

Statement of Accounts

2008/2009

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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 2008/09 are set out on pages (7) to (71). The main accounting statements are as follows:

(a) Income and Expenditure Account. (Page 14)

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 15)

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 17)

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 18)

This sets out the financial position of the Council on 31st March 2009.

(e) Cash Flow Statement. (Page 19)

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 20)

(g) Housing Revenue Account Income & Expenditure Account. (Page 46)

This shows income and expenditure relating to Council housing.

(h) Collection Fund Income & Expenditure Account. (Page 52)

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. The General Fund Budget

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
	£M	£M	£M
Net expenditure on services	16.0	15.8	(-)0.2
Contribution to / (-) from reserves	(-)0.4	(-)0.1	0.3
	-----	-----	-----
	15.6	15.7	0.1
Met From:			
Council Tax	6.8	6.8	-
Non domestic rates	7.7	7.7	-
Government Revenue Support	1.1	1.1	-
Government Area Based Grant	-	0.1	(-)0.1
Government LABGI grant	-	-	-
	-----	-----	-----
	15.6	15.7	(-)0.1

In the year the Council's net expenditure on services was £0.2m less than originally budgeted for, which together with an additional £0.1m Area Based Grant, enabled the Council to reduce the call on reserves by £0.3m.

4. 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 £65.7m shortfall at 31st March 2009. 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.

5. Impact of Recession

The economic downturn impacted on the Council's financial position in 2008/09. This was primarily through a reduction in fees and charges from demand led services such as car parking and planning and building control compared to the budget for the year. The fall in investment interest rates during the year significantly affected the amount of interest income credited to the Council's Housing Revenue Account. The cost of running the Council's operational buildings also felt the impact of a significant increase in energy costs during the year. Through a range of budget savings net expenditure on both General Fund and Housing Revenue Account were below the Original Budget.

A further consequence of the economic downturn has been the effect on the valuation of the Council's fixed assets. The accounts reflect a significant impairment of building asset values, which is highlighted in Note 12 Movement of Fixed Assets on page 24.

As a result of the sudden and significant reduction in interest rates, the Department of Communities and Local Government (CLG) accepted the Council's proposal to use the reduced LIBID (London Inter Bank Bid) interest rate to calculate housing subsidy thus enabling the Council's Housing Revenue Account to be restored by approximately £900,000 during 2009/10. The Council has proposed to CLG that a similar adjustment be undertaken

for 2008/09 which would enable the Council to comply with CLG's offer to limit the increase in tenants' rents for 2009/10. As this proposal is still the subject of discussion between the CLG and the Council, the adjustment has not been reflected in the 2008/09 accounts.

6. Capital Expenditure

The Council incurred capital expenditure totalling £14.3m in 2008/09 against an approved programme of £15.6m, with schemes to the value of £1.1m to be carried forward for completion in 2009/10.

Major housing schemes included general improvements to the housing stock £9.3m, and disabled facilities grants and disabled adaptations to council dwellings £0.8m. Other schemes included Growth Area Funding (regeneration of the town) £2.8m (see note 7 below), IT development £0.3m and work to Council buildings £0.6m.

Investment in the housing stock relies heavily on the Major Repairs Allowance of £6.9m, funding made available by central government through the housing subsidy system to finance the replacement of building elements as they fall into disrepair. Other capital spending was financed from asset sales £0.8m, other grants and contributions £3.6m, and borrowing £2.9m.

The Council can borrow to fund capital expenditure where prudent and affordable to do so, either from external sources such as the Public Works Loan Board, or from internal resources. The Council borrowed £2.9m in 2008/09 from internal resources, £2.1m to fund housing capital expenditure, and £0.8m towards the non housing programme. The Council has agreed to borrow up to £2.5m to fund the non-housing capital programme in 2008/09 and 2009/10 for a temporary period only, in advance of planned asset sales in 2010/11, at which time the borrowing will be repaid.

In total the Council has funded £12m of capital expenditure from borrowing, of which £5.8m is from external sources, representing a small proportion of the total value of the Council's fixed assets.

7. Programme of Development

In 2008/09 the Council held £7.3m as the Accountable Body for Programme of Development regeneration schemes. The grant monies included £6.9m for capital work and were made available by DCLG to the Council and its partner local authorities for approved regeneration schemes. During 2008/09 the Council drew down a total £1.37m of which £1.26m was capital expenditure to complete GAF II regeneration work and improvement to the Stort tow path. Further funding of £1.35m from EEDA was used in the completion of the business incubation centre at Templefields.

8. HRA Garages

During the year it was identified that the fixed asset valuation for HRA garages was based on an incorrect assessment of the number of garages owned by the Council. An adjustment of £2.267m has been made to the balance sheet valuation to correct for this.

9. Joint Venture Company - Kier Harlow Limited

On 1st 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 3rd 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.

10. 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.

11. 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.

Sunil Modaley
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 2008: 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 (Statement of Standard Accounting Practice and Financial Reporting Standards). 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 realisable value (bid values) 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 2008/09 determined to be 3.8% real (above the rate of inflation) (2.5% 2007/08).
- 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 (2007) with the financial assumptions updated to reflect conditions at April 2008. 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 2008.
- 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 2009.

- 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. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services, such as land, buildings and equipment. Expenditure on the acquisition, creation or enhancement of tangible assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year.

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.

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

- 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.
- Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation where appropriate.
- The housing stock is valued on the basis of existing use value – social housing.

Assets included in the Balance Sheet at current value are re-valued on a four-year rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment previously charged to a service revenue account. Additional information on the basis of revaluation is included at note 16 to the Core Accounting Statements on page 26.

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

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of a revaluation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

Where an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on

disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Asset disposal receipts are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment.

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 - 70 years
Infrastructure	40 years
Vehicles and plant	5 - 10 years
Equipment	5 - 10 years

The depreciation period for buildings has been extended from 50 years to 70 years to accommodate the depreciation applied against a specific operational asset acquired under a finance lease, the lease period for which runs beyond 50 years. This change in policy has no material impact on the accounts.

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.

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

5. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council e.g. software licences is capitalised when it will bring benefits to the Council for more than one financial year. Intangible fixed assets are included in the Balance Sheet at historical cost and the balance is amortised to the relevant service revenue account over the useful economic life of the assets. The Council's policy is to amortise expenditure on software systems and licences over a 5-year period.

6. Revenue Expenditure Funded From Capital Under Statute

Revenue Expenditure Funded From Capital Under Statute is expenditure of a capital nature where no fixed asset is created but which may properly be financed from capital resources (previously termed Deferred Charges) 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 2008 Code requires expenditure to be debited to the Income and Expenditure Account. Any statutory provision that allows capital resources to meet the revenue expenditure is accounted for by charging the expenditure against the Capital Adjustment Account by way of a credit to the General Fund Balance, showing as a reconciling item in the Statement of Movement on the General Fund Balance.

7. 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.

Grants received towards the cost of items classified as Revenue Expenditure Funded From Capital Under Statute (previously Deferred Charges) are regarded as revenue grants and credited direct to service revenue accounts.

8. Charges to Revenue for Fixed Assets

Service revenue accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

9. Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease), matched with a tangible fixed asset – the liability is written down as the rent becomes payable, and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account) as the rent becomes payable

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease.

See notes 18 and 19 to the Core Accounting Statements for details of current obligations.

10. Financial Instruments

A financial asset or financial liability are recognised on the Balance Sheet when the holder becomes a party to the contractual provisions of the instrument. In the case of a financial asset or a derivative, this is when the purchaser becomes committed to the purchase, referred to as the trade date. The sale of a financial asset is also recognised on the trade date. Trade receivables (creditors) are an exception. The receivable is not recognised when

the Council becomes committed to supply the good or service, but when the ordered goods or services have been delivered or rendered. Similarly, trade payables (debtors) are recognised when the ordered goods or services have been received.

11. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

12. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

13. 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 year's income is credited to the accounts.

14. 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.

15. Stocks And Work In Progress

Minor stocks held by the Council are valued at cost in accordance with SSAP9.

16. 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

17. 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 (36) to (39).

18. Group Accounts

Under the 2007 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.

19. 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 Strategic Director, 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 2009).

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 71 has been prepared in accordance with proper practices and presents fairly the financial position of the Authority at 31st March 2009 and its income and expenditure for the year then ended.

Sunil Modaley

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 24th September 2009.

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	2008-09		2007-08	
		EXPENDITURE	INCOME	NET	NET
<u>Continuing Services</u>		£'000	£'000	£'000	£'000
Central services to the public		11,080	8,203	2,877	2,950
Cultural, environmental & planning services		26,512	7,332	19,180	13,388
Highways, roads & transport		3,056	935	2,121	2,009
Local Authority housing (HRA)		120,148	41,769	78,379	29,505
Other housing services		31,210	29,718	1,492	1,396
Social services		3,110	1,738	1,372	794
Corporate and democratic core		1,930	13	1,917	1,989
Non distributed costs		1,386	888	498	497
Exceptional items	(1)		139	(-)139	(-)121
		-----	-----	-----	-----
Net Cost of Services		198,432	90,735	107,697	52,407
Net Surplus on trading undertakings	(2)			(-)8	(-)101
Gain (-) / loss on the disposal of fixed assets				(-)35	(-)11
Contribution of housing capital receipts to Government pool				1,409	3,091
Interest payable				253	10
Interest and investment income				(-)726	(-)728
Pensions interest cost and expected return on pensions assets	(43)			3,738	1,173
				-----	-----
Net Operating Expenditure				112,328	55,841
Demand on the collection fund				(-)6,821	(-)6,629
Collection fund transfer				79	44
General Government grants	(3)			(-)1,173	(-)4,877
Non-domestic rates redistribution				(-)7,738	(-)7,435
				-----	-----
Surplus (-) / Deficit for the Year				96,675	36,944

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.

	2008-09	2007-08
	£'000	£'000
Income and Expenditure Account surplus (-) / deficit	96,675	36,944
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(-)96,927	(-)36,425
	-----	-----
Increase (-) / decrease in General Fund Balance for the year	(-)252	519
General Fund Reserve Balance brought forward	(-)2,453	(-)2,972
	-----	-----
General Fund Reserve Balance carried forward	(-)2,705	(-)2,453

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

	2008-09	2007-08
	£'000	£'000
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		
Amortisation of intangible fixed assets	(-)525	(-)934
Depreciation, impairment & demolition of fixed assets	(-)15,817	(-)6,277
Transfer from HRA Major Repairs Reserve	(-)78,864	(-)29,545
Government grants deferred amortisation	2,480	3,981
Revenue expenditure funded from capital under statute	(-)712	(-)946
Net gain / loss (-) on sale of fixed assets	35	11
Net charges made for retirement benefits in accordance with FRS 17	(-)6,319	(-)3,767
	-----	-----
	(-)99,722	(-)37,477
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		
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(-)1,409	(-)3,091
Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	4,894	5,150
Capital expenditure charged to the General Fund	3	-
	-----	-----
	3,488	2,059
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		
Housing Revenue Account Balance	209	(-)3
Net transfer to or from earmarked reserves	(-)902	(-)1,004
	-----	-----
	(-)693	(-)1,007
	-----	-----
Net additional amount required to be debited or credited (-) to the General Fund Balance for the year	(-)96,927	(-)36,425
	-----	-----

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008-09	2007-08
	£'000	£'000
Surplus (-) / deficit for the year on the Income and Expenditure Account	96,675	36,944
Surplus (-) arising on the revaluation of fixed assets	(-)24,222	(-)46,269
Actuarial gains (-) / losses on pension fund assets and liabilities	(-)5,475	26,518
Any other gains and losses	49	4,249
	-----	-----
Total Recognised (-)Gains / Losses for the Year	67,027	21,442
	-----	-----

BALANCE SHEET AS AT 31ST MARCH 2009

These financial statements replace the unaudited financial statements authorised at the meeting of the Policy & Resources Committee on 25th June 2009

