | - | - |
| Public corporations and trading funds | - | - |
| Other entities and individuals | (757) | (820) |
| | (864) | (928) |

## NOTE 13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

13.2 Employee contributions made into the AVC facilities during the year were:

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Scottish Widows with Profits Fund (31st March 2015)** | **69** | **54** |
| **Total Value of Equitable Life Funds (31st October 2014)** | **2** | **4** |

13.3 The latest available fund valuations are as follows:

| | 2014/15 £000 | 2013/14 £000 |
|---|---|---|
| **Scottish Widows with Profits Fund (31st March 2015)** | **750** | **700** |
| Equitable Life with Profits Fund | 141 | 157 |
| Equitable Life Unit Linked Fund | 83 | 174 |
| Equitable Deposit Account Fund | 31 | 53 |
| **Total Value of Equitable Life Funds (31st October 2014)** | **255** | **384** |
| **Total All Funds** | **1,050** | **1,084** |

## NOTE 14. IAS 24 Related Party Transactions

14.1 The London Borough of Ealing is the administering authority of the London Borough of Ealing Pension Fund. The Council charged the Pension Fund £834k for expenses incurred in administering the fund in 2014/15 (£776k 2013/14). The total cash balance held by the Council at 31 March 2015 on behalf of the Pension Fund was £1,626k (£2,907k at 31 March 2014).

14.2 Members of the Pension Fund panel are required by law to declare certain interests when they become a Councillor and a full register is kept by the Head of Democratic Services and published on the Council's website. Below is a summary of each Pension Fund Panel member’s relevant interests:

| Pension Fund Panel member | Relevant interests |
|---|---|
| Yvonne Johnson (Chair) | Portfolio holder for Finance, Performance and Welfare at Ealing Council. |
| Anthony Young (Deputy) | None. |
| Shital Manro | Governor of Greenford High School, Horsenden School and William Perkin High School |
| Kamaljit Kaur Nagpal | Governor of Dairy Meadow School |
| Swaran Padda | Governor of Lady Margaret School |
| Mik Sabiers | Governor of Berrymede School |
| Andrew Steed | None. |

14.3 All Council employees acting as officers of the Pension Fund were contributing members of the Pension Fund during 2014/15.

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

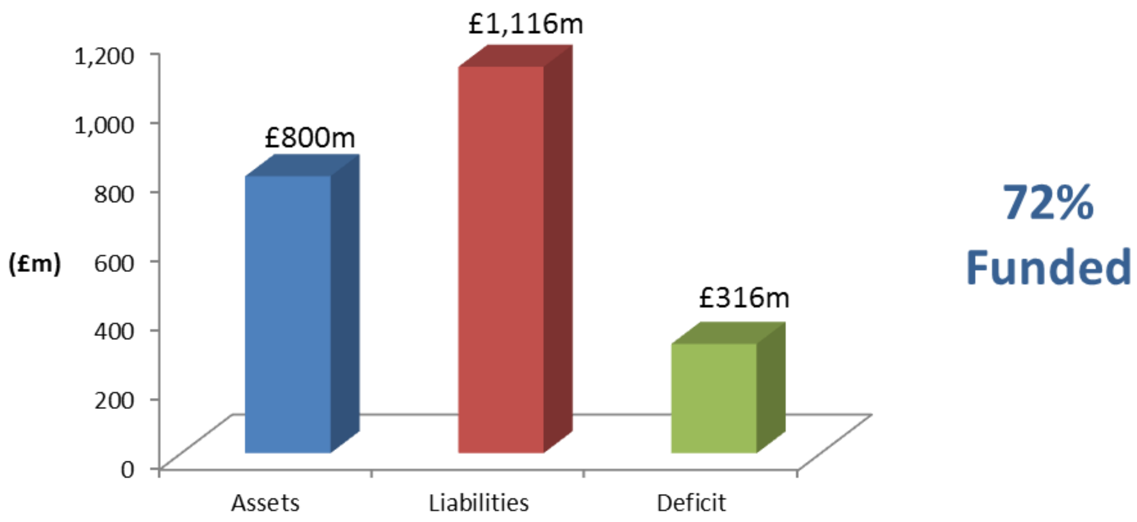
# LONDON BOROUGH OF EALING PENSION FUND

**Accounts for the year ended 31 March 2015 - Statement by the Consulting Actuary**

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

An actuarial valuation of the London Borough of Ealing Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £800 million represented 72% of the Fund's past service liabilities of £1,116 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £316 million.




