

**STATEMENT OF ACCOUNTS**

**2006/2007**

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## EXPLANATORY FOREWORD

### **1. Introduction**

This foreword provides a brief explanation of the financial activities of the Council and highlights the main characteristics of the Council's financial position.

### **2. The Accounts**

The Council's accounts for the year 2006/07 are set out on pages (7) to (51). The main accounting statements are as follows:

#### **(a) Income And Expenditure Account. (Page 13)**

This Statement shows a summary of the resources generated and consumed by the Council in the year.

#### **(b) Statement Of Movement On The General Fund Balance. (Page 14)**

This provides a reconciliation showing how the balance of resources generated and consumed in the year links with statutory requirements for raising council tax.

#### **(c) Statement of Total Recognised Gains and Losses. (Page 16)**

This statement demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

#### **(d) Balance Sheet. (Page 17)**

This sets out the financial position of the Council on 31st March 2007.

#### **(e) Cash Flow Statement. (Page 18)**

This Statement summarises the inflow and outflow of cash arising from transactions with third parties for revenue & capital purposes.

#### **(f) Notes To The Core Accounting Statements. (Page 19)**

#### **(g) Housing Revenue Account Income & Expenditure Account. (Page 38)**

This shows income and expenditure relating to Council housing.

#### **(h) Collection Fund Income & Expenditure Account. (Page 44)**

The Council administers a separate account called the Collection Fund into which income from council tax, community charge and business rates is paid, and from which contributions to the National Non-Domestic Rating Pool and monies required to fund Essex County Council, Essex Police, Essex Fire Authority and Harlow Council services are met.

### 3. Changes To The Statement Of Accounts

For 2006/07 a number of changes have been introduced in order that the accounts prepared under the Local Authority Accounting in the UK Statement of Recommended Practice (SORP) are brought more in line with UK Generally Accepted Accounting Practice (UKGAAP).

The main changes include:

- Both the Consolidated Revenue Account and the Housing Revenue Account are re-classified as Income and Expenditure Accounts.
- Capital financing charges have been abolished. Depreciation of fixed assets continues to be charged to service accounts, but notional interest is no longer charged.
- Amortised capital grant income is credited to services accounts, rather than as corporate income in the Asset Management Revenue Account.
- The Asset Management Revenue Account has been removed with the abolition of capital financing charges.
- The appropriations section in the Income and Expenditure Account is moved to a Statement of Movement on the General Fund (also for the HRA).
- The Statement of Total Movement in Reserves is replaced with a Statement of Total Recognised Gains and Losses.
- Surpluses and deficits on the disposal of fixed assets are passed through the Income and Expenditure Account.

### 4. The General Fund Budget

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
	£M	£M	£M
Net expenditure on services	15.6	15.7	0.1
Contribution to / (-) from reserves	(-)0.3	(-)0.4	(-)0.1
	-----	-----	-----
	15.3	15.3	0.0
Met From :			
Council Tax	6.4	6.4	-
Non domestic rates	7.1	7.1	-
Government Revenue Support	1.4	1.4	-
Government LABGI grant	0.4	0.4	-
	-----	-----	-----
	15.3	15.3	0.0

In the year net expenditure on services was £0.1m more than originally budgeted for which was funded by additional use of reserves of £0.1m

### 5. Pension Costs

The overall aim is to give a clearer picture of both the current cost of the pension scheme and the potential long term implications, and there are extensive notes included with the relevant financial statements. However the overall amount to be met from Government grants and local taxation remains unchanged.

The Council's share of the assets and liabilities of the pension fund show an estimated £44.6m shortfall at 31<sup>st</sup> March 2007. While the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities both for existing pensioners and current employees who are accruing pension entitlement.
- It is not a problem unique to the Council or indeed local authorities generally. There is a national problem for pension funds both private and public sector
- The Essex Pension Fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of future years.

## **6. Capital**

The Council incurred capital expenditure totalling £18.8m in 2006/07 against an approved programme of £20.3m, with schemes to the value of £1.7m to be carried forward for completion in 2007/08.

Major housing schemes included general improvements to the housing stock £12.6m, and disabled facilities grants and disabled adaptations to council dwellings £1.0m.

Other schemes included GAF II programme £2.7m (see note 7 below), IT procurement £0.4m, commercial buildings and town centre redevelopment framework £0.7m and playground improvements £0.3m.

## **7. GAF II Project**

The Growth Area Funding Programme (Round 2) will attract £17.4m of investment to the town over a two-year period to March 2008. Of this sum the Council will administer nearly £10m of grant income from the Government to fund regeneration projects in five areas of the town, of which £ 2.7m was received and spent in 2006/07.

## **8. Joint Venture Company - Kier Harlow Limited**

On 1<sup>st</sup> February 2007 the Council, in partnership with Kier Support Services Limited, formed a Joint Venture Company, Kier Harlow Limited, to undertake the Council's housing property and street scene services.

The contract with Kier Harlow Limited is for a seven-year period, with an option to extend the contract to ten years. The value of the seven-year contract totals £119m. The main activities covered under the contract include:

- Housing property services maintenance & capital works
- Other council property maintenance and cleaning
- Grounds maintenance
- Street cleaning

The Council has a 19.9% shareholding in the company and has the right to appoint one director to the Board of Directors. The Council is entitled to receive company dividends proportional to its shareholding, and a share of future profit on work carried out by the company for 3<sup>rd</sup> parties.

Council staff previously employed to undertake the service activities within the scope of the new contract were transferred to Kier Harlow Ltd under TUPE regulations. In setting up the company Council owned vehicles used on services within the scope of the contract were transferred to Kier Harlow Limited at nil charge. At the end of the contract the Council will be provided with a replacement fleet of equivalent value and condition at nil cost.

The Company operates from Council owned depots at Mead Park, Staple Tye, Gilden Way and 3, Wych Elm (part), which have been assigned to the company on full repairing leases for the duration of the contract.

## **9. Accounting Policies**

The accounting policies adopted by the Council comply with recommended accounting practices. The accounting policies are explained fully in the notes to the accounts as set out from page (7) onwards.

## **10. Further Information**

Further information about the accounts is available from the Financial Services Department, Civic Centre, The Watergardens, College Square, The High, Harlow CM20 1WG.

This is part of the Council's policy of providing full information about the Council's affairs. In addition interested members of the public have a statutory right to inspect the accounts before the audit is completed, and the availability of the accounts for inspection is advertised in the local press.

**Nicholas Ridgment  
Chief Financial Officer**

## **STATEMENT OF ACCOUNTING POLICIES**

### **1. General**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the accounting standards (SSAPs and FRSSs). They comply therefore with "proper accounting practice" required by section 21(2) of the Local Government Act 2003, prepared in accordance with the terms of the Local Government and Housing Act 1989.

The accounts have been prepared on an historical cost basis, modified by the revaluation of land and buildings.

### **2. Estimation Techniques**

These are the methods adopted by the Council to arrive at monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under accounting policies is uncertain, an estimation technique is applied. In the Council's accounts, estimation techniques are applied to the calculation of depreciation, bad debt provision, pension assets/liabilities and the amount due from Government Departments at the year end in respect of rent allowances, rent rebates and council tax subsidy. The methods used for these items are further explained in the following accounting policies for fixed assets, provisions and debtors and creditors.

### **3. Pensions**

The Code requires the full implementation of Financial Reporting Standard 17 "Retirement Benefits" (FRS17). The Local Authorities (Capital Finance/Amendment No. 2) (England) Regulations 2003 (SI 2003/515) provide the legislative framework for this.

The Council participates in one scheme, the Local Government Pension Scheme, which is a defined benefits scheme. The information in the Statement of Accounts has been prepared in accordance with the Regulations and the Code and the accounting policies fully set out therein. The policies applied are summarised as follows:

- Attributable assets of the scheme have been measured at fair value at the balance sheet date.
- The attributable liabilities have been measured on an actuarial basis using the projected unit method. These have been discounted at the appropriate interest rate for 2006/07 determined to be 2.3% real (2.0% 2005/06).
- Net liabilities that reflect the legal or constructive obligation of the authority have been disclosed. These are the shortfall of the value of assets in the scheme below the present value of the scheme liabilities.
- Current service cost has been based on the most recent actuarial valuation (2004) with the financial assumptions updated to reflect conditions at April 2006. The current service cost has been included in all relevant service areas including the Housing Revenue Account.
- Interest cost has been based on the discount rate and the present value of scheme liabilities at April 2006.
- The Expected Return on Assets is based on long-term expectations at the beginning of the period as advised by the actuary.

- When actual events have not been the same as actuarial assumptions made for the last valuation, or assumptions have been changed, actuarial gains and losses have been calculated to reflect conditions at March 2007.
- Past service costs have been disclosed on a straight-line basis over the period in which the increases in benefit become unconditional.
- Losses or gains arising on settlements or curtailments have been measured and disclosed in the period when they are determined.

#### **4. Fixed Assets**

Fixed assets represent expenditure on the provision and enhancement of permanent assets such as land, buildings and equipment, capitalised on an accruals basis. Assets acquired under finance leases are capitalised and included in the balance sheet on the basis of the outstanding obligations to make future rental payments.

Operational assets have been included in the balance sheet at the lower of net current replacement costs or net realisable value in existing use. Non-operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value.

In April 2001 the Government introduced a financial framework for local authority housing based on a form of resource accounting. As part of this framework the housing stock is re-valued on the basis of existing use value – social housing.

It is the Council's policy to revalue all of its housing and non-housing fixed assets on a four-year rolling programme. Additions after revaluation are included in the accounts at cost. Additional information on the basis of revaluation is included at note 16 to the Core Accounting Statements on page 24.

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation where appropriate.

#### **5. Depreciation**

Depreciation of the Council's housing stock is calculated on the basis of estimated asset lives. Other assets other than land are depreciated over their useful economic lives.

Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

Buildings	10 - 50 years
Infrastructure	40 years
Vehicles and plant	5 - 10 years
Equipment	5 - 10 years

Vehicles & plant, equipment and infrastructure assets are depreciated over their useful economic lives, but no depreciation is charged in the year of acquisition. The Council does not depreciate non-operational assets.

#### **6. Intangible Fixed Assets**

Intangible fixed assets are included in the balance sheet at historical cost and amortised over their useful economic lives. The Council's policy is to amortise expenditure on software systems and licences over a 5-year period.

## **7. Deferred Charges**

Deferred charges are payments of a capital nature where no fixed asset is created but which may properly be financed from capital resources.

e.g. expenditure on disabled facilities grants, grants to housing associations and staff early retirement and severance lump sum payments.

Where the Council does not control the economic benefits arising from the expenditure, the 2006 Code requires expenditure to be amortised in the year in which it is incurred.