	NOTES	2009		2008
		£'000	£'000	£'000
Intangible Fixed Assets	(12)	1,054		1,225
Tangible Fixed assets	(12)			
Operational assets				
Council dwellings		626,442		680,971
Other land and buildings		30,686		38,072
Fixed assets held under finance leases		576		-
Vehicles, plant & equipment		1,029		2,105
Infrastructure		5,941		8,487
Community assets		912		912
Non-Operational assets				
Investment properties		28,787		30,566
		-----		-----
Total Fixed Assets			695,427	762,338
Long term investments			-	-
Long term debtors	(17)			
Mortgages		15		17
Other		197		210
		-----		-----
			212	227
			-----	-----
Total Long Term Assets			695,639	762,565
Current Assets				
Stocks & work in progress	(23)	51		51
Debtors	(24)	11,492		10,733
Investments	(22)	14,004		12,876
Cash in hand of officers		9		11
Cash at bank		703		109
		-----		-----
			26,259	23,780
Current Liabilities				
Creditors	(25)	(-)20,067		(-)14,937
Cash overdrawn		-		-
		-----		-----
			(-)20,067	(-)14,937
			-----	-----
Total Assets Less Current Liabilities			701,831	771,408
Less:				
Long term borrowing	(26)	5,810		5,810
Deferred liabilities	(27)	632		
Long term creditors	(29)	78		
Provisions	(30)	15		-
Grants deferred	(31)	1,396		621
Liability related to defined benefit pension scheme	(43)	65,703		69,753
		-----		-----
			73,634	76,184
Total Assets Less Liabilities			628,197	695,224
Financed by:				
Revaluation Reserve	(33)		62,258	44,166
Capital Adjustment Account	(34)		623,502	712,163
Pensions Reserve	(43)		(-)65,703	(-)69,753
Usable Capital Receipts Reserve	(35)		-	91
Deferred credits	(28)		15	17
Earmarked Reserves	(36)		3,933	4,835
General Reserve	(32)		2,705	2,453
Balances				
HRA	(32)	1,529		1,320
Collection Fund		(-)42		(-)68
		-----		-----
			1,487	1,252
	(20)		628,197	695,224

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.

		2008-09		2007-08	
	Notes	£'000	£'000	£'000	£'000
Revenue Activities					
Cash Outflows					
Cash paid to & on behalf of employees		21,528			21,293
Other operating costs		48,974			52,092
Housing benefit paid out		9,699			7,510
Payments to the capital receipts pool		1,968			2,166
Precepts paid		34,688			33,260
NNDR Payments to National Pool		<u>41,238</u>			<u>37,700</u>
			158,095		154,021
Cash Inflows					
Rents (after rebates)		21,652			21,298
Council tax & community charge		33,882			32,644
Non domestic rates		44,639			44,334
Revenue Support Grant/NNDR contbn		8,860			8,749
DSS grants for rebates	(47)	34,676			33,059
Other government grants	(47)	2,336			2,200
Cash received for goods & services		12,414			11,211
Other revenue cash payments/income		—			—
			<u>158,459</u>		<u>153,495</u>
Revenue activities cash flow	(44)			(-)364	526
Return on Investments & Servicing of Finance					
Cash Outflows					
Interest paid		253			-
Interest element of finance lease rentals		—			—
			253		0
Cash Inflows					
Interest received			<u>726</u>		<u>826</u>
				(-)473	(-)826
Capital Activities					
Cash Outflow					
Purchase of fixed assets		13,404			18,586
Revenue expenditure funded from capital under statute & long term debtors		712			796
Purchase of long term investments		—			—
			14,116		19,382
Cash Inflows					
Sale of fixed assets		2,124			4,779
Capital grants received: government	(47)	5,561			4,144
other		531			496
Other capital cash received		-			-
Major Repairs Allowance		6,904			6,762
			<u>15,120</u>		<u>16,181</u>
Net cash outflow before financing				(-)1,004	<u>3,201</u>
Management of Liquid Resources				(-)1,841	2,901
Net Increase / Decrease in Short Term Deposits	(46)			1,128	2,866
Financing					
Cash Outflows					
Repayment of amounts borrowed			121		-
Cash Inflows					
New loans raised			—	121	<u>(-)5,800</u>
(-)Increase/ decrease in cash	(45)			(-)592	(-)33

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. Exceptional Items

In 2008/09 the Council received a repayment to creditors of £139k 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 (£121k received in 2007/08).

2. Trading Services

(i) Market.

During the year income of £71,988 and expenditure of £131,166 resulted in a deficit of £59,178. This compares with a surplus of £14,216 in 2007/08 (income £68,145 and expenditure £53,929).

(ii) Car Parks.

The Council operates four fee charging pay and display car parks. Turnover in 2008/09 was £323,886 resulting in a surplus of £67,757, which was contributed to the General Fund (£294,422 and £85,989 respectively in 2007/08).

3. General Government Grants

	2008/09	2007/08
	£'000	£'000
Revenue Support Grant	1,077	1,248
LABGI	6	138
Area Based Grant	90	-
Growth Area Funding (GAF)	-	3,491
	-----	-----
	1,173	4,877

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 £4,900 contributions in this financial year (£7,605 in 2007/08).

5. Publicity Account

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

	<u>2008/09</u>	<u>2007/08</u>
	£	£
Employees - Public Relations	137,809	181,849
Corporate Publicity	11,285	162,004
Communications Strategy	0	35,799
Image Building	4,500	28,940
Re-Branding	0	64,739
News Letters	38,268	50,101
Development Work	8,505	3,845
Recruitment Advertising	76,704	133,715
Harlow 2020 partnership	0	8,204
	-----	-----
	277,071	669,196

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.

	Chargeable £	Non-chargeable £	Total £
Expenditure			
Employees expenses	72,957	92,431	165,388
Transport	1,250	536	1,786
Supplies and services	18,756	2,290	21,046
Central and other support service charges	85,834	23,928	109,762
	-----	-----	-----
Total Expenditure	178,797	119,185	297,982
Income			
Building control income	(-)147,375	-	(-) 147,375
Miscellaneous income	(-)256	(-)20,000	(-)20,256
	-----	-----	-----
Total Income	(-)147,631	(-)20,000	(-) 167,631
	-----	-----	-----
(-)surplus/deficit for the year 2008/09	31,166	99,185	130,351
	-----	-----	-----
Comparatives for 2007/08			
Expenditure	218,790	117,102	335,892
Income	(-)157,230	(-)25,860	(-) 183,090
	-----	-----	-----
(-)surplus/deficit for the year 2007/08	61,560	91,242	152,802
	-----	-----	-----

7. Local Area Agreement (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09, the LAA completed the third year of its three year agreement.

The purpose of the LAA is:

- To form an agreement between the Essex Partnership, Essex County Council, Essex's Health Organisations, Fire and Police Services, the Essex Learning and Skills Council, Essex's twelve Local Strategic Partnerships and District and Borough Councils, and other local partners including the Community and Voluntary Sector and the Government (represented by Government Office for the East of England), to achieve fourteen outcomes that are regarded as being key to making Essex a better place to live and work.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

The LAA partners are:

- **Local Government Bodies**
Essex County Council, Basildon District Council, Braintree District Council, Brentwood Borough Council, Castle Point Borough Council, Chelmsford Borough Council,

Colchester Borough Council, Epping Forest District Council, Harlow District Council, Maldon District Council, Rochford District Council, Tendring District Council, Uttlesford District Council.

- **Local Strategic Partnerships (LSP)**
Basildon District LSP, Braintree PACT (Partners and Communities Together), Brentwood LSP, Castle Point LSP, Chelmsford Strategic Partnership Board, Colchester 2020 LSP, Epping Forest LSP, Harlow 2020 Partnership, Maldon 2010 Partnership, Rochford LSP, Tendring LSP, Uttlesford Futures.
- **Community Protection Authorities**
Essex County Fire and Rescue, Essex Police, National Probation Service.
- **Health Bodies**
South East Essex PCT, South West Essex PCT, West Essex PCT, Mid Essex PCT, North East Essex PCT, Basildon & Thurrock University Hospitals NHS Foundation Trust, SE Partnership NHS Trust, East of England Strategic Health Authority.
- **Learning Bodies**
Essex Learning and Skills Council, Essex Southend and Thurrock Connexions, University of Essex.
- **Voluntary Organisations**
Essex County for Voluntary Youth Services.
- **Other Organisations**
Sport England, Haven Gateway Partnership, Thames Gateway South Essex Partnership, ESTIC, Families in Focus, Interlock, Rural Community Council for Essex, Essex Partnership Steering Group.

Prior to 2008/09 Essex County Council acted as the Accountable Body for the LAA and was responsible for the distribution of the grant paid by the Government Office to the partners involved. In 2007/08 Essex County Council received £14,845,141 LAA grant, of which the Council received £235,595.

In 2008/09 the system changed, and the Council received £89,171 Area Based Grant funding direct from the Government Office, which is accounted for in the Income & Expenditure Account under General Government Grants. Essex County Council distributed £1,612,000 of its Area Based Grant to the participating district authorities within the partnership. The Council received £116,000 of this total.

8. Members Allowances

In 2008/09 payments to Members for attendance and special responsibility allowances and other expenses totalled £179,474 (2007/08 £169,356).

9. 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>2008/09</u>		<u>2007/08</u>	
<u>£</u>	<u>Total</u>	<u>Left During Year</u>	<u>Total</u>	<u>Left During Year</u>
50,000 - 59,999	9	1	9	1
60,000 - 69,999	4		2	
70,000 - 79,999	1		4	
80,000 - 89,999	2		1	
90,000 – 99,999	1	1	-	
100,000 – 109,999	-		-	
110,000 – 119,999	1		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, is shown separately above.

10. 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 £19.2m (in 2007/08 £18.4m). Insurance related works were also undertaken by Kier Harlow Ltd on an ad hoc basis in addition to the main contract. Further information on the Council's interest in Kier Harlow Ltd. Is set out at Note 21.

Material transactions with related parties are as follows:

	Debtors 31 March 09	Creditors 31 March 09	Expenditure 2008/09	Income 2008/09
	£'000	£'000	£'000	£'000
Kier Harlow Ltd Payments under main contract, ad hoc works, dividend income, plus charges made to Kier for provision of telephony & other depot related services.	164	13	19,535	261
Harlow Renaissance Ltd The Council provides accounting system and banking facilities, and holds monies belonging to Harlow Renaissance Ltd.	4	19		6
Harlow Occupational Health Service Health examinations for council staff			22	
Harlow 2020 The Council provides accounting system and banking facilities, and holds monies belonging to Harlow 2020		47		
Harlow Citizens Advice Bureau grant			47	
Age Concern grant			20	
Harlow Community Chest grant			12	
Broxbourne & Harlow Women's Aid The Council provides accounting system and banking facilities, and holds monies belonging to Broxbourne & Harlow Women's Aid		282		
Veolia Board Waste & Recycling contract payments		333	2,047	
Welfare Rights & Advice Board Grant payment plus charges for provision of Accountancy & Payroll services	316		499	40

During the year Members have disclosed they were involved in the following organisations, although no material transactions relating to these organisations are included within the Statement of Accounts :

- Stansted Airport Community Trust
- Safer Harlow Partnership
- LGA New Towns Special Interest Group
- Supporting People Commissioning Body
- Essex Wildlife Trust
- Unison
- Harlow Gateway
- Great Parndon, Mark Hall & Netteswell, Tye Green and Potter St. Community Associations
- Streets 2 Homes
- Berecroft Residents Association
- South Anglia Housing
- YPIC
- Harlow Credit Union
- Harlow Women's Network
- Harlow District Sports Trust
- Harlow Recreation Trust (see Note 42)

11. Audit Commission Fees

In 2008/09 the following fees are payable relating to external audit and inspection:

	<u>2008/09</u> £'000	<u>2007/08</u> £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	163	145
Fees payable to the Audit Commission in respect of statutory inspection	7	13
Fees payable to the Audit Commission for the certification of grant claims and returns	80	50
Fees payable in respect of other services provided by the appointed auditor	-	2
	-----	-----
Total	250	210
	-----	-----