The valuation also showed that a common rate of contribution of 13.5% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 76% with a resulting deficit of £252 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £16m per annum increasing at 4.35% per annum (equivalent to approximately 11.6% of projected Pensionable

Pay at the valuation date) for 17 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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

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

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

| | For past service liabilities (Funding Target) | For future service liabilities (Common Contribution Rate) |
|---|---|---|
| Rate of return on investments (discount rate) | 4.6% per annum | 5.6% per annum |
| Rate of pay increases (long term)* | 4.35% per annum | 4.35% per annum |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) | 2.6% per annum | 2.6% per annum |

* allowance was also made for short-term public sector pay restraint over a 6 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

| | 31 March 2014 | 31 March 2015 |
| --- | --- | --- |
| Rate of return on investments (discount rate) | 4.4% per annum | 3.2% per annum |
| Rate of pay increases* | 4.15% per annum | 3.75% per annum |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) | 2.4% per annum | 2.0% per annum |

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (3.2% p.a. versus 4.4% p.a.). In addition, the expected long-term rate of CPI inflation fell during the year, resulting in a lower assumption for pension increases at the year-end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2014 was estimated as £1,184 million. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by £208 million. Adding interest over the year increases the liabilities by £52 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by £5 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £1,439 million.

**Ian Kirk**
**Fellow of the Institute and Faculty of Actuaries**
**Mercer Limited**
**May 2015**

# Annual Governance Statement 2014/15

## 1. Scope of Responsibility

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

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

**1.3** The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be located on Ealing Council's Internet website at http://www.ealing.gov.uk/downloads/download/921/council_constitution_p art _5-codes_and_protocols, or can be obtained from the Monitoring Officer.

**1.4** This statement explains how the council has complied with the code and also meets the requirements of regulation 4(13) and Audit Regulations 2011, in relation to the approval of the Annual Governance Statement. It also highlights how the council's financial management arrangements conform to the governance requirements of CIPFA's *Statement on the Role of the Chief Finance officer in Local Government (2010) as set out in the December 2012 Addendum \ delivering good governance in Local Government: Framework.*

## 2. The Purpose of the Governance Framework

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

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

**2.3** The governance framework has been in place at Ealing Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

**Creating and Implementing a Vision for the Local Area**

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

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

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

**Roles and Responsibilities of Members and Officers**

**2.5** A Scheme of Delegation sets out the powers delegated to officers, at part 8 of the Constitution. The Financial Regulations and the Budget and Policy Framework Rules are also part of the Constitution, together with the Code of Corporate Governance. The Contract Procedure Rules also form part of the Constitution.

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

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

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

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

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

**Standards of Conduct and Behaviour**

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

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

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

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

These include:

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

**Decision Making, Scrutiny and Risk Management**

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

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

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

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

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

**2.20** The Council maintains an Internal Audit and Risk Management service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

**2.21** An embedded Risk Management Policy is in place, with each department maintaining a departmental risk register. All major projects undertaken are required to have risk registers.

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

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

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

**Developing the Capacity & Capability of Members and Officers**

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

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

**2.27** There is a corporate induction programme, most of which is e-learning based, in place for staff, and one for new managers, supplemented by various internal training courses, a meeting with the Chief Executive and a borough coach tour.

Key information and policies are highlighted to new staff and managers and held on the intranet.

**Engaging with Local people and Stakeholders**

**2.28** The council contributes to the delivery of the Local Strategic Partnership's Community Strategy that sets out a vision for the borough of Ealing over the next 10 years. The council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership's (LSP) Community Strategy. The council is therefore better able to relate its own performance to the outcomes it seeks for the borough. This also facilitates greater alignment of priorities between the council and other key partners and service delivery agencies, such as NHS Ealing and the Police.

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

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

## 3. Review of Effectiveness

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

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

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

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

**3.4** The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the AGS and relevant supporting evidence. The AGSWG meets on a regular basis during the year to ensure compliance with the corporate timetable. The AGSWG also undertook a review of the 2013/14 AGS, in particular the disposition of the significant governance issues identified. The key evidence to support the review of effectiveness is outlined below:

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

**3.6** **Performance Management –** The Policy and Performance Directorate works with all directorates to ensure the economical, effective and efficient use of resources. The team plays a key role in supporting delivery of projects and initiatives within the council's Value for Money programme. It also helps drive continuous improvement in the way in which functions are exercised, by having regard to a combination of economy, efficiency and effectiveness. In addition, a number of governance mechanisms are in place to support performance management across the council, including: monitoring the delivery of the corporate plan, Savings Tracker, Queen of Suburbs Board Performance Monitor and the Budget Steering Group.

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

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

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

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

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

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

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

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

**3.15** **The Standards Committee** – The Standards Committee has six members, including an independent (non-voting) chair. In line with regulatory requirements, the committee is supported by two independent people. The committee reviews and oversees member development and the council's Whistle-blowing Policy. The committee also deals with matters of member conduct, including complaints. The committee submits an annual report on its work to Full Council. The council's standards arrangements were revised in 2012 to take account of changes to be introduced as a result of the Localism Act 2011.

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

**3.17** The Audit Committee met regularly during 2014/15, considering reports, including the Annual Internal Audit Report, from the Head of Audit & Investigation and the External Auditor.