## **8. Capital Charges**

From April 2006 internal capital charges made to service revenue accounts have been abolished. Depreciation of fixed assets continues to be charged to service revenue accounts, but notional interest is no longer charged. Comparative figures for 2005/06 have been re-stated to reflect the effect of the removal of notional interest charges.

## **9. Government Grants**

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to a government grants deferred account. Amounts are released from the government grants deferred account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

Where capital grants are received towards the cost of non-depreciated fixed assets the grant is written out to the appropriate service revenue account in the year of receipt.

## **10. Capital Financing Charges**

Each year the Council must set various sums aside as provisions to meet its credit liabilities i.e. monies it owes from borrowing and other methods it has used to finance capital expenditure, such as finance leases, which are termed credit arrangements.

The sums set aside must include:

- a minimum revenue provision for principal repayments.
- a minimum revenue provision in respect of notional interest on credit arrangements.

The Minimum Revenue Provision (MRP) charged to the General Fund is based upon 4% of the General Fund Opening Capital Financing Requirement. No MRP is made for Housing Revenue Account services.

## **11. Leases**

Rentals payable under operating leases are charged to revenue. See note 18 to the Core Accounting Statements for details of current obligations. Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The Council currently has no outstanding finance leases.

## **12. Capital Receipts**

Under capital finance regulations, with effect from April 2004 the Council is required to pay a proportion of capital receipts arising from the disposal of fixed assets to a central government pool, the remaining proportion of the receipts retained by the Council and held within the

usable capital receipts reserve until such time as used to finance further capital expenditure. Capital receipts are apportioned in the following proportions:

	<u>Paid to government pool</u> %	<u>Usable</u> %
Sales of council houses/flats	75	25
Sale of other housing assets	50	50
Sale of other assets	0	100

Under the regulations, the proportion of other housing assets capital receipts paid into the government pool is reduced by a "capital allowance" relating to past or planned expenditure on affordable housing and regeneration projects.

For councils such as Harlow that were debt free prior to April 2004, and were permitted to use 100% of all of their capital receipts for further capital investment, the Government introduced transitional arrangements to phase in the effect of the new regulations over a 3 year period. Under the transitional arrangements the council received back from the pool 75% of capital receipts arising from sale of council dwellings in 2004/05, reducing to 50% in 2005/06, 25% in 2006/07 and 0% thereafter.

### **13. Investments**

Investments are shown in the Balance Sheet at cost less provision, where appropriate, for loss in value. Short-term investments are realisable within one year and are only made with approved organisations as set out in the Council's Treasury Policy Statement. See note 22 to the Core Accounting Statements for further details.

### **14. Debtors And Creditors**

In accordance with Code of Accounting Practice the transactions of the authority are recorded on an income and expenditure basis. Thus, all sums due to or from the Council in the year of account are included, irrespective of whether the cash has actually been received or paid. Exceptions are :-

- Wages and rents for part weeks at the year-end.
- Gas, electricity and telephone payments for part periods spanning the year end although a full year charge is included in the accounts.
- Lease rents and service agreements for periods crossing the financial year end, although a full years income is credited to the accounts.

### **15. Provision For Bad And Doubtful Debts**

Provision has been made in the accounts for potential bad and doubtful debts relating to council tax, community charge, business rates, housing rents and sundry debts. Known uncollectable debts have been written off.

### **16. Stocks And Work In Progress**

Stocks in hand held at the Council's central and transport stores were valued on an average cost basis rather than the lower of cost or net realisable value. This was not in accordance with SSAP9, but the effect was not considered material. On 1<sup>st</sup> February 2007 these stocks

were sold to Kier Harlow Ltd on commencement of the joint venture contract. Other minor stocks held by the Council are valued at cost in accordance with SSAP9.

## **17. Costs Of Support Services**

In accordance with accounting practice the cost of management, administration and other support services are allocated to services, as far as possible, on the following basis:-

<u>Cost</u>	<u>Basis of Allocation</u>
Information Technology service	Estimated staff time for systems support and IT assets base for equipment related costs
Other Central Departments	Estimated staff time
Administrative Buildings	Area occupied
Common Services (Printing, photocopying etc.)	Usage

## **18. Provisions And Reserves**

In accordance with FRS 12, provisions are made for specific future liabilities resulting from past events, for which the amount or timing of the payments cannot yet be determined, but it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Reserves are held to assist in the funding of future general revenue expenditure. The Council can, however earmark reserves for specific purposes e.g. the Insurance Fund.

Details of the Council's provisions and reserves are set out on pages (28) to (31).

## **19. Treatment Of Interest Income On Long Term And Temporary Investments**

Interest income on long term and temporary investments is credited to the General Fund.

## **20. Group Accounts**

Under the 2006 Code councils are required to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.

The Council does not have a dominant or significant influence in the financial or operating policies of the JVCo, Kier Harlow Ltd, nor material interests in other subsidiaries, associates or joint ventures and is therefore not required to produce Group Accounts.

## **21. Value Added Tax**

All transactions are shown net of Value Added Tax (VAT). As in the case of all local authorities, the Council is able to recover a major part of VAT incurred from H.M. Revenue and Customs. Any balance due to the Council is included in the debtors figure shown in the Balance Sheet.

## **THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's responsibilities**

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance, who has been appointed by the Council as Chief Financial Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

### **The responsibilities of the Chief Financial Officer**

The Chief Financial Officer is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year (ended 31 March 2007).

In preparing this statement of accounts, the Chief Financial Officer has:

selected suitable accounting policies and then applied them consistently;

made judgments and estimates that were reasonable and prudent;

complied with the Code of Practice

The Chief Financial Officer has also:

kept proper accounting records which were up to date;

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

### **The certificate of the Chief Financial Officer**

I certify that the Statement of Accounts on pages 7 to 51 has been prepared in accordance with proper practices and presents fairly the financial position of the Authority at 31<sup>st</sup> March 2007 and its income and expenditure for the year then ended.

Nicholas Ridgment

Date:

### **The Chair's Responsibilities**

In accordance with the requirements of S10 of the Accounts and Audit Regulations I confirm that the Statement of Accounts was approved by a resolution of the Policy and Resources Committee of Harlow District Council on 28<sup>th</sup> June 2007.

Date:

Signature:

## INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	NOTES	2006-07			2005-06
		EXPENDITURE	INCOME	NET	RESTATED NET
		£'000	£'000	£'000	£'000
<b>Continuing Services</b>					
Central services to the public		10,302	7,477	2,825	3,040
Cultural, environmental & planning services		16,718	6,908	9,810	8,670
Highways, roads & transport		2,386	622	1,764	1,061
Local Authority housing (HRA)		54,264	38,135	16,129	12,759
Other housing services		25,635	24,626	1,009	354
Social services		1,486	653	833	1,110
Corporate and democratic core		2,408	37	2,371	2,087
Non distributed costs		(-),6,252	389	(-),6,641	293
Exceptional items	(1)		271	(-),271	-
		-----	-----	-----	-----
<b>Net Cost of Services</b>		<b>106,947</b>	<b>79,118</b>	<b>27,829</b>	<b>29,374</b>
Net Surplus on trading undertakings	(3)			(-),158	(-),227
Gain (-) / loss on the disposal of fixed assets				618	(-),87
Contribution of housing capital receipts to Government pool				2,221	2,189
Interest and Investment Income				(-),915	(-),1,304
Pensions interest cost and expected return on pensions assets	(39)			1,580	2,355
				-----	-----
<b>Net Operating Expenditure</b>				<b>31,175</b>	<b>32,300</b>
Demand on the collection fund				(-),6,417	(-),6,212
Collection fund transfer				11	12
General Government grants				(-),4,593	(-),5,796
Non-domestic rates redistribution				(-),7,074	(-),2,248
				-----	-----
<b>Surplus (-) / Deficit for the Year</b>				<b>13,102</b>	<b>18,056</b>

## **STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but it is met from the usable capital receipt balance rather than council tax.
- Retirement benefits are charged as amounts become payable to the Pension Fund and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	<b>2006-07</b>	<b>2005-06 RESTATED</b>
	<b>£'000</b>	<b>£'000</b>
Income and Expenditure Account surplus (-) / deficit	13,102	18,056
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(-)13,034	(-)19,023
	-----	-----
Increase (-) / decrease in General Fund Balance for the year	68	(-)967
General Fund Reserve Balance brought forward	(-)3,040	(-)2,073
	-----	-----
General Fund Reserve Balance carried forward	(-)2,972	(-)3,040

**NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

	2006-07	2005-06 RESTATED
	£'000	£'000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year</b>		
Amortisation of intangible fixed assets	(-)841	(-)657
Depreciation and impairment of fixed assets	(-)2,734	(-)3,031
Government grants deferred amortisation	3,318	334
Deferred charges treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(-)608	(-)1,520
Net gain / loss (-) on sale of fixed assets	(-)618	87
Net charges made for retirement benefits in accordance with FRS 17	1,816	(-)3,998
	-----	-----
	333	(-)8,785
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year</b>		
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(-)2,221	(-)2,189
Transfer from HRA Major Repairs Reserve	(-)14,666	(-)12,972
Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	5,073	4,645
Capital expenditure charged to the General Fund	30	-
	-----	-----
	(-)11,784	(-)10,516
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year</b>		
Housing Revenue Account Balance	(-)933	558
Net transfer to or from earmarked reserves	(-)650	(-)280
	-----	-----
	(-)1,583	278
	-----	-----
Net additional amount required to be debited or credited (-) to the General Fund Balance for the year	(-)13,034	(-)19,023
	-----	-----

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006-07	2005-06 RESTATED
	<b>£'000</b>	<b>£'000</b>
Surplus (-) / deficit for the year on the Income and Expenditure Account	13,102	18,056
Surplus (-) arising on the revaluation of fixed assets	(-)42,796	64,929
Actuarial gains (-) / losses on pension fund assets and liabilities	(-)10,569	(-)1,671
Any other gains and losses	(-)17	26
	-----	-----
Total Recognised Gains for the Year	(-)40,280	81,340
	-----	-----

