

STATEMENT OF ACCOUNTS

2001/2002

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 2001/02 are set out on pages (7) to (41).

(a) Consolidated Revenue Account. (Page 11)

This Statement shows expenditure and income for the year for all of the functions for which the Council is responsible, and shows how the net cost has been financed from general government grants and income from local taxpayers.

(b) Housing Revenue Account. (Page 17)

This shows income and expenditure relating to Council housing.

(c) Collection Fund. (Page 21)

The Council administers a separate account called the Collection Fund into which income from council tax, poll tax 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 and Harlow Council services are met.

(d) Consolidated Balance Sheet. (Page 24)

This sets out the financial position of the Council on 31st March 2002.

(e) Cash Flow Statement. (Page 36)

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

(f) Group Accounts (Page 38)

These accounts consolidate the Council's own accounts with the accounts of companies and trusts in which the Council has a controlling interest.

3. Where the Money Comes From

In 2001/02 the Council spent £68.8m on services. The following table sets out the main sources of income utilised to pay for those services.

	2001/02		2000/01	
	£M	%	£M	%
Collection Fund precept	5.9	9	5.7	9
Non-domestic rates	2.8	4	2.9	4
Government Revenue Support Grant	4.7	7	4.3	6
Specific government grant	10.5	15	8.3	12
Rents	31.9	46	31.9	48
Fees and Charges	9.9	14	7.2	11
Investment interest	1.1	2	4.2	6
Agency Works	2.0	3	1.8	3
Repayment of lost Investments			0.8	1
	-----	-----	-----	-----
	68.8	100	67.1	100

Rents, the largest source of income, relates primarily to housing dwellings plus neighbourhood shops & hatches.

The Government provided £10.5m grant towards the cost of specific services, which included rent allowance subsidy, council tax benefit subsidy and housing revenue account subsidy.

The Government also provided £4.7m Revenue Support Grant and £2.8m from the National Non Domestic Rating Pool towards the general cost of Council services.

Income from council tax, via the Collection Fund precept raised £5.9m.

The other main sources of income were fees & charges levied on services provided by the Council, investment interest income and Agency works reimbursed by Essex County Council.

4. What the Money is Spent on.

An analysis of council expenditure is set out below

	2001/02		2000/01	
	£M	%	£M	%
Employees	28.8	42	27.5	41
Running expenses	38.1	55	36.1	54
Capital financing charges	1.9	3	3.5	5
	-----	-----	-----	-----
	68.8	100	67.1	100

Employees expenditure relates to the salaries & wages cost of staff employed by the Council, including Direct Service Organisation (DSO) employee costs.

Running expenses covers a wide range of items such as building repairs & maintenance and heating & lighting, contract costs for services such as ground maintenance & refuse collection, administration overheads and miscellaneous items such as expenditure on bus passes, rent & council tax rebates and grants to local voluntary organisations.

Capital financing charges in 2001/02 refer to capital expenditure financed from revenue contributions. In 2000/01 it also included loan repayments and interest charges on Council borrowing incurred in previous years to finance the acquisition & construction of long term assets.

5. The Services Provided.

	2001/02		2000/01	
	£M	%	£M	%
Housing	24.1	35	21.5	32
Housing benefit	21.4	31	20.5	31
Caring & leisure services	6.9	10	6.5	10
Agency works	2.0	3	1.8	3
Other services	14.4	21	16.7	24
	-----	-----	-----	-----
	68.8	100	65.1	100

The main area of council spending (66%) is on the provision of housing services together with payment of housing benefits (rent rebates £12.7m rent allowances £4.7m and council tax rebates £4.0m).

Other services expenditure covers the remaining wide range of services provided by the Council, from refuse collection and street cleansing, to environmental health, revenues collection and the Advice Centre.

6. The General Fund Budget

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
	£M	£M	£M
Net expenditure on services	14.5	14.5	
Capital financing charges		1.7	1.7
Investment interest income	(-)1.1	(-)1.0	0.1
Contribution from reserves		(-)1.8	(-)1.8
	-----	-----	-----
	13.4	13.4	0.0
Met From :			
Council Tax	5.9	5.9	
Non domestic rates	2.8	2.8	
Government Revenue Support	4.7	4.7	
	-----	-----	-----
	13.4	13.4	0.0

In the year net expenditure on services was as originally budgeted for. The Council had budgeted in the previous year to fund capital projects from revenue of £1.7m, which due to under-spending in the capital programme in that year, did not occur until 2001/02. Investment interest income was £0.1m less than originally budgeted for.

As a consequence, the use of reserves to support services was £1.8m more than originally budgeted for.

7. Capital

The Council incurred capital expenditure totalling £13.9m in 2001/02 against an approved programme of £18.5m. Schemes to the value of £5.7m are to be carried forward for completion in 2002/03.