12. Movement Of Fixed Assets 2008/09

	Intangible Assets	Council Dwellings	Land & Building s	Vehicles, Plant & Equip't	Infrastructure	Community Assets	Non- operation- al Assets	Total Fixed Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1st April 2008	2,159	705,123	39,514	3,157	8,780	912	30,566	790,211
Additions	426	9,351	656	8	11	0	2,266	12,718
Adjustment to valuation	0	(-)14,781	97	0	0	0	0	(-)14,684
Adjustment to valuation of garages		2,265						2,265
Disposals	0	(-)2,287	0	0	0	0	0	(-)2,287
Reclassifications	0	0	(-)6,274	(-)323	0	95	6,502	0
Revaluations	0	24,930	893	0	0	0	3,796	29,619
Impairments		(-)98,159	(-)2,159		(-)2,443	(-)95	(-)14,344	(-)117,200
	-----	-----	-----	-----	-----	-----	-----	-----
At 31st March 2009	2,585	626,442	32,727	2,842	6,348	912	28,786	700,642
Depreciation & Impairments at 1st April 2008	(-)934	(-)24,152	(-)1,442	(-)1,052	(-)293	0	0	(-)27,873
Charge for year	(-)597	(-)34,624	(-)643	(-)776	(-)295	0	541	(-)36,394
Adjustment to valuation		(-)5,239	155			(-)8	(-)159	(-)5,251
Adjustment to valuation of garages		2						2
Disposals	0	192	0	0	0	0	0	192
Reclassifications	0	0	526	15	0	0	(-)541	0
Revaluations	0	63,821	(-)61	0	181	8	159	64,108
	-----	-----	-----	-----	-----	-----	-----	-----
At 31st March 2009	(-1,531)	0	(-1,465)	(-1,813)	(-407)	0	0	(-5,216)
	-----	-----	-----	-----	-----	-----	-----	-----

	Intangible Assets	Council Dwellings	Land & Buildings	Vehicles, Plant & Equip't	Infrastructure	Community Assets	Non-operational Assets	Total Fixed Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance Sheet Amount 31st March 2009	1,054	626,442	31,262	1,029	5,941	912	28,786	695,426
Balance Sheet Amount 1st April 2008	1,225	680,971	38,072	2,105	8,487	912	30,566	762,338
Nature of Asset Holding								
Owned	1,054	626,442	30,686	1,029	5,941	912	28,786	694,850
Finance lease	0	0	576	0	0	0	0	576
	1,054	626,442	31,262	1,029	5,941	912	28,786	695,426

- 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.
- An adjustment has been made to the asset valuation for HRA garages of £2.267m to correctly reflect the number of garages owned by the Council at 31 March 2009.

13. Financing Of Capital Expenditure

	<u>2008/09</u> £'000	<u>2007/08</u> £'000
Opening Capital Financing Requirement	5,455	(-)190
Capital Investment		
Operational assets	10,027	14,201
Non-operational assets	2,266	3,818
Intangible assets	426	370
Revenue expenditure funded from capital under statute	1,535	871
Adjustment for finance lease and other long term deferred liability	758	0
	-----	-----
Expenditure for Capital Control purposes	15,012	19,260
Sources of finance		
Use of capital receipts	(-)808	(-)2,311
Major Repairs Reserve	(-)6,904	(-)6,762
Revenue contributions	(-)3	-
Capital grants	(-)3,606	(-)4,498
	-----	-----
	(-)11,321	(-)13,571
Timing difference between capital grant received and applied to finance capital expenditure	(-)875	(-)44
	-----	-----
Closing Capital Financing Requirement	8,271	5,455
	-----	-----
Explanation of Movements in Year		
Increase in underlying need to borrow (supported by Government financial assistance)	-	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	2,933	5,689
Adjustment for finance lease and other long term deferred liability	758	
Timing difference between capital grant received and applied to finance capital expenditure	(-)875	(-)44
	-----	-----
Increase / (-) decrease in Capital Financing Requirement	2,816	5,645

14. Capital Commitments

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

	2008/09	2007/08
	£'000	£'000
Housing dwellings enhancement programme	1,577	1,594
Other	1,103	170
	-----	-----
	2,680	1,764
	-----	-----

15. Analysis Of Fixed Assets:

31st March	<u>2009</u>	<u>2008</u>
	(No.s)	(No.s)
Council Dwellings	9,931	9,952
Garages	8,547	8,699
Car Ports	43	53
Car Spaces	1,915	1,915
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 – non operational	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
Harlow Incubation Centre	1	-
Pavilions	9	9
Bus Station	1	1
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 1st April 2008 by R.Lawrence MRICS FAHV, the District Valuation Officer, in accordance with the RICS Appraisal & Valuation Manual as published by the Royal Institute of Chartered Surveyors. An impairment review was also conducted by the District Valuation Officer as at 31st March 2009.

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 has 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 1st 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 - 70 years
Infrastructure	40 years
Vehicles, equipment and plant	5 - 10 years
Equipment	5 - 10 years

17. Long Term Debtors

	Balance 1.4.08	Expenditure	Income	Write Off	Transfer to Current Debtors	Balance 31.3.09
	£'000	£'000	£'000	£'000	£'000	£'000
Housing Mortgages	17	-	(-)2			15
Leaseholders	139		(-)32			107
Loans						
Leaseholders	-					-
Service Charges						
Tenants service charges		8				8
Sheltered accommodation heating charges		70				70
District heating charges		8				8
Griffin Centre	3	-	(-)3			0
Youth Hostel	64	-	(-)64			0
Miscellaneous	4	-	-			4
	227	86	(-)101			212

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 tenants 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 2008/09 there was an under recovery of £8,000, which will be recovered from tenants in 2010/11.

The increase in energy costs to sheltered accommodation has led the Council to reconsider the phasing of recharges to these tenants. The recovery of the increased cost of electricity and gas (£105,000) will be phased over three financial years, 2009/10 to 2011/12. A long term debtor has been set up in 2008/09 for £70,000 in respect of the collection of income in 2010/11 and 2011/12, whilst the £35,000 recoverable amount for 2009/10 is included under 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 which is now fully repaid. 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. During 2008/09 the total outstanding balance of the loan was repaid in full.

18. Operating Leases

As Lessee:

Vehicles Plant & Equipment

Operating leases held by the Council for vehicles and plant assets, at an original capital value of £240,375, came to an end during 2008/09. Rentals paid in 2008/09 totalled £25,360 (£37,845 in 2007/08).

The Council uses photocopiers and vending machines financed under the terms of operating leases. The amount paid under these arrangements in 2008/09 was £ 39,000 (2007/08 £42,000).

The Council was committed at 31 March 2009 to making payments of £49,000 in 2009/10, comprising the following elements.

	<u>Vehicles Plant & Equipment</u> £'000
Leases expiring in 2009/10	-
Leases expiring between 2010/11 and 2013/14	-
Leases expiring after 2013/14	49

	49

As Lessor:

Land & Buildings

The Council provides commercial accommodation (shops and other premises) for rent under the terms of operating leases. Rental income received in 2008/09 was £1,868,000 (2007/08 £1,899,000). The gross value of assets held for use in operating leases was £17,458,000, and subject to £217,000 depreciation to 31 March 2009.

19. Assets Held Under Finance Leases

The Council has a 99-year lease on the land and buildings at the Liquid Nightclub (formerly Millennium Nightclub), which has been accounted for as a finance lease. The rental payable in 2008/09 was £5,000 (2007/08 £5,000) accounted for as £5,000 write-down of obligations.

The value of the asset held under the finance lease, accounted for as part of Tangible Fixed Assets, is as follows.

	<u>Land & Buildings</u> £'000
Value at 1 st April 2008	650
Depreciation	(-)10
Impairment	(-)64

Value at 31 st March 2009	576

Outstanding obligations to make payments under the finance lease (excluding finance costs) at 31 March 2009, accounted for as part of long term liabilities, are as follows:

	<u>Land & Buildings</u> £'000
Obligations payable in 2009/10 (under current liabilities)	5
Obligations payable between 2010/11 and 2013/14	17
Obligations payable after 2013/14	73

Total Liabilities at 31 March 2009	95

20. Analysis Of Net Assets Employed

	<u>31.3.09</u>	<u>31.3.08</u>
	£'000	£'000
General Fund	2,847	11,007
HRA	625,350	684,217
	-----	-----
	628,197	695,224
	-----	-----

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 1st February 2007. The accounting year for the company follows that of the parent company, and runs from 1st July to 30th June. To obtain a copy of the latest available company accounts for the year ended 30th June 2008, apply to:

Kier Harlow Ltd
Temsford Hall,
Sandy,
Bedfordshire
SG19 2BD

22. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	31st March			
	Long- Term		Current	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Financial liabilities at amortised cost	5,810	5,810	-	-
Total borrowings	5,810	5,810	-	-
Loans and receivables	212	227	14,004	12,876
Total investments	212	227	14,004	12,876

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows.

2008/09	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost	Loans and Receivables	
	£'000	£'000	£'000
Interest expense	(-)253	-	(-)253
Losses on derecognition	-	-	-
Impairment losses	-	-	-
Interest payable and similar charges	(-)253	-	(-)253
Interest income	-	726	726
Gains on recognition	-	-	-
Interest and investment income	-	726	726
Net gain/(loss) for year	(-)253	726	

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

The discount rate used in the Net Present Value (NPV) calculations should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration.

For a loan to the Youth Hostel included under Long Term Debtors, the fair value has been calculated by applying the underlying gilt rate plus a 3% risk factor.

For all PWLB borrowing, the premature repayment rate has been used as the discount factor.

The purpose of the fair value disclosures is to provide a comparison with the carrying value in the Balance Sheet and therefore accrued interest is included.

	31 st March 2009		31 st March 2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities				
PWLB borrowing	5,810	6,251	5,810	6,078
Deferred liabilities	542	578	-	-
Long term creditors	78	78	-	-
Trade creditors	15,123	15,123	11,420	11,420
Total Financial Liabilities	21,553	22,030	17,230	17,498
The fair value of PWLB borrowing is greater than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rate increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. A similar position exists for a long term loan from Bank of Scotland included under deferred liabilities.				
Loans and receivables				
Youth Hostel loan	-	-	(-)64	(-)70
Other long term debtors	(-)212	(-)212	(-)163	(-)163
Investments	(-)14,004	(-)14,020	(-)12,876	(-)12,844
Trade debtors	(-)5,873	(-)5,873	(-)4,431	(-)4,431
Cash in hand	(-)703	(-)703	(-)109	(-)109
Total Financial Assets	(-)20,792	(-)20,808	(-)17,643	(-)17,617
The fair value of investments is higher than the carrying amount because the Council's portfolio of investments includes fixed rate investments where the interest receivable is higher than the rates available for similar investments at the Balance Sheet date. The receipt of interest above current market rates increases the amount the Council would receive if it agreed to early repayment of the investments. The Youth Hostel loan was repaid in full during 2009..				

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts to the authority
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score. The Council applies a series of minimum ratings based on the type of institution and the duration of investment, which are set out in the treasury management and investment strategy approved annually by the Council. Lending to approved institutions is limited to £3 million to any one borrower or borrower group e.g. parent bank and their subsidiaries.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31st March 2009	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and financial institutions	14,004	0	0	0

The following analysis summarises the Council's assessment of its potential maximum exposure to credit risk in relation to debtors (impairment allowance).

	31st March 2009		31st March 2008	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
	£'000	£'000	£'000	£'000
Long term debtors	212	0	227	0
Current & former tenants	2,800	2,064	2,635	1,944
Other debtors	2,805	900	2,355	1,245
	-----	-----	-----	-----
Total	5,817	2,964	5,217	3,189

Long term debtors include council house mortgages and loans to leaseholders. These are secured on properties.

The movement in the impairment allowance during the year can be summarised as follows:

	31st March 2009	31st March 2008
	£'000	£'000
Impairment Allowance		
Balance as at 1 st April	3,189	3,086
Increase in allowance for impairment	(-1)	256
Balances written off during the year	(-)224	(-)153
	-----	-----
Balance as at 31st March	2,964	3,189

The Council does not generally extend credit to its customers. At 31st March 2009, of the total gross debt figure of £5.8m (£5.2m at 31st March 2008), the past due amount was £5.1m (£4.5m at 31st March 2008) analysed by age as follows:

	31st March 2009	31st March 2008
	£'000	£'000
Less than three months	1,382	898
Three to five months	262	275
More than five months	3,470	3,299
	-----	-----
Total	5,114	4,472

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board (PWLB) there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council's strategy is to ensure that loan maturity dates are spread.