## BALANCE SHEET AS AT 31ST MARCH 2007

	NOTES	2007		2006
		£'000	£'000	RESTATED £'000
Intangible Fixed Assets	(11)	1,864		2,281
Tangible Fixed assets	(11)			
Operational assets				
Council dwellings		672,646		643,093
Other land and buildings		35,629		36,084
Vehicles, plant & equipment		2,486		4,104
Infrastructure		8,708		8,891
Community assets		796		796
Non-Operational assets				
Investment properties		28,801		27,121
		-----		-----
Total Fixed assets			750,930	722,370
Long term investments			-	-
Long term debtors	(17)			
Mortgages		32		24
Other		290		594
		-----		-----
			322	618
			-----	-----
<b>Total Long Term Assets</b>			<b>751,252</b>	<b>722,988</b>
<b>Current Assets</b>				
Stocks & work in progress	(23)	43		298
Debtors	(24)	15,687		9,380
Investments	(22)	10,010		22,594
Cash in hand of officers		13		13
Cash in Hand		74		(-)980
		-----		-----
			25,827	31,305
<b>Current Liabilities</b>				
Creditors	(25)	(-)14,940		(-)14,570
Cash overdrawn		-		-
		-----		-----
			(-)14,940	(-)14,570
			-----	-----
<b>Total Assets Less Current Liabilities</b>			<b>762,139</b>	<b>739,723</b>
Less:				
Long term borrowing		-		-
Provisions	(27)	86		-
Grants deferred account	(28)	769		1,064
Deferred liabilities		-		197
Pension scheme liabilities	(39)	44,618		62,076
		-----		-----
			<u>45,473</u>	<u>63,337</u>
<b>Total Assets Less Liabilities</b>			<b><u>716,666</u></b>	<b><u>676,386</u></b>
Fixed assets restatement account	(30)		637,254	600,931
Capital financing account	(31)		113,176	124,035
Usable capital receipts reserve	(32)		699	1,715
Deferred credits	(26)		32	24
Pensions reserve	(39)		(-)44,618	(-)62,076
Earmarked reserves	(33)		5,839	6,489
General reserve	(29)		2,972	3,040
Balances				
HRA	(29)	1,323		2,256
Collection Fund		(-)11		(-)28
		-----		-----
			<u>1,312</u>	<u>2,228</u>
	(20)		<b><u>716,666</u></b>	<b><u>676,386</u></b>

### THE CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

		2006-07		2005-06 RESTATED	
	Notes	£'000	£'000	£'000	£'000
<b>Revenue Activities</b>					
<b>Cash Outflows</b>					
Cash paid to & on behalf of employees		31,627			32,366
Other operating costs		39,567			32,255
Housing benefit paid out		6,769			5,727
Payments to the capital receipts pool		2,495			2,189
Precepts paid		31,400			29,890
NNDR Payments to National Pool		<u>41,257</u>			<u>35,393</u>
			153,115		137,820
<b>Cash Inflows</b>					
Rents (after rebates)		20,235			19,638
Council tax & community charge		31,251			29,745
Non domestic rates		38,911			39,189
Revenue Support Grant/NNDR contbn		8,922			8,014
DSS grants for rebates	(43)	29,995			26,931
Other government grants	(43)	1,715			1,800
Cash received for goods & services		9,715			11,834
Other revenue cash payments/income		—			<u>349</u>
			140,744		<u>137,500</u>
<b>Revenue activities cash flow</b>	(40)			12,371	320
<b>Return on Investments &amp; Servicing of Finance</b>					
<b>Cash Outflows</b>					
Interest paid		-			-
Interest element of finance lease rentals		—			—
			0		0
<b>Cash Inflows</b>					
Interest received			<u>1,117</u>		<u>1,258</u>
				(-1,117)	(-1,258)
<b>Capital Activities</b>					
<b>Cash Outflow</b>					
Purchase of fixed assets		15,973			16,312
Deferred charges & long term debtors		608			1,520
Purchase of long term investments		—			—
			16,581		17,832
<b>Cash Inflows</b>					
Sale of fixed assets		5,846			6,101
Capital grants received: government	(43)	3,056			296
other		867			744
Other capital cash received		-			-
Major Repairs Allowance		6,536			<u>6,510</u>
			16,305		<u>13,651</u>
				276	<u>4,181</u>
<b>Net cash outflow before financing</b>				11,530	3,243
<b>Management of Liquid Resources</b>					
Net Increase / Decrease in Short Term Deposits	(42)			(-12,584)	(-3,347)
<b>Financing</b>					
<b>Cash Outflows</b>					
Repayment of amounts borrowed				-	-
<b>Cash Inflows</b>					
New loans raised			—		—
<b>(-)Increase/ decrease in cash</b>	(41)			<b>(-1,054)</b>	<b>(-104)</b>

## NOTES TO THE CORE ACCOUNTING STATEMENTS

### 1. Exceptional Items

In 2006/07 the Council received a repayment to creditors of £271k from the Liquidators of the Bank of Credit and Commerce International (BCCI) in respect of investments that the Council had previously written off upon the financial collapse of the bank.

### 2. Prior Year Adjustments

In the 2006/07 Statement of Accounts the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for government and other capital grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate item
- Gains and losses on the disposal of fixed assets are recognised in the I&E Account

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts

	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of Capital Financing Charges	Relocation of Government Grants	Recognition of Gains & Losses on Disposal of Fixed Assets	2005/06 Comparatives in Income & Expenditure Account
	£'000	£'000	£'000	£'000	£'000
Central services to the public	3,085	(-)36	(-)9	-	3,040
Cultural, environment & planning services	10,639	(-)1,848	(-)121	-	8,670
Highways, roads & transport	1,391	(-)324	(-)6	-	1,061
Local authority housing (HRA)	(-)1,293	14,797	(-)745	-	12,759
Other housing services	586	(-)54	(-)178	-	354
Social services	1,265	(-)137	(-)18	-	1,110
Corporate & Democratic Core	2,087	-	-	-	2,087
Non distributed costs	333	(-)37	(-)3	-	293
<b>Impact on Net Cost of Services</b>	----- 18,093	----- 12,361	----- (-1,080)	----- -	----- 29,374
Trading accounts	(-)170	(-)55	(-)2	-	(-)227
AMRA	18,339	(-)18,339	-	-	-
Gain/loss disposal of fixed assets	-	-	-	(-)87	(-)87
Contribution of housing capital receipts to Government pool	2,189	-	-	-	2,189
Interest & investment income	(-)1,304	-	-	-	(-)1,304
Pensions interest cost & expected return on pensions assets	2,355	-	-	-	2,355
<b>Impact on Net Operating Costs</b>	----- 39,502	----- (-6,033)	----- (-1082)	----- (-87)	----- 32,300

### 3. Trading Services

(i) Market.

External companies acting as the Council's agents have run this undertaking since November 2000, the current agent being appointed in November 2002. During the year income of £61,157 and expenditure of £16,930 resulted in a surplus of £44,227. This compares with a surplus of £11,638 in 2005/06 (income £85,167 and expenditure £73,529).

(ii) Car Parks.

The Council operates 3 fee charging pay and display car parks. Turnover in 2006/07 was £256,735 resulting in a surplus of £114,347, which was contributed to the General Fund (£332,843 and £158,589 respectively in 2005/06).

### 4. Local Government Act 1972. Section 137 Expenditure

Following amendments under the Local Government Act 2000, the Council is only obliged to publish grants made to charities in the UK, not-for-profit bodies and mayoral appeals.

The Council made £11,669 contributions in this financial year (£23,983 in 2005/06).

### 5. Publicity Account

Expenditure under Section 5 of the Local Government Act 1986 was as follows:

	<u>2006/07</u>	<u>2005/06</u>
	£	£
Employees - Public Relations	151,120	103,529
Corporate Publicity	183,289	150,232
Communications Strategy	58,074	-
Image Building	32,849	-
News Letters	43,584	6,142
Photography	-	1,975
Development Work	7,442	3,023
Recruitment Advertising	141,519	170,698
Harlow 2020 partnership	17,246	9,100
	-----	-----
	635,123	444,699

### 6. Building Control Account

The Building (Local Authority charges) Regulations 1998 requires the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges with the aim of ensuring that over a rolling 3-year accounting period the income received recovers the cost of providing the service. Certain activities cannot be charged for, such as providing general advice. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	<b>Chargeable £</b>	<b>Non-chargeable £</b>	<b>Total £</b>
<b>Expenditure</b>			
Employees expenses	124,462	102,184	226,646
Transport	1,761	754	2,515
Supplies and services	6,656	2,853	9,509
Central and other support service charges	110,223	32,484	142,707
	-----	-----	-----
<b>Total Expenditure</b>	<b>243,102</b>	<b>138,275</b>	<b>381,377</b>
<b>Income</b>			
Building control income	(-)145,680	-	(-) 145,680
Miscellaneous income	(-)1,309	(-)20,190	(-)21,499
	-----	-----	-----
<b>Total Income</b>	<b>(-)146,989</b>	<b>(-)20,190</b>	<b>(-) 167,179</b>
	-----	-----	-----
<b>(-)surplus/deficit for the year 2006/07</b>	<b>96,113</b>	<b>118,085</b>	<b>214,198</b>
	-----	-----	-----
<b>Comparatives for 2005/06</b>			
Expenditure	247,060	106,759	353,819
Income	(-)178,464	(-)24,380	(-) 202,844
	-----	-----	-----
<b>(-)surplus/deficit for the year 2005/06</b>	<b>68,596</b>	<b>82,379</b>	<b>150,975</b>

## 7. Members Allowances

In 2006/07 payments to Members for attendance and special responsibility allowances totalled £167,195 (2005/06 £154,738)

## 8. Officers Emoluments

The number of employees whose remuneration in the year excluding pension contributions was £50,000 or more, in bands of £10,000, was:

<u>Remuneration Band</u> £	<u>Number of Employees</u>	
	<u>Total</u>	<u>Left During Year</u>
50,000 - 59,999	5	
60,000 - 69,999	6	
70,000 - 79,999	1	1
80,000 - 89,999	2	
90,000 - 99,999	-	
100,000 - 109,999	1	

Remuneration includes all sums paid to or receivable by an employee including expense allowances and the money value of benefits plus, where applicable, non-taxable early retirement and redundancy lump sum payments and pay in lieu of notice.

The number of employees who left during the year through early retirement or redundancy and whose total remuneration exceeded £50,000, are shown separately above.

## 9. Related Party Transactions

The code of practice requires disclosure of material transactions between the Council and related parties.

This includes:

- Central Government
- Other local authorities
- Controlled companies and trusts

Joint Venture Company – Kier Harlow Ltd  
Council Members  
Council Chief Officers

Financial transactions between the Council and Central Government, other local authorities and other companies and trusts are set out elsewhere within the statement of accounts.

Payments made by the Council in the year to Kier Harlow Ltd under the terms of the joint venture agreement totalled £2.9m. Further information on the Council's interest in Kier Harlow Ltd. Is set out at Note 21.

No material transactions with Members and Chief officers requiring disclosure have been identified.