**3.18** The remit of the Audit Committee is to:

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

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

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

Audit Board also reviews the effectiveness of the risk management framework and the profile of the council's strategic risks.

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

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

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

**3.23** **Management** – Each Executive Director has provided a self-assurance statement in respect of 2014/15, supported by assurances received from their direct reports, that:

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

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

**3.25** One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of the Annual Assurance Statement by senior officers. The Statement noted that for the year ended 31 March 2015, senior officers were aware of their responsibilities and had complied with the council's policies and procedures.

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

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

**3.28** The Head of Audit & Investigations provided his annual report to the Audit Committee on 25 June 2015. This report outlined the key findings of the audit work undertaken during 2014 -15, including areas of significant weakness in the internal control environment.

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

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

**3.30** It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence, there is **substantial assurance** over the adequacy and effectiveness of the council's overall internal control environment during the financial year 2014/15.

**3.31** **External Audit** – KPMG LLP is currently the council's appointed external auditor. As well as an examination of the council's financial statements, the work of the council's external auditor includes an assessment of the degree to which the council delivers value for money in its use of resources. In its Annual Audit Letter for 2013/14, KPMG stated that the council had proper arrangements for securing financial resilience and for challenging how the economy, effectiveness and efficiency of the use of resources have been secured.

**3.32** **Risk Management** – The council managed its risks during 2014/15 in accordance with the approved Risk Management Policy. Corporate Board formally considers risks, with quarterly reports also being presented to the Audit Committee.

**3.33** The indicative Internal Audit Plan for 2014/15, presented to the Audit Committee in March 2014, is chiefly based upon the key risks faced by the council as identified in the corporate and directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2014/15.

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

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

## 4. Significant Governance Issues 2014/15

**4.1** Based on the Council's established risk management approach, the issues detailed below have been assessed as being significant for the purpose of the 2014/15 Annual Governance Statement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in in our review of effectiveness. Progress will be monitored throughout the year to ensure that these steps will address the need for improvements that were identified in the review of effectiveness and that their implementation and operation as part of the next annual review.

| **Table 1<br>2014/15 Governance Issues** | | | |
|---|---|---|---|
| **Issue** | **Actions** | **Officer Responsible** | **Timescale** |
| **1. Emergency Accommodation**<br><br>The Benefit Cap increases the numbers of homeless households thereby increasing the cost to the General Fund of providing emergency accommodation. | A strategy has been developed and implemented, the key elements of which includes the additional acquisition of affordable direct lettings / hostel accommodation and a private Sector Allocation Policy to prioritise movement of non-self-contained B & B for families in Bed & Breakfast accommodation of 6 weeks or over. This issue is subject to bi-monthly review. | Executive Director of Regeneration & Housing | Ongoing to 2017 |
| **2. Budget Savings**<br><br>Spending Review results in reduced government funding and negative impact on the Council's income and budget. | The Council continues to maintain a robust system of service planning to manage the ongoing reductions in public | All EDG for Service delivery | Ongoing to 2017 |

| **Table 1<br>2014/15 Governance Issues** | | | |
|---|---|---|---|
| | sector spends. The economic climate continues to be challenging and therefore these plans will be subject to ongoing review. | | |
| **3. Heller House**<br><br>The 14/15 OFSTED inspection of Heller House resulted in an inadequate rating being provided. Failure to instigate a robust response will result in the Council failing to make the necessary improvements for children and families using Heller House, and a failure to achieve an approved rating. | A robust response to the recent OFSTED inspection has resulted in an improved adequate rating. This improvement was achieved within a six week timescale, however work to continue to drive up standards and improve experiences for children and families remains ongoing.<br><br>This activity includes work to ensure sustainable and long term improvements for service users at Heller House which includes:<br>• Implementation and regular review of detailed improvement action plan;<br>• Management of Heller House has been moved to the specialist ESCAN service;<br>• Revision of key policies and procedures;<br>• Independent quality assurance review of progress to be carried out during 2015/16;<br>• Internal Audit review to be completed during 2015/16. | Head of ESCAN | Ongoing throughout 2015/16 |

## Conclusion and Evaluation

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

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

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

Signed…………………………………………………….

Chief Executive – Ealing Council

Martin Smith

Signed…………………………………………….

Leader of the Council

Cllr. Julian Bell

## GLOSSARY OF TERMS

***Accounting Policies***

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

***Accounting Standards***

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

***Accruals***

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

***Actuarial Gains and losses***

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

***Actuarial Valuation***

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

***Actuary***

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

***Admitted Body***

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

***Balance Sheet***

This is a 'snapshot' of the council's assets, liabilities and reserves on 31 March 2014. Assets represent everything owned by the council and money owed to it. Liabilities are the sums that the council owes to others. It excludes the Pension Fund, whose assets the council cannot use.

***Capital Adjustment Account (CAA)***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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