The maturity analysis of financial liabilities is as follows:

	£'000
PWLB Debt	
Less than one year	-
Between one and two years	-
Between two and five years	2,805
More than five years	3,005

Total	5,810

Market Risk

The Council is exposed to risk in terms of interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowing at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowing at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or STGRL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance.

The Council's borrowing from PWLB is at fixed interest rates and therefore changes in interest rates have no effect on the interest expense charged to the Income and Expenditure Account. The PWLB have provided fair values for the Council's existing fixed rate borrowings. However, no information is available to show the impact on fair values of a change in interest rates. A change in value would neither impact on the Income and Expenditure Account, nor the Statement of Total Gains and Losses.

As part of treasury management the Council invests its day to day cash balances for periods of less than one year duration. Based on interest rate movements that occurred during the year the Council achieved an average investment interest rate return for the year of 5.2%. The impact of a 1% increase in the average interest rate for the year would be additional interest income of £138,000 credited to the Income and Expenditure Account. A 1% fall in the average interest rate would have the reverse impact.

Foreign Exchange Risk

The Council has negligible financial assets denominated in foreign currencies and thus has minimal exposure to loss arising from movements in exchange rates (Cash at bank at 31st March 2009 £703,268 of which £2,772 held in Euros).

23. Stocks And Work In Progress

	<u>31st March</u>	
	<u>2009</u> £'000	<u>2008</u> £'000
Stocks		
Other	51	51
	-----	-----
	51	51
	-----	-----

24. Debtors

	31st March					
	<u>2009</u> Gross Debtors £'000	<u>2009</u> Provision for Bad Debts £'000	<u>2009</u> Net Debtors £'000	<u>2008</u> Gross Debtors £'000	<u>2008</u> Provision for Bad Debts £'000	<u>2008</u> Net Debtors £'000
Amounts falling due in one year:						
Government departments	1,950	-	1,950	3,551	-	3,551
Ratepayers	1,073	(-)481	592	380	(-)439	(-)59
Community charge payers	7	(-)7	-	7	(-)7	-
Council tax payers	4,377	(-)1,300	3,077	4,045	(-)1,235	2,810
Housing rents	2,800	(-)2,064	736	2,635	(-)1,944	691
Sundry debtors	5,489	(-)1,031	4,458	4,332	(-)1,407	2,925
Other local authorities	490	-	490	760	-	760
Capital debtors	140	-	140	-	-	-
Amounts falling due after one year:						
Car loans to employees	49	-	49	55	-	55
	16,375	(-)4,883	11,492	15,765	(-)5,032	10,733

25. Creditors

	31st March	
	<u>2009</u> £'000	<u>2008</u> £'000
Government departments	3,114	1,591
Other local authorities	1,159	1,086
Ratepayers	1,096	1,208
Council tax payers	734	718
Housing rents	515	521
Sundry creditors	11,181	6,860
Capital creditors	2,268	2,953
	20,067	14,937

26. Long Term Borrowing

	Balance	Loans	Balance
	1.4.08	Raised	31.3.09
	£'000	£'000	£'000
PWLB	5,810	-	5,810
Total Long Term Borrowings	5,810	-	5,810
Long Term External Borrowing By Maturity			
Maturing in more than one year and less than two years			-
Maturing in more than two years and less than five years	2,805		2,805
Maturing in more than five years and less than ten years			-
Maturing in more than ten years	3,005		3,005
Total investments	5,810		5,810

27. Deferred Liabilities

	31 st March	
	2009 £'000	2008 £'000
Loan finance agreement	542	-
Finance lease obligations	90	-
	-----	-----
	632	-
	-----	-----

The Council acted as a guarantor for a loan made by the Bank of Scotland to Harlow Industrial Association, a company operating from the Latton Bush Centre to provide accommodation units for small businesses. Following the demise of Harlow Industrial Association in 2006 the Council took over responsibility for the loan. The loan obligation should correctly have been reflected in the Council's accounts, and accordingly a deferred liability has been set up at 31 March 2009 for the balance of loan outstanding at that date.

In 1972 the Council entered into a 99-year lease for property formerly known as the Millennium Nightclub. This contract should correctly be treated as a Finance Lease and accordingly a deferred liability has been set up at 31 March 2009 for the outstanding finance lease obligations.

28. 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.

29. Long Term Creditors

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 2008/09 there was an over-recovery of cost of £78,000, which will be refunded to leaseholders in 2010/11.

30. Provisions

A provision has been created at 31 March 2009 for £15,000 for liability for legal costs to be paid by the Council after the balance sheet date.

31. Grants Deferred Account

	2008/09	2007/08
	£'000	£'000
Balance b/f	621	769
Grants received	3,659	4,541
Grants amortised to revenue	(-)2,884	(-)4,689
	-----	-----
Balance c/f	1,396	621

Capital grants received in 2008/09 included government Programme of Development grant (£2,057,000) Sport England & Essex County Council for the Norman Booth Centre (£151,000), and contributions from housing leaseholders towards works to flat blocks (£298,000). See note 7 to the Statement of Accounting Policies set out on page 10 for an explanation of the treatment of government and other grants.

32. Reserves

Reserve	Balance 1.4.08	Net Movement in Year	Balance 31.3.09	Purpose of Reserve	Further Detail of Movements
	£'000	£'000	£'000		
Revaluation Reserve	44,166	18,092	62,258	Store of gains on revaluation of fixed assets	(33) below
Capital Adjustment Account	712,163	(-)88,661	623,502	Store of capital resources set aside to meet past expenditure	(34) below
Usable Capital Receipts	91	(-)91	-	Proceeds of fixed asset sales available to meet future capital investment	(35) below
Pensions reserve	(-)69,753	4,050	(-)65,703	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 43 to the Core Financial Statements page 40
Housing Revenue Account	1,320	209	1,529	Resources available to meet future running costs for council houses	HRA Statements page 46
Major Repairs Reserve	-	-	-	Resources available to meet capital investment in council housing	HRA Statements page 49
General Fund Reserve	2,453	252	2,705	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance page15
Other Earmarked Reserves	4,835	(-)902	3,933	Resources available to meet future specific costs	(36) below
Total	695,275	(-)67,051	628,224		

33. Revaluation Reserve

	2008/09 £'000	2007/08 £'000
Balance at 1 st April	44,166	-
Surplus/(Deficit) on revaluation and restatement of fixed assets	24,222	46,269
Impairment transferred to Capital Adjustment Account	(-)5,900	-
Write out revaluation of disposed fixed assets to Capital Adjustment Account	(-)230	(-)2,103
Balance at 31 st March	62,258	44,166

The Revaluation Reserve records the accumulated gains on the Council's fixed assets arising from increases in value, as a result of inflation or other factors. The reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the assets have been re-valued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Revaluation Reserve represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at re-valued amounts rather than depreciated historical cost.

34. Capital Adjustment Account

	2008/09 £'000	2007/08 £'000
Balance at 1 st April	712,163	750,430
Capital financing		
- Capital receipts	808	2,311
- Revenue	3	-
- Major Repairs Reserve	6,904	6,762
Write out fixed assets value of disposed assets	(-)1,865	(-)2,655
Impairment transfer from Revaluation Reserve	5,900	-
Depreciation & impairment in excess of statutory Minimum Revenue	(-)16,342	(-)7,211

Provision		
HRA adjustment to valuation of garages	-	(-)4,191
HRA depreciation & impairment credited to Major Repairs Reserve	(-)86,173	(-)37,015
Grants deferred written out - General Fund	2,480	3,981
- HRA	405	708
Revenue expenditure funded from capital under statute written down	(-)712	(-)946
Long term debtors written down	(-)69	(-)11
	-----	-----
Balance at 31 st March	623,502	712,163
	-----	-----

The capital adjustment 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, capital receipts and the HRA Major Repairs Reserve. 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.

35. 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 4 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.

	31st March	
	<u>2009</u>	<u>2008</u>
	£'000	£'000
Balance at 1 st April	91	699
Usable receipts in year from sale of assets	2,126	4,794
Usable receipts used to fund capital expenditure in the year	(-)808	(-)2,311
Transfer to I&E account in respect of capital receipts payable to Government Pool	(-)1,409	(-)3,091
	-----	-----
Balance at 31 st March	0	91

36. Earmarked Reserves

Earmarked Reserves	Balance	Contribution	Balance
	<u>1.4.08</u>	(to)/ from	<u>31.3.09</u>
	£'000	General	£'000
		Fund	
	£'000	£'000	£'000
Insurance fund	1,023	(-)318	705
Insurance claims	150	-	150
Maintenance in perpetuity	3,540	(-)623	2,917
Standards committee	0	50	50
Environment fund	122	(-)11	111
	-----	-----	-----
	4,835	(-)902	3,933
	-----	-----	-----

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 2009 the scheme had not been invoked. As at December 2007 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, but as a prudent measure £150,000 has been retained as at 31 March 2009.

Maintenance In Perpetuity

Maintenance in perpetuity reserves includes 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. In 2008/09 £623,000 was contributed to the General Fund, £203,000 to meet maintenance expenditure and £420,000 transferred into the General Reserve in order to maintain the level of the General Reserve balances.

Standards Committee

During the year an earmarked reserve of £50,000 was set up for possible future liabilities arising from the work of the Council's Standards Committee.

37. Euro

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

38. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements. Instead they are disclosed by way of a note if there is a possible obligation, which may require a payment or transfer of economic benefits.

The Council has the following contingent liabilities:

Harlow Council operates an Insurance Fund to cover smaller claims for insurance losses. The Fund balance as at 31 March 2009 was £705,000. This is backed up by the Council's insurance provider, Zurich Municipal, which covers risks of a higher value. Transactions relating to the Council's own Insurance Fund have been completed on an accrued income and expenditure basis. However, the timing and the value of any unreported and unsettled liabilities cannot be determined with any certainty.

Municipal Mutual Insurance (MMI) was the Council's insurer prior to 1992/93. There is a risk that the MMI insurance fund may not be fully solvent. A legal case is currently ongoing which might influence the degree of this risk, especially since the Council has been required to enter into a Scheme of Arrangement with MMI. The Council is currently reserving £150,000 in respect of potential liabilities associated with MMI. However, it is also assessing the risks associated with future settlements, and thus specialist legal advice has been engaged to review the Council's position and potential actions. The timing and likelihood of such costs is uncertain.

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. No fair value for the guarantee has been included under Financial Instruments as the Council considers that the probability of the guarantee being called upon is low.

39. Contingent Assets

Contingent assets are not recognised in the accounting statements. Instead they are disclosed by way of a note if the inflow of a receipt or economic benefit is probable.

Following the outcome of the recent Fleming Conde Nast case earlier in the year an opportunity has arisen for councils to reclaim back overpaid VAT for the periods between 1974 and 1996. In March 2009, Harlow Council submitted a claim for the recovery of VAT paid in relation to Leisure and Cultural services amounting to £357,000. If successful in respect to all, or some, of the claim, the Council will receive a refund of VAT, plus an appropriate sum of interest. A fee will be payable from such a recovery to cover the cost of specialist legal and technical advice. The timing and amount of any receipt is uncertain.

40. Authorisation Of Accounts For Issue

The accounts were authorised for issue by the Chief Financial Officer on 24th September 2009.

41. 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 2008/09 accounts.

42. Trust Funds

The Council administers one trust fund, which is not included in the Balance Sheet. Details of the fund 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 and Investments officer to the Trust. These services are provided by the Council free of charge.

The Trust fund balance is as follows:

	2008/09	2007/08
	£	£
Balance at 1 st April	577,042	633,898
Net movement in year	(-)14,575	(-)56,856
Balance at 31 st March	562,467	577,042

43. 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 defined benefit final salary scheme, with index linked pension benefits. The scheme is a funded scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Under the 2008 SORP the Council has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 1st April 2008 has been restated from £95.062m to £94.967m, a decrease of £95,000, resulting in an increase of the pension deficit of £95,000.