## 10. Audit Commission Fees

In 2006/07 the Council incurred the following fees relating to external audit and inspection:

	<u>2006/07</u>	<u>2005/06</u>
	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	139,550	134,330
Fees payable to the Audit Commission in respect of statutory inspection	18,450	15,670
Fees payable to the Audit Commission for the certification of grant claims and returns	37,701	68,758
Fees payable in respect of other services provided by the appointed auditor	1,200	4,095
	-----	-----
<b>Total</b>	<b>196,901</b>	<b>222,853</b>

## 11. Movement Of Fixed Assets 2006/07

	Intangible Assets	Council Dwellings	Land & Buildings	Vehicles, Plant & Equip	Infrastructure	Community Assets	Non-operation al Assets	Total Fixed Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certified valuation at 1st April 2006		663,211	37,443				27,121	
Accumulated depreciation & impairment		(-)20,118	(-)1,359					
<b>Net Book Value at 31<sup>st</sup> March 2006</b>	<b>2,281</b>	<b>643,093</b>	<b>36,084</b>	<b>4,104</b>	<b>8,891</b>	<b>796</b>	<b>27,121</b>	<b>722,370</b>
Movement in 2006/07								
Additions	424	13,219	873	721	107	0	2,882	18,226
Capital expenditure not adding value	0	(-)13,071	(-)873	(-)5	0	0	(-)2,882	(-)16,831
Disposals	0	(-)4,033	(-)1,071	(-)752	0	0	(-)598	(-)6,454
Demolitions	0	0	0	0	0	0	0	0
Restatement	0	0	0	0	0	0	0	0
Revaluations	0	55,757	1,575	0	0	0	2,278	59,610
Reclassification	0	0	0	0	0	0	0	0
Depreciation	(-)841	(-)22,319	(-)959	(-)1,582	(-)290	0	0	(-)25,991
<b>Net Book Value at 31<sup>st</sup> March 2007</b>	<b>1,864</b>	<b>672,646</b>	<b>35,629</b>	<b>2,486</b>	<b>8,708</b>	<b>796</b>	<b>28,801</b>	<b>750,930</b>

- Intangible fixed assets relate to expenditure on IT systems and software licences. IT software and licences are amortised over an expected life of 5 years, amortisation commencing in the year following the year the expenditure is incurred.

## 12. Deferred Charges

	Balance 1.4.06	Expenditure	Written off to I & E Account	Balance 31.3.07
	£'000	£'000	£'000	£'000
Disabled Facilities Grant	0	365	(-)365	0
RSL Grants	0	5	(-)5	0
Other	0	238	(-)238	0
	-----	-----	-----	-----
	<b>0</b>	<b>608</b>	<b>(-)608</b>	<b>0</b>
	-----	-----	-----	-----

## 13. Financing Of Capital Expenditure

	<u>2006/07</u> £'000	<u>2005/06</u> £'000
<b>Opening Capital Financing Requirement</b>	(-)3,571	(-)3,809
<b>Capital Investment</b>		
Operational assets	14,920	14,871
Non-operational assets	2,882	319
Intangible assets	424	727
Deferred charges	608	1,520
Decrease/(increase) in capital creditors	0	0
	-----	-----
<b>Expenditure for Capital Control purposes</b>	<b>18,834</b>	<b>17,437</b>
<b>Sources of finance</b>		
Use of capital receipts	(-)4,652	(-)9,650
Major Repairs Reserve	(-)6,536	(-)6,510
Revenue contributions	(-)30	-
Capital grants	(-)4,216	(-)1,277
	-----	-----
	<b>(-)15,434</b>	<b>(-)17,437</b>
Timing difference between capital grant received and applied to finance capital expenditure	(-)19	238
	-----	-----
<b>Closing Capital Financing Requirement</b>	<b>(-)190</b>	<b>(-)3,571</b>
	-----	-----
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	-	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	3,400	-
Timing difference between capital grant received and applied to finance capital expenditure	(-)19	238
	-----	-----
<b>Increase / (-) decrease in Capital Financing Requirement</b>	<b>3,381</b>	<b>238</b>

#### 14. Capital Commitments

The following incomplete or un-commenced scheme sums are committed at 31st March 2007, although expenditure will not appear in the accounts until 2007/08.

	<b>£'000</b>
Housing dwellings enhancement programme	10,040
Infrastructure	190
Other	21
	-----
	<b>10,251</b>
	-----

#### 15. Analysis Of Fixed Assets:

<b>31<sup>st</sup> March</b>	<b>2007 (No.s)</b>	<b>2006 (No.s)</b>
Council Dwellings	10,000	10,046
Civic Centre	1	1
Neighbourhood Area Offices	6	6
Depots	8	8
Nursery	1	1
Latton Bush Centre	1	1
Playhouse Theatre	1	1
Swimming pool	1	1
Museums	1	1
Day Centres	1	1
Family Centres	2	2
Recreation Centres	3	3
Abercrombie Centre	1	1
Family Resource Centres	4	4
Pavilions	9	9
Car Parks (1 of which is multi-storey)	11	11
Commercial Property rented out	Units 350	Units 350
Common Rooms	19	19
Vacant Land	Ha 7	Ha 7
Spurriers Café	1	1
Pets Corner	1	1
Study & Visitors Centre	1	1
Nature Reserve	1	1
Cemetery & Crematorium	1	1
Wych Elm Complex	1	1
The Parsloe Family Centre	1	1
Harlow Council Sports & Social Club	1	1
Road Safety Centre	1	1
Market	1	1
Public Conveniences	7	7

#### 16. Fixed Asset Valuation

The Council's housing stock together with other freehold & leasehold properties, which comprise the Council's property portfolio, have been re-valued at 1<sup>st</sup> April 2006 by M.Catley MRICS FAAV, the District Valuation Officer, in accordance with the RICS Appraisal & Valuation Manual as published by the Royal Institute of Chartered Surveyors.

Properties regarded by the Council as operational were valued on the basis of Existing Use Value (EUV) except in the case of housing stock where Existing Use Value for Social Housing (EUV-SH) values have been applied. Specialist properties, which are rarely sold on the open market, were valued on the basis of Depreciated Replacement Cost. Properties regarded by the Council as Non-operational have been valued on the basis of Open Market Value. With

effect from 1<sup>st</sup> April 2002, property asset values have been adjusted where appropriate for depreciation reflecting the estimated residual life of the assets.

Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

Buildings	10 - 50 years
Infrastructure	40 years
Vehicles, equipment and plant	5 - 10 years
Equipment	5 - 10 years

## 17. Long Term Debtors

	Balance 1.4.06	Expenditure	Income	Write Off	Transfer to Current Debtors	Balance 31.3.07
	£'000	£'000	£'000	£'000	£'000	£'000
Housing Mortgages	24	-	(-)9	17		32
Leaseholders Loans	198	78	(-)98			178
Leaseholders Service Charges	302	29			(-)302	29
Griffin Centre Harlow	9	-	(-)3			6
Industrial Association	404	-	-	(-)404		0
Less provision for bad debt	(-)404	-	-	404		0
Youth Hostel	81	-	(-)8			73
Miscellaneous	4	-	-			4
	-----	-----	-----	-----	-----	-----
	<b>618</b>	<b>107</b>	<b>(-)118</b>	<b>17</b>	<b>(-)302</b>	<b>322</b>
	-----	-----	-----	-----	-----	-----

Housing mortgages relate to advances to tenants purchasing their properties under Right to Buy legislation.

Leaseholders loans relate to loans to leasehold tenants in respect of service charges for repairs advanced under the Housing (Service Charge Loans) Regulations 1992.

Annual service charges to leaseholders are calculated based on the estimated cost of services to be provided, with the difference between the estimated and actual cost adjusted for at the commencement of the second year after. In 2006/07 there was an under-recovery of cost of £29,000, which will be charged to leaseholders in 2008/09. The balance at 31<sup>st</sup> March 2006 of £302,000 recoverable in 2007/08 has been transferred to current debtors.

The Council made a long-term loan to the Griffin Nursery for refurbishment work to the Griffin Centre at the Latton Bush Centre.

In 1988 the Council guaranteed a loan of £690,000 made to Harlow Industrial Association (HIA) by NWS Bank (now Bank of Scotland) under a 25-year lease agreement, to construct and operate the Harlow Business Centre situated at the Latton Bush Centre. Since that date HIA has been unable to meet all the lease repayments due to the bank, and the guarantee

has been called upon to the value of £403,500 up to 31<sup>st</sup> March 2006. As at 31<sup>st</sup> March 2006 the Council had made a provision for non-repayment of the debt by HIA for the total sum due. During 2006/07 the Council together with HIA, mutually agreed that HIA would surrender its remaining interest in the lease and the Council would take over the operation of the Harlow Business Centre and accompanying lease liability with Bank of Scotland. The outstanding debt owed to the Council by HIA has been written off against the provision.

During 1995/96 the Council financed the private acquisition of the Youth Hostel by way of a long-term loan of £160,000, repayable to the Council over a 20-year repayment period.

## 18. Operating Leases

### Vehicles & Plant

At 31<sup>st</sup> March 2007 the Council held on operating leases vehicles and plant assets at an original capital value of £240,375 (£240,375 at 31<sup>st</sup> March 2006). Under the lease agreements, rentals paid in 2006/07 totalled £37,845 (£66,000 in 2005/06).

At 31<sup>st</sup> March 2007 the Council is committed to making payments of £37,845 under operating leases in 2007/08, comprising the following elements:

Vehicles, Plant and Equipment

	<u>£'000</u>
Leases expiring in 2007/08	37.8

## 19. Assets Held Under Finance Leases

Within the Fixed Assets balance at 31<sup>st</sup> March 2007 there are no assets obtained under finance leases.

## 20. Analysis Of Net Assets Employed

	<u>31.3.07</u>	<u>31.3.06</u> RESTATED
	£'000	£'000
General Fund	27,369	18,255
HRA	689,297	658,131
	-----	-----
	<b>716,666</b>	<b>676,386</b>
	-----	-----

## 21. Interest In Other Companies

The Code of Practice on Local Authority Accounting requires the provision of specific information of any companies in which the Council holds shares but does not regulate, influence or control the financial or operating policies of these companies.

Kier Harlow Ltd.

The principal activities of the Company are housing maintenance and street scene services. The majority of the Company's activities are performed on behalf of the Council under a seven-year contract.

Kier Harlow Ltd is a private company with a share capital of £1,249, divided into 1000 £1 Ordinary Shares held by the parent company Kier Support Services Ltd, and 249 £1 B Shares held by the Council, a 19.9% interest.

The Company has six Directors in total, one appointed by the Council and five by the parent company Kier Support Services Ltd.

The Company commenced operations on 1<sup>st</sup> February 2007. The accounting year for the company follows that of the parent company, and runs from 1<sup>st</sup> July to 30<sup>th</sup> June. There are no published accounts available for the period ending 31<sup>st</sup> March 2007.

## 22. Investments

Temporary investments are included in the Balance Sheet at cost less provision for loss in value.

	<b>31st March</b>	
	<b><u>2007</u></b> <b>£'000</b>	<b><u>2006</u></b> <b>£'000</b>
Temporary investments	10,010	22,594
	-----	-----
	<b>10,010</b>	<b>22,594</b>
	-----	-----

## 23. Stocks And Work In Progress

	<b>31st March</b>	
	<b><u>2007</u></b> <b>£'000</b>	<b><u>2006</u></b> <b>£'000</b>
Stocks		
Central Stores	-	205
Housing Property Services	-	23
Other	43	70
	-----	-----
	<b>43</b>	<b>298</b>
	-----	-----

At the commencement of the contract with the JVCo, Kier Harlow Ltd, on 1<sup>st</sup> February 2007, the Council's central and housing property stores were sold to the Company at book value. Obsolete stock at a value of £95k was written off to the HRA.

## 24. Debtors

	<b>31st March</b>	
	<b><u>2007</u></b> <b>£'000</b>	<b><u>2006</u></b> <b>£'000</b>
Amounts falling due in one year:		
Government departments	8,673	2,279
Ratepayers	1,065	1,274
Community charge payers	7	8
Council tax payers	3,932	3,828
Housing rents	2,497	2,463
Sundry debtors	4,404	3,585
Other local authorities	300	865
Amounts falling due after one year:		
Car loans to employees	74	74
Less provisions for bad debt	(-)5,265	(-)4,996
	-----	-----
	<b>15,687</b>	<b>9,380</b>
	-----	-----

## 25. Creditors

	<b>31st March</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
	<b>£'000</b>	<b>£'000</b>
Government departments	1,586	3,106
Other local authorities	1,151	567
Ratepayers	1,161	1,866
Council tax payers	697	681
Housing rents	408	394
Sundry creditors	6,980	7,252
Capital creditors	2,957	704
	-----	-----
	<b>14,940</b>	<b>14,570</b>
	-----	-----

## 26. Deferred Credits

Deferred Credits are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages on sale of Council houses, which form the main part of mortgages under long term debtors.

## 27. Provisions

At 31<sup>st</sup> March 2007 a provision of £86,000 has been made for the estimated cost to be incurred by the Council from the impending cessation of operation by Harlow ITeC Ltd anticipated to occur in July/August 2007.

## 28. Grants Deferred Account

	<b><u>2006/07</u></b>	<b><u>2005/06</u></b>
	<b>£'000</b>	<b>£'000</b>
Balance b/f	1,064	1,103
Grants received	4,237	1,040
Grants amortised to revenue	(-)4,532	(-)1,079
	-----	-----
Balance c/f	769	1,064

Capital grants received in 2006/07 included government Growth Area Funding grant (£2,752,000) disabled facilities grants (£83,000), housing capital grant (£398,000) and contributions from housing leaseholders towards works to flat blocks (£774,000). See note 9 to the Statement of Accounting Policies set out on page 9 for an explanation of the treatment of government and other grants.

## 29. Reserves

Reserve	Balance 1.4.06	Net Movement in Year	Balance 31.3.07	Purpose of Reserve	Further Detail of Movements
	£'000	£'000	£'000		£'000
Fixed Asset Restatement Account	600,931	36,323	637,254	Store of gains on revaluation of fixed assets	(30 ) below
Capital Financing Account	124,035	(-)10,859	113,176	Store of capital resources set aside to meet past expenditure	( 31) below
Usable Capital Receipts	1,715	(-)1,016	699	Proceeds of fixed asset sales available to meet future capital investment	(32 ) below
Pensions reserve	(-)62,076	17,458	(-)44,618	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 39 to the Core Financial Statements page 32
Housing Revenue Account	2,256	(-)933	1,323	Resources available to meet future running costs for council houses	HRA Statements page 38
Major Repairs Reserve	-	-	-	Resources available to meet capital investment in council housing	HRA Statements page 38
General Fund Reserve	3,040	(-)68	2,972	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance page14
Other Earmarked Reserves	6,489	(-)650	5,839	Resources available to meet future specific costs	(33 ) below
<b>Total</b>	<b>676,390</b>	<b>40,255</b>	<b>716,645</b>		

## 30. Fixed Asset Restatement Account

	<b>£'000</b>
Balance b/f 1.4.06	600,931
Surplus/(Deficit) on revaluation and restatement of fixed assets	59,610
Disposal & demolition of fixed assets	(-)6,454
Less capital expenditure not adding value	(-)16,833
	-----
Balance c/f 31.3.07	<b>637,254</b>
	-----

The current system of capital accounting requires the establishment of the fixed assets restatement account. The account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits and surpluses arising on asset revaluations.

## 31. Capital Financing Account

	<b>£'000</b>
Balance b/f 1.4.06	124,035
Capital financing	
- Capital receipts	4,652
- Revenue	30
- Major Repairs Reserve	6,536
Depreciation in excess of statutory Minimum Revenue Provision	(-)3,574
HRA depreciation credited to Major Repairs Reserve	(-)22,416
Grants deferred written out - General Fund	3,318
- HRA	1,214
Deferred charges written down	(-)608
Long term debtors written down	(-)11
	-----
Balance c/f 31.3.07	<b>113,176</b>
	-----

The capital financing account contains amounts that are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that which is required to be charged to revenue to repay the principal element of external loans.

### 32. Usable Capital Receipts Reserve

From April 2004 the Council is required to pay a proportion of its capital receipts into the Government Pool (see Accounting Policies Note 12 on page 9). The remaining proportion of capital receipts that have not yet been used to finance capital expenditure are held in the Usable Capital Receipts Reserve.

	<b>31st March</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
	<b>£'000</b>	<b>£'000</b>
Balance b/f	1,715	7,452
Usable receipts in year from sale of assets	5,857	6,102
Usable receipts used to fund capital expenditure in the year	(-)4,652	(-)9,650
Transfer to I&E account in respect of capital receipts payable to Government Pool	(-)2,221	(-)2,189
	-----	-----
Balance c/f	<b>699</b>	<b>1,715</b>

### 33. Earmarked Reserves

Earmarked Reserves	<b>Balance <u>1.4.06</u></b>	<b>Cont(to)/ from General Fund</b>	<b>Balance <u>31.3.07</u></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Insurance fund	1,954	(-)266	1,688
Insurance claims	458	(-)308	150
Maintenance in perpetuity	3,902	(-)32	3,870
Office accommodation	50	(-)50	-
Environment fund	125	6	131
	-----	-----	-----
	<b>6,489</b>	<b>(-)650</b>	<b>5,839</b>
	-----	-----	-----

#### Insurance Fund

The Council self-insures through its Insurance Fund for losses in connection with its employee car loan scheme, theft, excess motor insurance, excess employer's public liability, fire and dwellings and a number of other minor items.

#### Insurance Claims

Municipal Mutual Insurance Limited (MMI), the Council's previous insurers, announced in September 1992 that it was to cease trading upon expiry of current policies. MMI remained liable for all claims arising from previous policy commitments. If the company's realisable assets prove to be insufficient to meet its liabilities to claimants, any deficiency will be

recoverable from policyholders, which include Harlow Council, under a scheme of arrangement approved by the High Court in January 1994. As at 31 March 2007 the scheme had not been invoked. As at December 2006 MMI continue to foresee a solvent run-off with full payment of agreed claims, and as a consequence the earmarked reserve set up to offset possible future costs falling to the council, has been reduced from £458,000 to £150,000 at 31 March 2007.

### **Maintenance In Perpetuity**

Maintenance in perpetuity reserves include sums charged to tenants upon purchase of their Council houses/flats to meet future costs in respect of unadopted road maintenance and maintenance of the wired T.V. systems. In addition, monies are held by the Council for landscape maintenance at Morningtons, Markwell Woods and Church Langley, and maintenance of the Playhouse lifts.

### **34. Euro**

The Council has not incurred or committed expenditure on preparation for the Euro.

### **35. Contingent Liabilities**

#### **Guarantees**

In 1987 and 1992 the Council agreed to undertake joint liability with a number of other local authorities to guarantee loans of £65m and £16.5m to Home Housing Association (previously called North Housing Association) in support of their private initiative for the provision of housing in Harlow and surrounding authorities. The guarantee is for a 50-year period ending in 2037. The Council's proportion of the total liability is £4.5m.

### **36. Authorisation Of Accounts For Issue**

The accounts were authorised for issue by the Chief Financial Officer on 27<sup>th</sup> September 2007.

### **37. Events After The Balance Sheet Date**

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised by the Council's Chief Financial Officer. There are no events after the balance sheet date affecting the 2006/07 accounts.

### **38. Trust Funds**

The Council administers two trust funds, which are not included in the Balance Sheet. Details of these funds are set out below.

#### **Harlow Recreation Trust.**

The Trust was set up under charity law with a capital sum of £1,300,000 provided by the Council.

The Trust was established to provide recreation and other leisure time occupation in the interests of social welfare and to provide indoor and outdoor recreation facilities and premises for clubs / associations. From October 1993 to March 2001 inclusive, the Trust was responsible for the running of three recreation centres, Kingsmoor, Norman Booth and Summers, formally operated by the Council. From April 2001 the facilities were again, operated by the Council.

All Trustees, (four Holding Trustees and eight Management Committee Trustees) are Harlow District Council members, and Council officers act as Secretary, Treasurer, Administrator,

Legal Advisor and Investments officer to the Trust. These services are provided by the Council free of charge.

The Trust fund balance is as follows:

	<b>2006/07</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
Balance at 1 <sup>st</sup> April	616,245	721,563
Net movement in year	17,653	(-)105,318
Balance at 31 <sup>st</sup> March	633,898	616,245

### **Harlow Trust For The Furtherance Of Education.**

The Trust was set up under charity law with a capital sum of £115,000 provided by the Council.

The main objectives of the Trust were to promote excellence in the arts, to provide financial and other assistance to persons to assist them in their entry into a trade, profession or service, and to help provide further education.

All trustees, (four Holding Trustees and three Management Committee Trustees) were Harlow District Council Members, and Council officers acted as Secretary, Treasurer, Administrator, Legal Advisor and Investments officer to the Trust. These services were provided to the Trust free of charge.

In 2006/07 the Trustees resolved that the Trust would not continue, and the balance of funds (£125,957) were transferred to the Essex Community Foundation.