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>2008/09</u> £'000	<u>2007/08</u> £'000
Income and Expenditure Account		
Net Cost of Services:		
Current service cost	1,985	1,808
Past service cost	30	624
Curtailment loss	566	162
Net Operating Expenditure:		
Interest cost	9,947	7,844
Expected return on pension assets	(-)6,209	(-)6,671
	-----	-----
Net Charge to the Income and Expenditure Account	6,319	3,767
	-----	-----
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(-)6,319	(-)3,767
	-----	-----
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	4,894	5,150

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £5.570m (2007/08 £26,613m loss as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £8.803m loss.

In 2008/09 the following pension costs were incurred by the Council:-

- A standard employer's contribution to the fund of £1.361m based upon 12.5% of pensionable pay, plus employees' contributions of £0.737m, a total contribution of £2.098m. (This compares to a standard rate of 182% of the employee contribution rate, and contributions of £1.224m, £0.676m, and £1.900m respectively in 2007/08).

- A fixed charge of £2.587m to cover an overall under funding of the Pension Fund since the date of the previous actuarial revaluation in 2007 (2007/08 £2.890m). Participating authorities were required to make up the shortfall in funding over a 20-year period commencing April 2008.
- A fixed charge of £0.230m 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 (2007/08 £0.205m).
- The Council was responsible for all pension payments relating to added years benefits awarded by the Council under its early retirement scheme. In 2008/09 these totalled £0.725m, which represents 6.0% of pensionable pay (£0.706m and 6.2% respectively in 2007/08).

The estimated contributions expected to be paid in to the Pension Fund in 2009/10 total £5.750m.

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:

Reconciliation of present value of the scheme liabilities

	<u>31.3.09</u> £'000	<u>31.3.08</u> £'000
1st April	(-)164,815	(-)147,188
Current service cost	(-)1,985	(-)1,808
Interest cost	(-)9,947	(-)7,844
Contributions by scheme participants	(-)738	(-)675
Actuarial gains and (-)losses on liabilities	32,039	(-)12,272
Benefits paid	6,219	5,758
Past service costs	(-)30	(-)624
Curtailments	(-)566	(-)162
	-----	-----
31 st March	(-)139,823	(-)164,815

Reconciliation of fair value of the scheme assets

	<u>31.3.09</u> £'000	<u>31.3.08</u> £'000
1st April	95,062	102,570
Adjustment to opening balance	(-)95	
Expected return on fund assets	6,209	6,671
Actuarial gains and (-)losses on assets	(-)26,469	(-)14,246
Employer contributions	4,894	5,150
Contributions by scheme participants	738	675
Benefits paid	(-)6,219	(-)5,758
	-----	-----
31 st March	74,120	95,062

The expected return on scheme assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. The expected return on corporate bonds is based on market yields at the relevant date, but the expected return restricted to 2% over and above that available on gilts. The assumed investment return on equities is the yield on 20-year fixed interest gilts plus an allowance of approximately 3.5% per annum for the "risk premium" associated with equity investment.

The actual return on fund assets in 2008/09 was a loss of £20,260,000 (loss of £4,297,000 in 2007/08).

Scheme History

	<u>31.3.09</u>	<u>31.3.08</u>	<u>31.3.07</u>	<u>31.3.06</u>	<u>31.3.05</u>
	£'000	£'000	£'000	£'000	£'000
Present Value of Funded Benefit Obligations	(-)129,889	(-)153,150	(-)137,266	(-)175,336	(-)152,299
Present Value of Unfunded Benefit Obligations	(-)9,934	(-)11,665	(-)9,922	(-)10,292	(-)9,928
	-----	-----	-----	-----	-----
Total Present Value of Benefit Obligations	(-)139,823	(-)164,815	(-)147,188	(-)185,628	(-)162,227
Fair Value of Fund Assets	74,120	95,062	102,570	123,552	97,833
	-----	-----	-----	-----	-----
Surplus (deficit) in the Fund	(-)65,703	(-)69,753	(-)44,618	(-)62,076	(-)64,394
	-----	-----	-----	-----	-----

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £65.7m at 31st March 2009 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 re-assessed at each triennial valuation, the next full actuarial review due to be carried out as at 31st March 2010.

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 31st March 2007.

The main financial assumptions adopted were:

	<u>31.3.09</u>	<u>31.3.08</u>
Long term expected rate of return on assets in the scheme:		
Equities	7.5%	7.5%
Government bonds	4.0%	4.6%
Other bonds	6.0%	6.1%
Property	6.5%	6.5%
Cash/liquidity	0.5%	5.25%
Mortality assumptions:		
Longevity at 65 for current pensioners - years		
Men	22.0	22.0
Women	24.9	24.8
Longevity at 65 for future pensioners - years		
Men	23.1	23.1
Women	25.9	25.9
Rate of inflation	3.3%	3.6%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	3.3%	3.6%
Rate for discounting scheme liabilities	7.1%	6.1%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The scheme assets consist of the following categories, by proportion of the total assets held:

	<u>31.3.09</u>	<u>31.3.08</u>
	%	%
Equities	74.5	70.2
Government bonds	8.7	9.4
Other bonds	5.3	6.6
Property	9.8	10.7
Cash / liquidity	1.7	3.1
	-----	-----
	100.0	100.0

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

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u> Restated	<u>2008/09</u>
	%	%	%	%	%
Difference between the expected and actual return on assets	4.8	15.6	1.3	(-)11.5	(-)35.7
Experience gains and losses on liabilities	(-)0.9	(-)1.7	0.0	(-)2.8	0.0

The above percentages have been derived from figures 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.

44. Cash Flow Statement

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

	<u>2009</u>	<u>2008</u>
	£'000	£'000
(Surplus) / deficit for year	96,675	36,944
Non revenue cash transactions		
Gain/loss disposal of fixed assets	35	11
Depreciation & impairment, revenue expenditure funded from capital under statute, & amortised capital grants	(-)93,438	(-)33,721
Pension Fund transactions on an FRS17 basis	(-)1,425	1,383
Movement on provisions	242	319
Other non-revenue cash transactions	0	(-)57
	-----	-----
	(-)94,586	(-)32,065

	<u>2009</u>	<u>2008</u>
Items on accruals basis		
Increase / (Decrease) in stocks & WIP	0	8
Increase / (Decrease) in revenue debtors	2,211	(-)570
(Increase) / Decrease in revenue creditors	(-)3,791	21
	-----	-----
	(-)1,580	(-)541
Items included in another classification in statement		
Less borrowing and investment interest	473	718
	-----	-----
	473	718
Transactions not in Income & Expenditure Account		
Collection Fund	(-)1,346	(-)4,530
	-----	-----
	(-)1,346	(-)4,530
	-----	-----
Net cash flow from revenue activities	(-)364	526
	-----	-----

45. Movement In Cash

	Balance <u>1.4.08</u> £'000	Balance <u>31.3.09</u> £'000	Movement <u>in year</u> £'000
Cash at bank	109	703	594
Cash in hand of officers	11	9	(-)2
	<u>120</u>	<u>712</u>	<u>592</u>

46. Movement In Liquid Resources

	Balance <u>1.4.08</u> £'000	Balance <u>31.3.09</u> £'000	Movement <u>in year</u> £'000
Temporary Investments	12,876	14,004	1,128

47. Analysis Of Government Grants

	<u>2009</u> £'000	<u>2008</u> £'000
DSS Grants		
Rent allowances	8,990	8,989
Rent rebates	17,794	16,908
Council tax benefits	<u>7,892</u>	<u>7,162</u>
	34,676	33,059
Other government grants		
Housing benefit administration	877	1,038
Council tax billing	4	
NNDR empty properties	3	
Sheltered employment	84	88
Housing acts-grants towards debt charges	31	36
Homelessness	8	31
Elections	3	-
CPA Capacity Building	-	164
Wildspace & Forestry Commission	2	-
Allotments	-	-
Waste recycling	-	36
Food standards agency	1	44
Crime reduction programme	233	393

	<u>2009</u> £'000	<u>2008</u> £'000
Planning delivery grant	49	204
Concessionary travel scheme	352	47
Sport England	20	-
Growth Area Funding Programme II	669	119
	-----	-----
Total Revenue Grants	2,336	2,200
	-----	-----
Capital Grants		
Disabled Facilities Grant	291	150
Housing grant	117	271
Council tax billing	5	
Growth Area Funding Programme II	5,107	3,505
Home insulation grant	17	-
Crime reduction programme	-	66
Waste minimisation	-	36
Planning delivery grant	24	65
Sport England	-	51
	-----	-----
Total Capital Grants	5,561	4,144
	-----	-----

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	HRA	2008-09	2007-08
	Notes	£'000	£'000
<u>INCOME</u>			
Gross dwelling rents		34,751	33,170
Other rents		2,439	2,434
Charges for services		147	138
Heating charges		449	328
Leaseholders charges		3,335	2,590
Contributions to expenditure		192	97
Capital grant amortised to revenue		405	708
Other income		51	52
		-----	-----
Total Income		41,769	39,517
<u>EXPENDITURE</u>			
Repairs and maintenance		9,117	9,087
Management general		6,140	6,390
Special services		5,729	4,986
Rents, rates, taxes & other charges		20	20
Housing subsidy payable to DCLG	(7)	12,015	10,375
Negative subsidy transfer to the General Fund		692	1,038
Other transfers to General Fund		27	31
Increase in provision for bad & doubtful debts		231	77
Debt management		4	4
Amortisation of intangible fixed assets		72	-
Depreciation	(5)	34,535	24,246
Impairment	(6)	51,566	12,768
Amortisation of deferred charges		-	-
		-----	-----
Total Expenditure		120,148	69,022
		-----	-----
Net Cost of HRA Services per Authority Income and Expenditure Account		78,379	29,505
HRA services share of Corporate and Democratic Core		388	418
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		93	116
		-----	-----
Net Cost of HRA Services		78,860	30,039
Gain (-) / loss on sale of HRA fixed assets		(-)35	(-)11
Interest and investment income		(-)1,024	(-)1,377
		-----	-----
Surplus (-) / deficit for the year on HRA services		77,801	28,651
		-----	-----

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2008-09	2007-08
	£'000	£'000
HRA Income and Expenditure Account surplus (-) / deficit	77,801	28,651
Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(-)78,010	(-)28,648
	-----	-----
Increase (-) / decrease in the HRA Balance for the year	(-)209	3
HRA surplus brought forward	(-)1,320	(-)1,323
	-----	-----
HRA surplus carried forward	(-)1,529	(-)1,320

Note To The Statement Of Movement On The HRA Balance

	2008-09	2007-08
	£'000	£'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year		
Gain / loss (-) on sale of HRA fixed assets	35	11
Net charges made for retirement benefits in accordance with FRS 17	(-)401	(-)382
	-----	-----
	(-)366	(-)371
Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year		
Transfer to / from (-) Major Repairs Reserve	(-)78,864	(-)29,545
Employer's contributions payable to the Essex County Council Pension Fund and retirement benefits payable direct to pensioners	1,220	1,268
Capital expenditure funded by the HRA		
	-----	-----
	(-)77,644	(-)28,277
	-----	-----
Net additional amount required by statute to be debited or credited (-) to the HRA Balance for the year	(-)78,010	(-)28,648

Notes To The Housing Revenue Account

1. Housing Stock

The Council was responsible for managing 9,931 dwellings during 2008/09. The stock was made up as follows:

	<u>2008/09</u>	<u>2007/08</u>
Houses	6,159	6,172
Flats	3,760	3,768
Other	12	12
	-----	-----
	9,931	9,952

The change in stock can be summarised as follows:-

	<u>2008/09</u>	<u>2007/08</u>
Stock at 1st April	9,952	10,000
less: sales, demolitions, transfers etc.	(-)21	(-)46
prior years adjustment	-	(-)2
add: new buildings, acquisitions & equity share properties	-	-
	-----	-----
Stock at 31st March	9,931	9,952

The most recent valuation of HRA assets was at 1st April 2008. The figures included for 31st March 2009 take into account capital expenditure, disposals and depreciation and impairment since that date.