The Trust fund balance is as follows:

	<b>2005/06</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
Balance at 1 <sup>st</sup> April	127,990	124,676
Net movement in year	(-)2,053	3,314
Transfer to Essex Community Foundation	(-)125,957	
Balance at 31 <sup>st</sup> March	0	127,990

### **39. Pension Costs**

As part of the terms and conditions of employment the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, this commitment needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Essex County Council, a funded scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Income and Expenditure Account at the time when the benefits are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out through the Statement of Movement on the General Fund Balance.

The following transactions have been made during the year.

	<u>2006/07</u> £'000	<u>2005/06</u> £'000
Income and Expenditure Account		
Net Cost of Services:		
Current service cost	3,487	3,268
Past service cost	-	16
Past service gain - commutation of pension	-	(-)2,580
Curtailment loss	267	939
Settlement gain	(-)7,150	
Net Operating Expenditure:		
Interest cost	8,743	8,724
Expected return on pension assets	(-)7,163	(-)6,369
	-----	-----
Net Charge to the Income and Expenditure Account	(-)1,816	3,998
	-----	-----
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	1,816	(-)3,998
	-----	-----
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	5,073	4,645

In 2006/07 the following pension costs were incurred by the Council:-

- A standard employer's contribution to the fund of £1.785m based upon 182% of employees' contributions of £0.989m, a total contribution of £2.774m. (This compares to a standard rate of 182% and contributions of £1.879m, £1.041m, and £2.920m respectively in 2005/06).
- A fixed charge of £2.404m to cover an overall under funding of the Pension Fund since the date of the previous actuarial revaluation in 2004 (2005/06 £1.918m). Participating authorities were required to make up the shortfall in funding over a 20-year period commencing April 2005.
- A fixed charge of £0.187m in respect of financial strain payments to be made to the fund to compensate for the reduction in anticipated pension contributions resulting from employees leaving under the Council's early retirement scheme (2005/06 £0.111m).
- The Council was responsible for all pension payments relating to added years benefits awarded by the Council under its early retirement scheme. In 2006/07 these totalled £0.688m, which represents 4.0% of pensionable pay (£0.671m and 3.7% respectively in 2005/06).

The figures disclosed below have been derived by approximate methods from the full actuarial valuation of the fund carried out by Mercer Human Resource Consulting Ltd as at 31<sup>st</sup> March 2004.

There is no provision for unitising the assets of the fund under the LGPS. The assets as a whole are allocated to participating bodies on a consistent and reasonable basis. The value of attributable assets and liabilities relating to the Council are as follows:

	<b><u>31.3.07</u></b> <b>£'000</b>	<b><u>31.3.06</u></b> <b>£'000</b>
Funded benefits under the LGPS regulations	(-)137,266	(-)175,336
Unfunded discretionary benefits awarded by means of additional benefits under the LGPS regulations	(-)9,922	(-)10,292
	-----	-----
Actuarial value of Fund liabilities	(-)147,188	(-)185,628
Market value of Fund assets	102,570	123,552
	-----	-----
Surplus (deficit) in the Fund	(-)44,618	(-)62,076
	-----	-----

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £44.6m has a significant impact on the net worth of the authority as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increased contributions over the working life of employees, as assessed by the scheme actuary. The Council is making an annual back funding contribution designed to clear the liability over time. The position is reviewed annually and the contribution required is reassessed at each triennial valuation.

An analysis of the movement in surplus / (deficit) in the Fund during the period is as follows:

	<b><u>31.3.07</u></b> <b>£'000</b>	<b><u>31.3.06</u></b> <b>£'000</b>
Surplus (deficit) in the Fund at beginning of period	(-)62,076	(-)64,394
Contributions paid	5,073	4,645
Current service cost	(-)3,487	(-)3,268
Past service cost	-	(-)16
Past service gain – commutation of pension	-	2,580
Settlement gain	7,150	-
Curtailment cost	(-)267	(-)939
Interest on pension scheme liabilities	(-)8,743	(-)8,724
Expected return on assets in the pension scheme	7,163	6,369
Actuarial gain (loss)	10,569	1,671
	-----	-----
Surplus (deficit) in the Fund at end of period	(-)44,618	(-)62,076
	-----	-----

The main financial assumptions adopted were:

	<b><u>31.3.07</u></b> <b>% pa</b>	<b><u>31.3.06</u></b> <b>% pa</b>
Inflation rate	3.10	2.90
Discount rate (pre retirement)	5.40	4.90
Discount rate (post retirement)	5.40	4.90
Expected return on assets	6.92	6.44
Expected rate of salary increases	4.60	4.40
Rate of pension increases in payment	3.10	2.90
Rate of pension increases in deferment	3.10	2.90
Proportion of employees opting to take a commuted lump sum	50.00	50.00

The fair values of each main class of assets held by the fund as a whole and the expected rates of return are set out in the following table:

	<u>Market Value</u> <u>31.3.07</u> £'000	<u>Expected Rate of Return</u> % pa	<u>Market Value</u> <u>31.3.06</u> £'000	<u>Expected Rate of Return</u> % pa
Equities	2,045,736	7.50	1,971,885	7.00
Government bonds	292,248	4.70	290,888	4.30
Other bonds	185,976	5.40	156,632	4.90
Property	369,000	6.50	324,452	6.00
Cash / liquidity	59,040	5.25	53,143	4.50
	<b>2,952,000</b>	<b>6.92</b>	<b>2,797,000</b>	<b>6.44</b>

The attributable values to the council are as follows

	<u>Market Value</u> <u>31.3.07</u> £'000	<u>Expected Rate of Return</u> % pa	<u>Market Value</u> <u>31.3.06</u> £'000	<u>Expected Rate of Return</u> % pa
Equities	71,082	7.50	87,105	7.00
Government bonds	10,154	4.70	12,849	4.30
Other bonds	6,462	5.40	6,919	4.90
Property	12,821	6.50	14,332	6.00
Cash / liquidity	2,051	5.25	2,347	4.50
	<b>102,570</b>	<b>6.92</b>	<b>123,552</b>	<b>6.44</b>

The actuarial gains/(-)losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at the year-end.

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	(-)22,596	30.7	12,176	13.3	4,667	4.8	19,301	15.6	1,373	1.3
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	(-)1,478	0.9	(-)3,207	1.7		
Changes in the demographic and financial assumptions used to estimate liabilities	-	--	-	-	(-)25,783	15.9	(-)14,423	7.8	9,196	6.2
	-----		-----		-----		-----		-----	
	(-)22,596		12,176		(-)22,594		1,671		10,569	

The above figures have been provided by the actuaries to the Essex County Council Pension Scheme using information provided by the scheme and assumptions determined

by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

The £44.618m net liability represents the difference between the value of the Authority's pension fund assets at 31<sup>st</sup> March 2007 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1<sup>st</sup> April 2007 would also have an impact on the capital value of the fund assets. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Pension Fund, due to be carried out as at 31<sup>st</sup> March 2007. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

#### 40. Cash Flow Statement

##### Reconciliation Of Net Surplus/Deficit On The Income And Expenditure Account To The Revenue Activities Net Cash Flow In The Statement

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>RESTATED £'000</b>
(Surplus) / deficit for year	13,102	18,056
<b>Non revenue cash transactions</b>		
Gain/loss disposal of fixed assets	(-)618	87
Depreciation, deferred charges, & amortised capital grants	(-)12,779	(-)20,564
Pension Fund transactions on an FRS17 basis	6,889	647
Deferred credits transfer	(-)197	-
	-----	-----
	(-)6,705	(-)19,830
<b>Items on accruals basis</b>		
(Increase)/Decrease in stocks & WIP	255	(-)19
(Increase)/Decrease in revenue debtors	(-)2,042	860
Increase/(Decrease) in revenue creditors	392	506
	-----	-----
	(-)1,395	1,347
<b>Items included in another classification in statement</b>		
Less investment interest	915	1,304
	-----	-----
	915	1,304
<b>Transactions not in Income &amp; Expenditure Account</b>		
Collection Fund	6,454	(-)557
	-----	-----
	6,454	(-)557
	-----	-----
<b>Net cash flow from revenue activities</b>	<b>12,371</b>	<b>320</b>
	-----	-----

#### 41. Movement In Cash

	<b>Balance</b>	<b>Balance</b>	<b>Movement</b>
	<b>1.4.06</b>	<b>31.3.07</b>	<b>in year</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>

Cash in Hand	(-)980	74	1,054
Cash in hand of officers	<u>13</u>	<u>13</u>	<u>-</u>
	<b>(-)967</b>	<b>87</b>	<b>1,054</b>

#### 42. Movement In Liquid Resources

	<b>Balance <u>1.4.06</u></b>	<b>Balance <u>31.3.07</u></b>	<b><u>Movement</u> <u>in year</u></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Temporary Investments	22,594	10,010	(-)12,584

#### 43. Analysis Of Government Grants

	<b><u>2007</u> £'000</b>	<b><u>2006</u> £'000</b>
<b>DSS Grants</b>		
Rent allowances	6,822	5,775
Rent rebates	16,239	14,508
Council tax benefits	<u>6,934</u>	<u>6,648</u>
	29,995	26,931
<b>Other government grants</b>		
Housing benefit administration	847	798
Housing subsidy	-	-
Sheltered employment	99	101
Housing acts-grants towards debt charges	36	36
Homelessness	42	57
Elections	31	28
CPA Capacity Building	104	166
Wildspace & Forestry Commission	7	34
Allotments	8	-
Waste recycling	34	27
Food standards agency	24	1
Crime reduction programme	174	163
Planning delivery grant	309	304
Sustainable communities programme	-	85
	-----	-----
<b>Total Revenue Grants</b>	<b>1,715</b>	<b>1,800</b>
	-----	-----
<b>Capital Grants</b>		
Disabled Facilities Grant	83	146
Housing grant	368	-
Growth Area Funding Programme II	2,430	-
Home insulation grant	102	-
Crime reduction programme	39	-
E-Government grant	-	150
Waste minimisation	34	-
	-----	-----
<b>Total Capital Grants</b>	<b>3,056</b>	<b>296</b>
	-----	-----