Balance Sheet Valuation of HRA Assets	<u>31st March</u>	<u>1st April</u>
	<u>2009</u>	<u>2008</u>
	£'000	£'000
Operational assets		
Dwellings	626,442	682,769
other land & buildings and equipment	21	11
Infrastructure	0	2,352
	-----	-----
Total	626,463	685,132

The balance sheet valuation for HRA dwellings based on Existing Use Value-Social Housing at the 1st April 2008 was £680.97m. 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 £1,480.37m. The difference between the two values £799.4m shows the economic cost of providing housing at less than the market value.

2. Major Repairs Reserve

	<u>2008/09</u>	<u>2007/08</u>
	£'000	£'000
Balance b/f	0	0
Transfer from Capital Adjustment Account	85,768	36,307
Transfer to HRA – depreciation net of amortised capital grant, in excess of Major Repairs Allowance	(-)78,634	(-)29,199
Transfer to HRA – negative subsidy transfer	(-)230	(-)346
	-----	-----
	(-)78,864	(-)29,545
Financing of capital expenditure on HRA assets	(-)6,904	(-)6,762
	-----	-----
Balance c/f	0	0

In 2008/09 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 £0.230m from the Major Repairs Reserve to the General Fund under the transitional arrangements for former negative subsidy authorities. (£0.346m in 2007/08). A further £0.462m is transferred to the General Fund from housing subsidy (see note 7). This equates to £0.692m in total.

3. HRA Capital Financing

	<u>2008/09</u>	<u>2007/08</u>
	£'000	£'000
Capital Expenditure		
Land	-	-
Dwellings	8,791	12,585
Other property & equipment	899	262
	-----	-----
Total	9,690	12,847
Financed by		
Borrowing	2,068	5,379
Grants	459	706
Usable capital receipts	259	-
Revenue contributions	-	-
Major Repairs Reserve	6,904	6,762
	-----	-----
Total	9,690	12,847

The borrowing of £2.068m in 2008/09 was met from the use of existing Council monies held on investment, rather than by the Council taking out new external loans.

4. Capital Receipts Received In Year

	<u>2008/09</u>	<u>2007/08</u>
	£'000	£'000
Land	20	50
Dwellings	540	949
Other property	53	258
	-----	-----
Total	613	1,257

5. Depreciation

	<u>2008/09</u>	<u>2007/08</u>
	£'000	£'000
Operational assets: dwellings	34,625	24,153
equipment	1	3
Infrastructure assets	(-) <u>91</u>	90
Total	34,535	24,246

6. Impairment

	<u>2008/09</u>	<u>2007/08</u>
	£'000	£'000
Operational assets: dwellings	49,123	12,768
Infrastructure	2,443	-
Total	51,566	12,768

7. HRA Subsidy

Entitlement to government housing subsidy is based upon the position on the Council's Notional HRA, calculated in accordance with subsidy determinations issued by the Secretary of State.

<u>Notional HRA</u>	<u>2008/09</u>	<u>2007/08</u>
	£'000	£'000
<u>Expenditure</u>		
Management & maintenance	16,977	15,651
Major repairs allowance	7,134	7,108
Rental constraint allowance	-	578
Negative subsidy transfer	462	692
	<u>24,573</u>	<u>24,029</u>
<u>Income</u>		
Rents	34,832	33,153
Investment interest	1,653	1,333
Other income	-	-
	<u>36,485</u>	<u>34,486</u>
Notional subsidy receivable / (payable)	<u>(-)<u>11,912</u></u>	<u>(-)<u>10,457</u></u>

Notional management & maintenance is based upon a fixed allowance of £1,699 per dwelling. (2007/08 £1,560). Notional rent income excludes income from garages and hardstandings.

Notional other investment interest excludes interest on HRA cash balances.

The Notional HRA for subsidy purposes reflects a surplus of £11,912,000 (compared to a surplus of £10,457,000 in 2007/08). Following an adjustment to subsidy entitlement for the previous year of £103,000, the actual subsidy payable for 2008/09 shown in the HRA is £12,015,000. Under the subsidy system regulations the Council is required to pay this sum to central government.

In 2008/09 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 £462,000 to the General Fund from the Housing Revenue Account under the transitional arrangements for former negative subsidy authorities (£692,000 2007/08).

8. 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>2008/09</u>	<u>2007/08</u>
	£'000	£'000
Income and Expenditure Account		
Current service cost	308	266
Past service cost	5	92
Settlement gain	-	-
Curtailment loss	88	24
	<u>401</u>	<u>382</u>
Statement of Movement on the HRA Balance		
Exclude FRS17 pension costs	401	382
Include actual pension payments to Pension Fund	1,220	1,268

9. HRA Rent Arrears

Outstanding rent arrears at 31.3.09 total £2,560,000 plus £240,000 overpaid housing benefit (£2,372,000 and £263,000 at 31.3.08). A provision for un-collectable debts has been made at 31.3.09 totalling £2,064,000 (£1,944,000 at 31.3.08).

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

	Note	2008/09 £'000	2007/08 £'000
<u>Income</u>			
Non domestic rates	(2)	43,487	37,814
Council tax	(1)	33,940	32,583
Adj. for previous years community charge	(3)	-	-
Benefits	(1)	7,580	7,064
		-----	-----
		85,007	77,461
<u>Expenditure</u>			
Precepts: Essex County Council		29,489	28,290
Essex Police Authority		3,444	3,282
Essex Fire Authority		1,755	1,689
Harlow District Council		6,821	6,629
Non-domestic rates:			
Payment to National Pool		43,359	37,686
Cost of collection		128	128
Provision for uncollectable amounts:			
Council tax	(4)	268	368
Community charge	(3)	-	-
Contribution to/(-) from Essex County Council	(5)	(-343)	(-186)
Contribution to/(-) from Essex Police Authority	(5)	(-40)	(-21)
Contribution to/(-) from Essex Fire Authority	(5)	(-20)	(-11)
Transfer to/(-) from General Fund	(5)	(-79)	(-44)
		-----	-----
		84,782	77,810
Net income/(expenditure)for year		225	(-349)
Balance on Collection Fund b/f		(-480)	(-131)
		-----	-----
Balance on Collection Fund c/f	(5)	(-255)	(-480)

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: 28,403 for 2008/09.) The basic amount of council tax for a band D property (£1,473.21 for 2008/09) 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 £41,520,000 for 2008/09 was receivable from the following sources:

	£
Billed to Council tax payers	33,940,000
Council tax benefits	7,580,000

2. National Non Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount (45.8p in 2008/09 & 44.1p in 2007/08) 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 £43,487,000 for 2008/09 (£37,814,000 in 2007/08) was based on an average rateable value for the Council's area of £101,097,000 for the year (£99,250,000 in 2007/08).

3. Adjustment For Previous Year's Community Charge

There were no adjustments in 2008/09 for previous years' community charge.

4. Provision For Un-collectable Amounts

In 2008/09 the provision for un-collectable council tax was increased by £268,000. During the year un-collectable debts totalling £204,000 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 £79,000 from its General Fund in respect of prior years council tax balances, and Essex County Council, Essex Police Authority and Essex Fire Authority contributed £343,000, £40,000 and £20,000 respectively as their share of the estimated council tax balance at 31st March 2008.

The deficit balance of £255,000 carried forward at 31st March 2009 will be distributed in the proportion of £181,000 to Essex County Council, £21,000 to Essex Police Authority, £11,000 to Essex Fire Authority and £42,000 to the Council.

In the Balance Sheet on page (18) the Collection Fund balance reflects only Harlow Council's part of the total deficit (£42,000). The remaining part of the deficit relating to Essex County Council and the Police and Fire authorities is included within current debtors (£213,000).

ANNUAL GOVERNANCE STATEMENT

Introduction

1. Scope of Responsibility

- 1.1 Harlow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Council to publish a statement on internal control in accordance with proper practice. The Statement of Internal Control has now been replaced with Annual Governance Statement.

2. The Council's Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The following pages summarise the Council's Governance Framework for the year ending 31st March 2009 and up to the date of approval of this Statement and the Statement of Accounts. This framework reflects the arrangements in place to meet the six core principles of effective governance:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area (Purpose and Outcomes)
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles (Functions and Roles)

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour (Conduct and Behaviour)
- Taking informed and transparent decision which are subject to effective scrutiny and managing risk (Scrutiny and Managing Risk)
- Developing the capacity and capability of members and officers to be effective (Capacity and Capability)
- Engaging with local people and other stakeholders to ensure robust and public accountability (Accountability).

Core Principles

3. Purpose and Outcomes

Strategic Leadership

- 3.1 The Council has a clear vision for the Town and priorities for the year. These are set out in the Corporate Plan¹ and reviewed annually in consultation with the local community. The priorities are:
- Regenerating the Town
 - Promoting a clean, green, healthy and safe environment.
 - Tackling housing need
 - Developing good citizenship
 - Improving Harlow for business
 - Providing value for money
- 3.2 The management team has been restructured to reflect the key priority of *Regenerating the Town*, with a new post of Assistant Chief Executive – Growth and Regeneration created.
- 3.3 The Council is a key member of the Harlow 2020 partnership, which brings together public, private and voluntary sector agencies to work collectively on initiatives to improve the quality of life in the Town. The Corporate Plan reflects the ambitions of the partnership for a “clean, safe, sustainable and healthy town with good educational prospects for its citizens, a variety of homes and jobs to meet local needs, and a range of sporting, leisure and cultural opportunities contributing to a higher quality of life”. These are outlined in the Community Strategy – *Harlow 2020 Vision 2006-09*².

Quality of Service

- 3.4 There are strong links between strategic and financial planning assuring that decisions taken as part of the budget process are considered in the context of the priorities and overall financial position of the Council. Financial projections set out in the Medium Term Financial Strategy³ inform service planning and annual budget setting and ensure resources are aligned to deliver the priorities. Service plans⁴ reflect the priorities, incorporate budgets and reflect the resource requirements for service delivery.
- 3.5 The Star Chamber process ensures scrutiny of service budgets and options for savings, growth, and fees and charges, and considers the impact of decisions on the delivery of services and Council priorities.
- 3.6 There is an integrated approach to reporting on performance through the performance framework. Financial and non financial data is reported to the Corporate Management Team, Budget and Performance Monitoring Working Party monthly and relevant committee i.e. Audit and Improvement Committee and Policy and Resources Committee on a quarterly and annual basis.
- 3.7 The Annual Performance Report⁵, published alongside the Statement of Accounts, provides a comprehensive overview of the Council's activities,

¹ Corporate Plan 2008/09 and Corporate Plan 2009/10

² Harlow 2020 Vision 2006-09

³ Corporate Plan 2009/10 and MTFs

⁴ Service Planning Guidance

⁵ Annual Performance Report

achievements and performance for the year. The Corporate Improvement Plan⁶ captures recommendations from audit and inspection reports.

- 3.8 There is a well established complaints procedure⁷ that records and addresses any shortcomings in service delivery.

Use of Resources

- 3.9 Achieving value for money is a priority. The Value for Money Strategy⁸ outlines the interrelationship between strategies and the expectations for securing best value in the procurement of goods and delivery of services. These expectations are captured in service plans through alignment of service activities and budgets.
- 3.10 The Council has developed a Service Value Analysis Matrix that forms part of the financial and service planning process. The Matrix is used to analyse cost across services, identify potential efficiency savings and inform decision making.

4. Functions and Roles

Effective Leadership

- 4.1 The Council reviewed and revised its Constitution⁹ at the end of 2007/08 and introduced the new Constitution fully after the local elections in May 2008. The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.
- 4.2 The respective roles and responsibilities of members, committees and the statutory posts of Head of Paid Service, Chief Finance Officer (s151 Officer) and Monitoring Officer are set out in the Constitution (Part 2).
- 4.3 The Chief Executive, as Head of Paid Service, is responsible for determining the structure of the Council and the discharge of functions. The Chief Finance Officer, as s151 Officer, is responsible for the administration of the financial affairs of the Council, including ensuring that appropriate advice is given on all financial matters, keeping proper financial records and accounts and maintaining an effective system of internal financial control. The Head of Governance is the Monitoring Officer and responsible for advising the Council on the legality of its decisions and on the conduct of members and officers. Part of the role is to promote and encourage high standards of behaviour in all Council business.
- 4.4 The Council has adopted a standard form of committee report which seeks to ensure that all matters coming to members for decision have first received consideration in respect of all appropriate and necessary legal, professional and technical matters.

^{6a} Improvement Plan 2008/09 and ^{6b} Improvement Plan 2009/10

⁷ Complaints Policy

⁸ Value for Money Strategy

⁹ Constitution

Working Relationships

- 4.5 The Constitution (Part 3) sets out the Scheme of Delegation to Officers¹⁰, including the conditions of delegation and any restrictions. It is currently under review by the Constitution Working Group and a revised scheme will be presented by the end of 2009.
- 4.6 The Constitution (Part 5) contains the Code of Conduct for Members and Officers¹¹, and an Officer/Member protocol¹² governing the relationships between officers and members.
- 4.7 All staff have conditions of employment and job descriptions that set out their roles and responsibilities. Human Resources strategies, policies and procedures are available on the Infonet.
- 4.8 Members receive financial allowances in accordance with the Members' Allowances Scheme contained in the Constitution (Part 6)¹³.
- 4.9 Officers are paid in accordance with the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service, locally agreed collective agreements reached with trade unions and decisions of the Council.

Relationship with Public

- 4.10 The Council's vision, priorities, strategic actions and targets are articulated in the Corporate Plan, and developed in consultation with the local community and key stakeholders. The Council is committed to partnership working and has protocols in place for its three significant partnerships - Harlow 2020, Harlow Renaissance, and Kier Harlow. The Head of Governance and Assistant Chief Executive for Regeneration will be working on a 'Governance Expectations' document during 2009/10 to be used with partner organisations and/or contractors.

5. Conduct and Behaviour

Standards of Conduct

- 5.1 The Council's leadership promotes a climate of openness, support and respect. Standards of conduct and personal behaviour expected of members and officers are defined and communicated through the statutory Codes of Conduct and Officer/Member Protocol. All members are required to sign up to the Members' Code of Conduct, and it is their responsibility to comply with provisions of the code. The code requires members to treat people fairly and with respect, put aside their own interests when conducting council business and to behave in a way that does not bring the council into disrepute. Members and officers are required to register personal interests and declare any gifts or hospitality that they receive. Training is provided by the Monitoring Officer on the constitution and ethical framework.
- 5.2 Observance of the Members' Code of Conduct is monitored and regulated by the Standards Committee. Terms of reference are set out in the Constitution Part 3 Responsibility for Functions. The Committee provides training and

¹⁰ Scheme of Delegation to Officers

^{11a} Members' Code of Conduct and ^{11b} Officers' Code of Conduct

¹² Officer/Member Protocol

¹³ Members' Allowance Scheme

advice on the code and deals with any matters concerning members' conduct and complaints. Standards Committee activity is made known to Full Council.

Organisational Values

- 5.3 The Council has adopted a set of organisational values and behaviours¹⁴ to reflect excellent practice in communications, effectiveness in the job and attributes such as integrity and valuing people. These complement the codes of conduct and promote a strong ethical framework.
- 5.4 Formal appraisals and Personal Performance Plans¹⁵ are used to manage staff performance and behaviour. They also identify individual development and training requirements.
- 5.5 The complaints procedure¹⁶ ensures customers get their needs met in a fast, courteous, fair and consistent manner and a resolution is achieved as quickly as possible. Complaints are taken very seriously and the Council learns from issues raised to help improve services. All complaints are logged through Contact Harlow ensuring a consistency of response. Complainants are kept informed of the stage of their complaint and recourse should they not be satisfied with the response.
- 5.6 The Council seeks to ensure value for money and upholds the public expectation that public funds are spent appropriately, transparently and in an efficient, effective and economic manner. As such the Council seeks to minimise the risks of fraud and corruption. The anti fraud and corruption strategy¹⁷ helps prevent fraud and corruption by promoting detection, undertaking investigation, and implementing corrective measures where detected.
- 5.7 Good practice is pursued in terms of contracts and general financial matters. The Council's Standing Orders Relating to Contracts and Financial Regulations are set out in the Constitution (Part 4). The Head of Governance, as Monitoring Officer, has a duty to maintain an up-to-date version of the Constitution and ensure it is widely available for consultation by members, officers and the public. It is accessible online on the Council website.
- 5.8 The Harlow 2020 Communications Strategy¹⁸ supports effective working relationships between partners and ensures that people who work for, or are members of, partner organisations understand the aims of the partnership and how their organisation's activities link in to the delivery of the Harlow 2020 vision.

6. Scrutiny and Managing Risk

Scrutiny

- 6.1 The Constitution sets out how the Council operates and the process for policy and decision making.
- 6.2 Full Council has overall responsibility for the Constitution, Scheme of Delegation, Terms of Reference, Financial Regulations, Standing Orders and

¹⁴ Our Values and Our Behaviours

¹⁵ Personal Performance Plans

¹⁶ Complaints Policy

¹⁷ Anti fraud and Corruption Strategy

¹⁸ Harlow 2020 Vision 2006-09

Codes of Conduct; and for corporate plans and strategies including the Corporate Plan, Medium Term Financial Strategy and Sustainable Development Plan. Full Council also retains responsibility for the financial performance of the Council (via the Policy and Resources Committee) and regulatory functions (via the Planning Committee and Licensing Committee).

- 6.3 The decision making process is scrutinised by the Scrutiny Committee, which carries out policy development and review in relation to the functions of the policy committees. The Committee is chaired by a member of the opposition and is supported by a designated Scrutiny Officer who also leads on scrutiny reviews. It can also act as Call-In Committee when required.
- 6.4 The committee system ensures that agendas are set and decision making documented in a comprehensive and consistent manner. Pre agenda meetings are held with chairs and vice chairs prior to committee to improve understanding of information. Meetings are generally open to the public and reports, supporting documents and minutes are published on the Council's website.
- 6.5 In order to safeguard members and officers against conflicts of interest and ensure that gifts and hospitality are declared, the Council has adopted a Members' Code of Conduct and Officers Code of Conduct. A protocol governs the relationships between members and officers.
- 6.6 The Audit and Improvement Committee is independent of the policy and scrutiny functions. The Committee's role is to evaluate policy, corporate issues and implementation of strategies relating to the internal audit of Council services and their improvement. It approves the Internal Audit Plan, monitors performance and considers external inspection and internal audit reports, including the Annual Audit and Inspection Letter. It reviews the annual Statement of Accounts and ensures that appropriate accounting policies have been followed. Any concerns arising from the audit or financial statements are referred to Full Council.
- 6.7 The complaints procedure is effective, transparent and accessible. The Council aims to respond to complaints within 10 days and provides a process of recourse should complainants not be satisfied with the response.

Information, Advice and Support

- 6.8 The Council seeks to ensure that those making decisions are provided with information that is fit for purpose by adopting a standard report format, which ensures that all matters coming before members have received appropriate legal, financial, technical and professional consideration.
- 6.9 Policies and procedures ensure the requirements of the Freedom of Information Act, Environmental Information Regulations and Data Protection Act are met.
- 6.10 The Council is committed to securing data quality. There is a corporate framework for the management and accountability of data quality, and assurance is provided by the Essex Trust Charter¹⁹ for data shared between partners.
- 6.11 There is an induction and mentoring programme for new members. Training is provided on the constitution and ethical framework, and specific training is given to committee chairs and vice chairs and members of the Standards,

¹⁹ Essex Trust Charter

Planning and Licensing committees. There is a programme of Member Briefings on various topics as these arise during the year.

Risk Management

- 6.12 The Council recognises the need for comprehensive risk management arrangements for its services and partnerships. The Risk Management Strategy²⁰ sets out the approach for managing risk at a strategic and operational level. The Policy and Resources Committee is responsible for ensuring the effectiveness of the risk management arrangements and for seeking assurances that action is being taken on risk related issues identified by auditors and inspectors.
- 6.13 The Council's corporate risk register is reviewed annually and actions are taken to mitigate the risks identified. The most significant risks to the Council are:
- Financial savings adversely affecting Council priorities
 - Insufficient investment in the Town
 - Perception of crime fails to reduce, or actually increases
 - Failure of effective corporate governance
 - The Council experiences difficulty in recruiting and retaining key staff
 - The existing Waste and Recycling contract expires in 2009
 - Harlow's image does not improve.
- 6.14 This approach is mirrored at service level. The review of risk is an integral part of annual service planning²¹. Risks are identified through a Service Risk Log and Risk Analysis and mitigating actions developed and assigned. In addition, specific project risks are considered as part of the Council's project management methodology²², with requirements for risk analysis and mitigation as part of project planning. Risks are regularly reviewed and reported in Highlight Reports to the Project and Programme Management Group.
- 6.15 Risk management is key to effective partnership working and consideration is given to risk identification, analysis and mitigation. Risks are subject to regular review and reporting to the relevant governing body.
- 6.16 Business continuity arrangements are in place for ICT recovery. The Council has a disaster recovery site²³ and business contingency plan²⁴ which covers business critical information systems and telecommunications.
- 6.17 The Council has a strong ethical framework and maintains high standards of conduct. Members and officers are aware of whistleblowing arrangements, and the Confidential Reporting Procedure²⁵ is published on the Infonet.

Legal Powers

- 6.18 The Council understands its legal powers and limitations, and seeks to ensure that it acts responsibly and lawfully at all times. The Head of Governance, in his role as Monitoring Officer, is responsible for advising the

²⁰ Risk Management Strategy

²¹ Service Planning Guidance

²² Project Management Methodology

²³ ICT Disaster Recovery Strategy

²⁴ ICT Backup and Recovery Strategy

²⁵ Confidential Reporting Procedure

Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration, and therefore, performs a key function in ensuring lawfulness and fairness in the operation of the Council's decision making process. The Chief Finance Officer, as s151 officer, is responsible for ensuring that sound financial systems are maintained and that expenditure is lawful and appropriate.

- 6.19 The Council's standard report writing format and processes ensure that all matters coming before members have received the appropriate legal 'vetting' before being submitted.

7. Capacity and Capability

Skills and Resources

- 7.1 There is a strong working relationship between members and staff, and the Council aims to ensure that they have the skills, resources, and support needed to perform effectively in their roles and recognises the value of training in achieving excellent performance.
- 7.2 The Council has an embedded induction process, tailored to meet the needs of members and officers. Officer induction consists of a corporate induction²⁶ held usually on a monthly basis or as required, and a local induction held immediately upon arrival. The Council has a duty to provide so far as is reasonably practicable, the necessary information, instruction, training and supervision to ensure the health and safety at work of all employees. The corporate induction covers an introduction to policy and performance, equality and diversity, health and safety and project management. Local inductions cover departmental and work specific issues and are usually undertaken by the recruiting manager.
- 7.3 New members receive an induction pack and two mentors - an experienced member and a senior officer. One-to-one training is provided by the monitoring officer on the constitution and ethical framework. On joining, members agree to the code of conduct ensuring high standards in the way they undertake their duties. Training and advice on the code of conduct is provided by the Standards Committee. In addition, training is given on the New Standards Regime and Standards Committee procedures, Freedom of Information and Data Protection Acts, Purdah, Constitution, Licensing and Planning legislation/procedures, chairing committees for chairs and vice chairs and the declaration of interests/receiving of gifts. Training has been recently provided on Treasury Management and Debt Recovery.

Development and Performance

- 7.4 The Council provides a full range of development opportunities for members. A new system is being implemented for registering member training and development which will support members in identifying and addressing their own development needs.
- 7.5 Staff performance is managed using Personal Performance Plans (PPPs). These are aligned to service plans and provide a focus on the Council's values and behaviours in underpinning the work of individuals and teams. Development and training needs are identified during the appraisal process and help inform the overall development needs of the Council.

²⁶ Corporate Induction Programme

- 7.6 There is a strategic approach to workforce planning that reflects the corporate priorities and supports the delivery of services. Workforce planning is aligned to service planning and vacancies are considered against the current workforce plan prior to being filled. The People Strategy²⁷ has a strong emphasis on organisational development and learning. The strategy is currently under review.