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT**

	HRA	2006-07	2005-06 RESTATED
	Notes	£'000	£'000
<b><u>INCOME</u></b>			
Gross dwelling rents		31,877	30,118
Other rents		2,307	2,291
Charges for services		308	286
Heating charges		240	108
Leaseholders charges		1,933	1,023
Contributions to expenditure		198	173
Capital grant amortised to revenue		1,214	745
Other income		58	55
		-----	-----
<b>Total Income</b>		<b>38,135</b>	<b>34,799</b>
<b><u>EXPENDITURE</u></b>			
Repairs and maintenance		11,457	9,051
Management general		4,956	3,999
Special services		4,750	3,662
Rents, rates, taxes & other charges		17	65
Housing subsidy payable to ODPM	(6)	9,354	8,305
Negative subsidy transfer to the General Fund		1,384	1,730
Other transfers to General Fund		(-)291	641
Increase in provision for bad & doubtful debts		212	105
Debt management		9	11
Depreciation	(5)	22,416	20,227
Amortisation of deferred charges		-	63
		-----	-----
<b>Total Expenditure</b>		<b>54,264</b>	<b>47,859</b>
		-----	-----
<b>Net Cost of HRA Services per Authority Income and Expenditure Account</b>		<b>16,129</b>	<b>13,060</b>
		-----	-----
HRA services share of Corporate and Democratic Core		372	349
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		(-)4,928	(-)513
		-----	-----
<b>Net Cost of HRA Services</b>		<b>11,573</b>	<b>12,896</b>
Gain (-) / loss on sale of HRA fixed assets		(-)134	(-)87
Interest and investment income		(-)1,333	(-)1,420
		-----	-----
<b>Surplus (-) / deficit for the year on HRA services</b>		<b>10,106</b>	<b>11,389</b>
		-----	-----

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2006-07	2005-06 RESTATED
	£'000	£'000
HRA Income and Expenditure Account surplus (-) / deficit	10,106	11,389
Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(-)9,173	(-)11,948
	-----	-----
Increase (-) / decrease in the HRA Balance for the year	933	(-)559
HRA surplus brought forward	(-)2,256	(-)1,697
	-----	-----
HRA surplus carried forward	(-)1,323	(-)2,256

### Note To The Statement Of Movement On The HRA Balance

	2006-07	2005-06 RESTATED
	£'000	£'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year</b>		
Gain / loss (-) on sale of HRA fixed assets	134	87
Net charges made for retirement benefits in accordance with FRS 17	3,891	(-)365
Deferred charges treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	-	(-)63
	-----	-----
	4,025	(-)341
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year</b>		
Transfer to / from (-) Major Repairs Reserve	(-)14,666	(-)12,972
Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	1,468	1,365
Capital expenditure funded by the HRA		
	-----	-----
	(-)13,198	(-)11,607
	-----	-----
Net additional amount required by statute to be debited or credited (-) to the HRA Balance for the year	(-)9,173	(-)11,948

## Notes To The Housing Revenue Account

### 1. Housing Stock

The Council was responsible for managing 10,000 dwellings during 2006/07. The stock was made up as follows:

	<u>2006/07</u>	<u>2005/06</u>
Houses	6,197	6,229
Flats	3,791	3,805
Other	12	12
	-----	-----
	10,000	10,046

The change in stock can be summarised as follows:-

	<u>2006/07</u>	<u>2005/06</u>
Stock at 1st April	10,046	10,119
less: sales, demolitions, transfers etc.	(-)46	(-)77
prior years adjustment	-	3
add: new buildings, acquisitions & equity share properties	-	1
	-----	-----
Stock at 31st March	10,000	10,046

The most recent valuation of HRA assets was at 1<sup>st</sup> April 2006. The figures included for 31<sup>st</sup> March 2007 take into account capital expenditure, disposals and depreciation since that date.

Balance Sheet Valuation of HRA Assets	<u>31<sup>st</sup> March</u>	<u>1<sup>st</sup> April</u>
	<u>2007</u>	<u>2006</u>
	£'000	£'000
Operational assets		
Dwellings	672,646	643,093
other land & buildings and equipment	13	12
Non Operational assets	2,443	2,533
	-----	-----
Total	675,102	645,638

The balance sheet valuation for HRA dwellings based on Existing Use Value-Social Housing at the 1<sup>st</sup> April 2006 was £643.1m. The Vacant Possession Value reflecting the Council's estimate of the total sum it would receive if all the dwellings were sold on the open market at that date was £1,452.9m. The difference between the two values £809.8m shows the economic cost of providing housing at less than the market value.

## 2. Major Repairs Reserve

	<u>2006/07</u>	<u>2005/06</u> RESTATED
	£'000	£'000
Balance b/f	0	0
Transfer from Capital Financing Account	21,202	19,482
Transfer to HRA – depreciation net of amortised capital grant, in excess of Major Repairs Allowance	(-)14,205	(-)12,935
Transfer to HRA – negative subsidy transfer	(-)461	(-)577
	-----	-----
	(-)14,666	(-)12,972
Financing of capital expenditure on HRA assets	(-)6,536	(-)6,510
	-----	-----
Balance c/f	0	0

In 2006/07 the Secretary of State made a special determination under Section 80(2) of the Local Government and Housing Act 1989 to authorise a transfer of £0.461m from the Major Repairs Reserve to the General Fund under the transitional arrangements for former negative subsidy authorities. (£0.577m in 2005/06). A further £0.923m is transferred to the General Fund from housing subsidy (see note 6). This equates to £1.384m in total.

## 3. HRA Capital Financing

	<u>2006/07</u>	<u>2005/06</u>
	£'000	£'000
Capital Expenditure		
Land	-	-
Dwellings	12,638	11,817
Other property	461	-
	-----	-----
Total	13,099	11,817
Financed by		
Borrowing	3,400	-
Grants	1,213	696
Usable capital receipts	1,950	4,611
Revenue contributions	-	-
Major Repairs Reserve	6,536	6,510
	-----	-----
Total	13,099	11,817

## 4. Capital Receipts Received In Year

	<u>2006/07</u>	<u>2005/06</u>
	£'000	£'000
Land	9	23
Dwellings	1,812	3,309
Other property	396	542
	-----	-----
Total	2,217	3,874



## 7. HRA Share Of Contribution From The Pension Reserve

The Council recognises the cost of retirement benefits in the Income and Expenditure Account Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against the HRA is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the HRA Balance.

	<u>2006/07</u> £'000	<u>2005/06</u> £'000
Income and Expenditure Account		
Current service cost	1,037	1,695
Past service cost		(-)1,330
Settlement gain	(-)5,005	-
Curtailment loss	77	-
	(-)3,891	365
Statement of Movement on the HRA Balance		
Exclude FRS17 pension costs	(-)3,891	365
Include actual pension payments to Pension Fund	1,468	1,365

## 8. HRA Rent Arrears

Outstanding rent arrears at 31.3.07 total £2,200,000 plus £297,000 overpaid housing benefit (£2,110,000 and £353,000 at 31.3.06). A provision for un-collectable debts has been made at 31.3.07 totalling £1,992,000 (£1,916,000 at 31.3.06).

**COLLECTION FUND INCOME & EXPENDITURE ACCOUNT**

	<b>Note</b>	<b>2006/07</b> <b>£'000</b>	<b>2005/06</b> <b>£'000</b>
<b><u>Income</u></b>			
Non domestic rates	(2)	35,502	36,712
Council tax	(1)	31,253	29,785
Adj. for previous years community charge	(3)	-	-
Benefits	(1)	6,751	6,335
		-----	-----
		73,506	72,832
<b><u>Expenditure</u></b>			
Precepts Essex County Council		26,696	25,408
Essex Police Authority		3,085	2,900
Essex Fire Authority		1,619	1,582
Harlow District Council		6,417	6,212
Non-domestic rates:			
Payment to National Pool		35,372	36,584
Cost of collection		130	128
Provision for uncollectable amounts:			
Council tax	(4)	186	224
Community charge	(3)	(-1)	(-4)
Contribution to/(-) from Essex County	(5)	(-63)	(-78)
Contribution to/(-) from Essex Police	(5)	(-7)	(-8)
Contribution to/(-) from Essex Fire	(5)	(-4)	(-5)
Transfer to/(-) from General Fund	(5)	(-11)	(-12)
		-----	-----
		73,419	72,931
Net income/(expenditure)for year		87	(-99)
Balance on Collection Fund b/f		(-218)	(-119)
		-----	-----
Balance on Collection Fund c/f	(5)	(-131)	(-218)

## Notes

### 1. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police Authority, Essex Fire Authority and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted for discounts converted into Band D equivalents: 28,022 for 2006/07.) The basic amount of council tax for a band D property (£1,360.44 for 2006/07) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council tax bills were based on the following proportions for Bands A to H.

Proportion of Band D Change	
A	0.67
B	0.78
C	0.89
D	1.00
E	1.22
F	1.44
G	1.67
H	2.00

Total income of £38,004,000 for 2006/07 was receivable from the following sources:

	£
Billed to Council tax payers	31,253,000
Council tax benefits	6,751,000

### 2. National Non Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount (42.6p in 2006/07 & 42.2p in 2005/06) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area, but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income after relief, provisions, and prior year adjustments of £35,502,000 for 2006/07 (£36,712,000 in 2005/06) was based on a rateable value for the Council's area of £101,065,000 for the year at 31<sup>st</sup> March 2007 (£102,488,000 in 2005/06).

### 3. Adjustment For Previous Year's Community Charge

Although council tax replaced community charge from 1st April 1993 the Council continues to account for residual adjustments in relation to community charge raised in earlier years in the Collection Fund.

In 2006/07 the following adjustments were made:

	<b>£'000</b>
Write off uncollectable amounts	-
Increased/reduced assessments (net)	-
	-----
	-
Reduction in provision for uncollectable amounts	(-)4
	-----
	(-)4

### 4. Provision For Un-collectable Amounts

In 2006/07 the provision for un-collectable council tax was increased by £186,000. During the year un-collectable debts totalling £311,000 were written off against the provision.

### 5. Contributions To Collection Fund Surpluses And Deficits

Surpluses & deficits carried forward on the Collection Fund relating to community charge transactions are the sole responsibility of the Council and are required to be made good by transfers to or from the Council's General Fund.

Surpluses & deficits relating to council tax transactions are distributed in subsequent years to Essex County Council, Essex Police Authority, Essex Fire Authority and the Council in proportion to the value of the respective precepts made by the four Councils on the Collection Fund.

During the year the Council transferred £11,000 from its General Fund in respect of prior years council tax balances, and Essex County Council, Essex Police Authority and Essex Fire Authority contributed £63,000, £7,000 and £4,000 respectively as their share of the estimated council tax balance at 31<sup>st</sup> March 2006.

The deficit balance of £131,000 carried forward at 31<sup>st</sup> March 2007 will be distributed in the proportion of £102,000 to Essex County Council, £12,000 to Essex Police Authority, £6,000 to Essex Fire Authority and £11,000 to the Council.

In the Balance Sheet on page (17) the Collection Fund balance reflects only Harlow Council's part of the total deficit (£11,000). The remaining part of the deficit relating to Essex County Council and the Police and Fire authorities is included within current debtors (£120,000).

## **STATEMENT ON INTERNAL CONTROL**

### **1. Scope Of Responsibility**

(a) Harlow District 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. Harlow District 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.

(b) In discharging this overall responsibility Harlow District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### **2. The Purpose Of The System Of Internal Control**

(a) The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not 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 Harlow District Councils 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.