Community Participation

- 7.7 Effective arrangements are in place to engage the community and encourage participation in decision making. The Council undertakes extensive consultation in developing its priorities and consults regularly on a broad range of issues to establish the views of the community.
- 7.8 Liaison meetings are held with community groups such as the Harlow Area Access Group, Harlow Ethnic Minority Umbrella, Muslim Prayer Centre and Chinese Centre to communicate information and gain feedback on services. The Council is looking to establish a Consultation Forum to engage more communities in decision making.
- 7.9 The Community Engagement and Communications Strategy²⁸ is under review, and the Peoples Panel²⁹ has been refreshed.
- 7.10 Council and Harlow 2020 meetings are held in public, except when confidential papers are discussed.

8. Accountability

Scrutiny and Accountability

- 8.1 Members are democratically accountable in general terms to the local electorate. They are accountable for ethical behaviour under the terms of the of the Members Code of Conduct which fully mirrors the National Code of Local Government Conduct. All members undertake to be guided by this Code in their actions as local councillors. The accountabilities of staff are set out in their job descriptions and there is an Officers' Code of Conduct.
- 8.2 Much of the Council's work is delivered in partnership. There are good governance arrangements in place for the three significant partnerships – Harlow 2020, Harlow Renaissance and Kier Harlow. The Head of Governance and Assistant Chief Executive for Regeneration will be working on a 'Governance Expectations' document during 2009/10 to be used with partner organisations and/or contractors.
- 8.3 The Council is the accountable body for the local strategic partnership, Harlow 2020, and is a key partner in shaping and delivering the Community Strategy. Harlow 2020 has a clear vision for the future of the Town and a set of strategic priorities, which are outlined in the Community Strategy. These have been developed in consultation with local people and based on an assessment of local need.
- 8.4 There are two statutory partnerships reporting into Harlow 2020 – the Safer Harlow Partnership and Harlow Children and Young People's Strategic

²⁷ People Strategy

²⁸ Community Engagement and Communications Strategy

²⁹ People's Panel

Partnership. The Council is the lead agency on these partnerships and ensures that services commissioned by them (e.g. as part of the Community Strategy) are based on a sound multi-agency analysis of local need and consultation with the local community.

- 8.5 There are formal monitoring arrangements in place to ensure that these significant partnerships operate effectively.

Communications

- 8.6 The Constitution sets out powers to enable the Council to provide clear leadership to the community in partnership with others and supports the active involvement of the community in decision making.
- 8.7 The Council has effective arrangements for managing communications with the community. It has a corporate identity used to brand communications and services, which helps inform customers of the services provided by the Council.
- 8.8 The Community Engagement and Communications Strategy aims to inform and consult communities of interest and, where appropriate, enable their participation in decision making. The Strategy is currently under review.
- 8.9 The Council's magazine *Harlow Times* is distributed quarterly to all households and is available on the website. The magazine provides essential information about living in Harlow and local services.
- 8.10 The Council's website is regularly updated and provides access to sources of information, advice and online payments.
- 8.11 A wide variety of public consultations are carried out on various issues to establish the views of the community. These include a biennial residents' survey, service based consultations, the Local Development Framework and People's Panel. The results of consultations are available on Infonet and the website.
- 8.12 The Harlow 2020 Communications Strategy³⁰ aims to promote awareness of the partnership's activities and engage with stakeholders and local people.
- 8.13 The Council publishes an Annual Performance Report³¹, alongside the Statement of Accounts³², that sets out its achievements and performance against the priorities in the Corporate Plan. An annual briefing on the activities of the scrutiny function is provided by the chair of Scrutiny Committee at its first meeting of the municipal year.

Responsibility to Staff

- 8.14 Staff are kept informed of issues before Council by means of departmental and team meetings. Key information is communicated by the Weekly Information Sheet from the Chief Executive. 'Ask Malcolm' is a mechanism for staff queries and the 'Bright Ideas' staff suggestion scheme encourages ideas for service improvements and efficiencies for consideration by the Corporate Management Team. The Council recognises Unison and GMB as the trade unions for negotiations and consultations. The unions are informed

³⁰ Harlow 2020 Vision 2006-09

³¹ Annual Performance Report

³² Statement of Accounts

either via monthly consultation meetings or as required of proposals involving changes to staff and services.

Effectiveness of Governance Framework

9. Review of Effectiveness

9.1 Harlow Council annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies. Full Council and its committees consider changes to the Council's governance arrangements including the results of reviews and audits as necessary.

9.2 Both in year and year end reviews of governance arrangements have taken place.

In Year Reviews

9.3 The in year reviews have included:

- Internal Audits
- External Audit and Inspection
- Reports to the Audit and Improvement, Policy and Resources, Scrutiny and Standards committees.

Internal Audits

9.4 Audits have been undertaken according to the annual Internal Audit Plan, approved by the Corporate Management Team and Audit and Improvement Committee. These have included Council Tax, housing benefits, non domestic rates, creditors, the general ledger, fixed assets, treasury management, Kier Harlow performance indicators, and financial regulations. From 2009/10, the Internal Audit Plan³³ will adopt a risk based approach linked to the Council's priorities. Both Harlow Renaissance and Kier Harlow are scheduled for a strategic review, which will involve a review of budgets and governance arrangements.

External Audit and Inspection

9.5 The Council's external auditors, the Audit Commission, have undertaken several audits and inspections providing the Council with an external opinion on its financial management, partnership arrangements and use of resources.

- Review of the Joint Venture Company (Kier Harlow)³⁴
- Review of Budget Preparation Arrangements³⁵
- Benefits Service Diagnostic³⁶
- Annual Governance Report³⁷
- Use of Resources Assessment³⁸

³³ Internal Audit Plan

³⁴ Review of the Joint Venture Company (Kier Harlow)

³⁵ Review of Budget Preparation Arrangements

³⁶ Benefits Service Diagnostic

³⁷ Annual Governance Report

³⁸ Use of Resources Assessment

- Data Quality³⁹
 - Annual Audit and Inspection Letter⁴⁰
- 9.6 The Audit Commission has provided a positive review of the Joint Venture Company (Kier Harlow) stating that governance arrangements are *“clear and transparent”* with a *“strong working partnership relationship”*. In their Review of Budget Preparation Arrangements they stated that *“priorities have a high profile within the Council and are clearly linked to expenditure plans”*, and in their Use of Resources Assessment that *“while costs have been reduced, performance has continued to improve”*.
- 9.7 They stated in the Annual Audit and Inspection Letter 2007/08 that there is a *“structured approach to improvement planning and effective partnership working with the LSP”* and that the Council is *“taking positive steps to develop its capacity through partnership working”*. They acknowledged that *“value for money has improved”* and issued an unqualified opinion on the Council’s 2007/08 Statement of Accounts.

Corporate Management Team

- 9.8 The Corporate Management Team reviews the work of the council and forthcoming decisions, ensuring that appropriate and timely advice is provided to Members and that officers are working within the powers delegated to them within the Constitution. Members of Corporate Management Team work closely with the Council’s committees ensuring that they are provided with high quality reports that clearly state the implications of potential decisions in relation to issues such as equality, finance, human resources, sustainability and legal.

Full Council

- 9.9 Full Council’s powers and relationships with its various committees are set out in Part 1 (Articles of the Constitution) and Part 3 (Responsibility for Functions) of the Constitution. Full Council receives the minutes of each committee including Audit Committee and has specific responsibility for key decisions such as the approval of the budget (including the level of Council Tax and Council Housing Rent). It approves the Medium term Financial Strategy and the Treasury Management Strategy and monitoring report.

Audit and Improvement Committee

- 9.10 The Audit and Improvement Committee has received reports on performance, (including on the local area agreement and Harlow 2020), strategic risks, internal audits and external inspections (including the Annual Audit and Inspection Letter). It has reviewed the Statement of Accounts and ensured that appropriate accounting policies have been followed.

Policy and Resources Committee

- 9.11 The Policy and Resources Committee has received reports on performance and strategic planning (including consultation on the Corporate Plan), asset management, financial management and budget monitoring (including the

³⁹ Data Quality

⁴⁰ Annual Audit and Inspection Letter

Statement of Accounts, Interim Budget, Charging Policy, Treasury Management Strategy, Medium Term Financial Strategy and Audited Annual Accounts) and procurement (including on Standing Orders Relating to Contracts).

Budget and Performance Monitoring Working Party

9.12 The Budget and Performance Monitoring Working Party, which reports into the Policy and Resources Committee, has received monthly budget and performance monitoring reports.

Scrutiny Committee

9.13 The Scrutiny Committee has undertaken to review community engagement and the complaints procedure.

Standards Committee

9.14 The Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of members, including referrals to the Standards Board. Their work has included reviewing the criteria for assessment of complaints and responding to the Government's consultation on changes to the Code of Conduct for Members and Employees.

Year End Reviews

9.15 The year end reviews have included:

- Review of External Audit and Inspection Reports⁴¹
- Audit Opinion on System of Internal Control⁴²

Review of External Audit and Inspection Reports

9.16 A review of external audit and inspection reports has been undertaken and recommendations captured in an Improvement Plan for 2009/10, which will be monitored during the year.

Audit Opinion on System of Internal Control

9.17 Accounting and Audit Regulations require all local authorities to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal audit".

9.18 During the year, Internal Audit has not carried out any independent reviews on governance arrangements or risk management.

9.19 A limited amount of audit work has been completed due to the number of audits on the Audit Plan being unrealistic given the audit resource available. Therefore only limited assurance has been given on the overall adequacy and effectiveness of the Council's control environment.

9.20 The Council has been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Improvement Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

⁴¹ Audit Commission Recommendations from 2008/09

⁴² Annual Audit Report

10. Significant Governance Issues

10.1 The review process has highlighted a number of significant issues regarding the governance environment and the improvement activity required. These are described briefly in the table below.

No.	Issue	Audit/ Inspection	Improvement Activity
1	Systematic reporting of budget performance aligned with service performance had not been carried out.	Budget Preparations	The Budget and Performance Monitoring Working Party (BPMWP) has agreed an approach to integrating finance and performance information. Information about the Council's performance will also be considered in setting the 2009/10 budget
2	The asset register had not been reviewed or maintained.	Annual Governance Report	A business case for the development and implementation of a new asset register has been prepared, and a new asset register is in the process of being implemented.
3	The risk management strategy had not been updated. Corporate risks had not been regularly monitored nor actions plans evidenced and reported. Arrangements for identifying and managing risks, particularly in relation to partnerships had not been embedded.	Use of Resources	Separate risk workshops involving Members and senior officers took place in July 2009. The outcome of these workshops, the purpose of which was to identify the key strategic risks and the Council's response, would be presented to the Audit Committee in November 2009
4	During the year, Internal Audit has not carried out any independent reviews on governance arrangements or risk management	Statement of Internal Control	Capacity of Internal Audit has been improved with the appointment of a permanent Head of Internal Audit and risk based audit plan which includes independent reviews of governance arrangements and risk management
5	A limited amount of audit work has been completed due to the number of audits on the Audit Plan being unrealistic given the audit resource available. Therefore only limited assurance has been given on the overall adequacy and effectiveness of the Council's control environment	Statement of Internal Control	Capacity of Internal Audit has been improved with the appointment of a permanent Head of Internal Audit and risk based audit plan

11. Certification

- 11.1 The Council proposes over the coming year to take steps to address the issues identified to further enhance its governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Signed:

Date:

(Leader of the Council)

Signed:

Date:

(Chief Executive)

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Independent auditor's report to the Members of Harlow District Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Harlow District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of 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 Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Harlow District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Strategic Director and auditor

The Strategic Director's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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 accounting statements and related notes 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 accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

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.

Conclusion

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 May 2008 and updated in February 2009, and the supporting guidance, 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 2009.

Certificate

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.

Christine Connolly

Officer of the Audit Commission

2nd Floor, Sheffield House, Lytton Way, Off Gates Way, Stevenage,
SG1 3HG

Date: 30 September 2009