(b) The system of internal control has been in place at Harlow District Council throughout the year ended 31 March 2007, and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

### **3. The Internal Control Environment**

(a) Harlow District Council has adopted the enhanced Committee system of political management under the Local Government Act 2000. Ultimate authority rests with the Council meeting as a corporate body ("full Council") but policy in specific areas is delegated to Policy Committees.

(b) The Council's constitution consists of standing orders for the conduct of business, a scheme of delegation setting out the roles of Council, Committees and officers, and a statement of local conventions which provides guidance on important issues that help regulate the conduct and business of the Council.

(c) The Council has also approved financial regulations based on the model produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), contract standing orders, and standing orders in relation to disposal of land. All these documents are kept under regular review and updated as appropriate to reflect the changing needs of the Council.

(d) In July 2005, the Policy and Resources Committee agreed an Anti Fraud and Corruption strategy which brings together many of these strands and makes it clear that the Council will take appropriate action when fraud or corruption is detected. The strategy was updated and additionally the whistle blowing hotline re-launched in February 2007.

(e) The Council has an Internal Audit section whose role is to provide an independent review and appraisal function for the Council. It has been in place for the whole of 2006-2007, reporting to the Policy and Resources Committee until December 2006, from which date it then reported to the Audit and Improvement Committee. The section works to an annual plan, and a longer term five year rolling plan of work based on a risk management methodology. This complies with the CIPFA code of practice for internal audit in local government. The section reports managerially to the Chief Executive, but has direct freedom of access to all Officers and Members of the Council as required. Audit reports have been routinely made available to relevant officers and Members of the Council.

(f) The first meeting of the new Audit and Improvement Committee took place in December 2006. This Committee receives and provides assurance on behalf of the Council, through a process of independent and objective review. A range of core duties are undertaken including:

- Considering the effectiveness of risk management arrangements, and seeking assurance on the actions being taken on risk related issues.
- The effectiveness of the control environment
- Anti fraud and corruption arrangements

The Committee also increases public confidence in the objectivity and fairness of financial and other reporting.

(g) The Council is committed to continuous monitoring and scrutiny of its performance, including financial performance. Officers monitor key financial and performance information, generally on a monthly basis. Monitoring reports were also made to Members, through the Budget Performance and Monitoring Working Party and then to the Policy and Resources Committee. With effect from December 2006, the Council created an Audit & Improvement Committee, which receives reports on audit activity, risk management, the efficiency gain programme and performance. Performance indicators have been reported to Members in various formats during the year, and a council wide balanced scorecard approach to monitoring performance is in place.

(h) The Council has agreed and implemented a risk management strategy that is regularly reviewed by the Corporate Management Team and the Audit & Improvement Committee with support from external consultants. Risk training for all Committee members and service heads has been completed, and the Council wide risk register has been updated. Best practice in monitoring the risk register is followed.

(i) The Council's Preview and Best Value Committee and Call-In Committee were merged into a single Scrutiny Committee in October 2006. Service inspections by the Audit Commission on selected services provide additional scrutiny of Council operations.

(j) The Comprehensive Performance Assessment, published in June 2004, assessed that overall the Council's performance was "poor". The Council is working with the DCLG through a lead official appointment to the Council, to address the issues that led to this rating. The Council prepared, adopted and implemented, a Recovery Plan which in June 2006 was redrafted as an Improvement Plan to support the Council's ambition to significantly improve its CPA rating at reassessment in 2007.

(k) The Corporate Plan presents the Council's vision and values, and steers the reallocation of resources to reflect priorities. This will be updated annually to provide strategic direction for the Council.

(l) The annual budget forms the basis of the Council's financial management, and setting of council tax each year. A detailed annual capital programme is also agreed, with outline capital plans for the following two years. Bids for capital resources were made using a capital prioritisation process, which is reviewed by the Council as part of the roll forward of the Medium Term Financial Strategy (MTFS). Member challenge of the proposed budgets takes place prior to approval, through a "star chamber" process.

(m) Final accounts have been reported within statutory deadlines. The final accounts in the year ending 31 March 2006 were given an unqualified opinion by the External Auditors and "present fairly" the financial position of the Council. The external auditors also acknowledge the Council's overall satisfactory financial standing. The Council updated its MTFS in February 2006 to cover expenditure and income projections for capital and revenue, both for the General Fund and for the Housing Revenue Account, for the period 2007-8 to 2011-12. The Council's strategic objectives have been amended from those contained in the 2006-07 to 2010-11 MTFS:

- Revenue budgets must not contain "unidentified savings"
- The Council will use prudent borrowing to fund its capital programme.
- Revenue reserve levels for the General Fund and the Housing Revenue Accounts must not fall below predetermined levels

The General Fund finances must be managed so that for the planning period commencing 1 April 2007:

- a) General Fund revenue reserves are maintained at a minimum level of £1.5 million in real terms.
- b) General Fund uncommitted revenue reserves above the minimum level are not to be used to support the budget except for funding one-off items
- c) Any increase in Council Tax shall be no greater than the Retail Price Index (RPIX)
- d) Revenue budget funds are reallocated from areas of low priority to high priority areas.

(n) The MTFS is updated regularly and informed the major report on the financial background presented to the Policy and Resources Committee in July 2006. In future the Audit & Improvement Committee will periodically review the Strategy, which has enabled earlier planning for future periods to take place.

(o) The Chief Executive as Head of Paid Service, is responsible for the corporate and operational management of the authority, taking an active role in the corporate governance arrangements, including the organisation of the Council's staff and putting in place appropriate mechanisms to achieve the Council's objectives in the most economical, efficient and effective way. The Council's Monitoring Officer has statutory and other duties in relation to ensuring lawfulness and fairness of decision-making. The Chief Financial Officer (S 151 Officer) has statutory duties in relation to the effective financial administration and stewardship of the authority.

(p) Service plans have been prepared by Heads of Service for the areas they manage. These plans consolidate a range of service specific information that informs both Members and officers, and are used as a performance management tool, and a communication device. Each service plan contains an operational risk register and service-based balanced scorecard.

(q) In pursuing its objectives, the Council is also keen to work closely with its other partners, including the Local Strategic Partnership (Harlow 2020). Benefits include

better communication and involvement with the community, teamwork, improved services, and the leveraging in of substantial investment e.g. from the East of England Regional Development Agency and the DCLG. The Council acts as accountable body for some of these schemes, which have rigorous performance management and accountability frameworks (conforming to government requirements where government money is involved).

(r) The Council has a number of written procedures and guidelines that all Members and officers must follow. These documents are readily available on the Council-wide infonet, and provide both guidance and direction on procedure, and ensure ambiguity is minimised.

#### **4. Review Of Effectiveness**

(1) Harlow District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system is informed by the work of internal auditors and the Strategic Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

(2) The management of the Internal Audit function was transferred seamlessly during the year to the Chief Executive. The previous arrangement where the Head of Finance was fulfilling an “acting” Head of Internal Audit role was identified in last years Statement on Internal Control as not being best practice. Measures to address this issue were implemented in a mid year review. By this stage the Audit Partnership initiative had not demonstrated the anticipated advantage and was not pursued. An Interim Audit Manager was appointed to manage through the delivery of the annual Audit Plan, and additional audit staff resource was bought in to provide a short-term surge to ensure delivery to plan took place.

3) The Internal Audit service with effect from 30 March 2007 was merged with the Insurance, Risk Management and Benefit Fraud section. The critical mass this creates will allow the Council to look at further management options including market testing, to add value to the service.

(4) The Head of Internal Audit in his Internal Audit Annual Report for 2006-2007 has stated that “reasonable assurance can be given on the overall adequacy and effectiveness of the operational aspects of the Council’s control environment”. He further states that “operational aspects of the system of internal control have remained stable. There are weaknesses which have been highlighted by both internal and external audit. The most significant areas of weakness were within the Budgetary control, Cash receipting, Debtors and Payroll systems and these are being addressed by management in accordance with agreed Action plans”.

(5) An unqualified opinion was given on the Council’s accounts for 2005-06, and the Annual Audit and Inspection letter confirmed that the Council’s overall Use of Resources assessment “has improved in three of the five themes (financial reporting, internal control and value for money) and is now meeting - or exceeding – minimum requirements (level 2) in all five themes”.

(6) Peer challenge has been embraced as an independent method of verifying the status, outside perception and working practices of the Council. The challenge process covers a wide remit, and has enabled improvement and reinforced best practice.

#### **5. Significant Internal Control Issues**

(1) The Council considers there are sufficient mechanisms in place to ensure reasonable assurance on the effectiveness in the system of internal control. However, in seeking continuous improvement in the Council's system of internal control, areas have been identified that would benefit from further review, and embedding.

(2) We acknowledge that our approach to value for money needs to be fully embedded, and have utilised a range of aids to help us in this regard. The Council's data quality management also needs strengthening, and whilst significant advances have been made in key areas, further performance improvement is required. We also acknowledge that we need to reinvigorate our linkage between budget planning and performance reporting, thus ensuring that all financial resources are utilised effectively.

(3) The Council is making good progress towards full business disaster recovery and business continuity. Components of the Business Continuity Plan are already in place, but there are gaps that will be addressed in the coming year in our progress towards approval of a full Business Continuity Plan.

(4) There are weaknesses which have been highlighted within the Budgetary control, Cash receipting, Debtors and Payroll systems and these are being addressed by management in accordance with agreed Action plans.

Chief Executive .....

Joint Leaders of the Council .....

.....

Date ..... 27th September 2007

## **Independent auditor's report to the Members of Harlow Council**

### **Opinion on the financial statements**

- 1 I have audited the financial statements of Harlow District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.
- 2 This report is made solely to Harlow District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Chief Finance Officer and auditor**

- 3 The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.
- 4 My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 5 I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.
- 6 I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures
- 7 I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

- 8 I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.
  
- 9 I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

- 10 In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Harlow District Council as at 31 March 2007 and its income and expenditure for the year then ended.

Paul King

District Auditor

Audit Commission

Sheffield House

Lytton Way

Stevenage

SG1 3HG

[    ] September 2007

# Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

## **Authority's Responsibilities**

- 11 The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.
- 12 Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

## **Auditor's Responsibilities**

- 13 I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
- 14 I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:
  - certifying that I have done so;
  - stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
  - where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## **Conclusion**

- 15 I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006. I am satisfied that, in all significant respects, Harlow District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except that it did not put in place:
- arrangements to maintain a sound system of internal control.

## **Best Value Performance Plan**

- 16 I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20 October 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## **Certificate**

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

Paul King

Audit Commission

Sheffield House

Lytton Way

Stevenage

SG1 3HG

[    ] September 2007