Major housing schemes included general improvements to the housing stock £6.5m, grants to housing association's £0.2m and disabled facilities grants £0.2m.

Other schemes included town wide infrastructure works £0.4m, Bus station redevelopment £0.79m, IT procurement £1.0m, acquisition of vehicles £0.5m and early retirement/redundancy payments £0.75m.

8. Single Regeneration Budget

The Single Regeneration Budget scheme "Regeneration Through Youth" commenced in 1998/99. As the Accountable Body for the project the Council was responsible for monitoring scheme progress and processing SRB grant payments. During the year £363,000 SRB grant was received from the Government to be redistributed to the relevant participants in the project.

9. Accounting Policies

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

10. Further Information

Further information about the accounts is available from the Financial Services Department, Town Hall, The High, Harlow CM20 1HJ.

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.

**KEN SMITH
HEAD OF FINANCIAL SERVICES**

AUDITORS' REPORT TO HARLOW DISTRICT COUNCIL

I have audited the statement of accounts on pages 1 to 41 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 10.

Respective responsibilities of Chief Financial Officer and Auditors

As described on page 41 the Chief Finance Officer is responsible for the preparation of the statement of accounts. My responsibilities as independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

Basis of Opinion

I carried out my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant audit standards.

My audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the authority in the preparation of the statement of accounts 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 consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is 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 statement of accounts.

Opinion

In my opinion the statement of accounts presents fairly the financial position of Harlow District Council as at 31 March 2002 and its income and expenditure for the year then ended.

Certificate

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

Signature

Date

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting: a statement of recommended practice was issued in 2000 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the accounting standards (SSAPs and FRSS). They comply therefore with “proper accounting practice” under the terms of the Local Government and Housing Act 1989.

2. Fixed Assets

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

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

From April 2001 the Government introduced a new financial framework for local authority housing based on a form of resource accounting. As part of this framework the housing stock was revalued on the basis of existing use value – social housing.

The current asset values used in the accounts are based upon valuations made by the District Valuation Officer as at 1st April 2000. Additions since that date are included in the accounts at cost. It is the Council's policy to revalue all of its fixed assets on a four year rolling programme. However, the accounts have not been adjusted for a re-valuation at 1st April 2001; the accounts will be adjusted for the next re-valuation at 1st April 2002, which has not yet been undertaken.

3. Depreciation

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:

<i>Buildings</i>	<i>10 - 30 years</i>
<i>Infrastructure</i>	<i>40 years</i>
<i>Vehicles and Plant</i>	<i>5 - 10 years</i>
<i>Equipment</i>	<i>5 - 10 years</i>

For HRA dwellings the Major Repairs Allowance is used as the basis for depreciation.

With regard to equipment, the Council's policy is for depreciation to be charged in the year of acquisition but not in the year of disposal. To provide a more accurate charge to vehicle users, for individual vehicles costing less than £100,000 a half-years depreciation will be charged in both the year of acquisition and disposal. For individual vehicles costing in excess of £100,000 depreciation will be charged on a monthly basis in both the year of acquisition and disposal.

4. Deferred Charges

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

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

It is the Council's policy to write down early retirement and severance deferred charges to revenue accounts in the year expenditure is incurred; other deferred charges are written down to revenue over a 5 year period.

5. Capital Charges

Capital charges made to service revenue accounts equate to the sum of depreciation plus a notional interest charge based on the asset valuation at the commencement of the year, the interest rate prescribed by the Secretary of State each year

The notional rates of interest used are 6% for those fixed assets included in the balance sheet at current value and 6% for infrastructure and community assets, which are included in the balance sheet at historical cost.

6. 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 Capital Financing Reserve in the year of receipt.

7. Capital Financing Charges

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

The sums set aside must include:

- *a minimum revenue provision for principal repayments.*
- *a specific portion (the reserved part) of capital receipts arising from the sale of assets.*
- *a minimum revenue provision in respect of notional interest on credit arrangements.*

The Minimum Revenue Provision set aside from revenue accounts is based upon a fixed percentage of the Council's opening credit ceiling (The amount of outstanding advances from the Council's loans pool at 1st April minus the reserved part of capital receipts at 1st April). For housing the specific percentage is 2% and for other services the percentage is 4%.

8. Leases

Rentals payable under operating leases are charged to revenue. See note 6 to the Consolidated Revenue Account for details of current obligations. Rental payments under finance leases are apportioned between the finance charge and the principal element, ie the reduction of the liability to pay future rentals. The finance element of the rentals is charged to the asset management revenue account. Currently all of the Council's finance leases have entered their secondary period, the capital element being discharged and this policy therefore no longer applies to existing finance leases.

9. Capital Receipts

Under the capital finance regulations, capital receipts arising from the disposal of fixed assets are apportioned between 'reserved' and 'usable' elements in the following proportions:

	<u>Reserved</u>	<u>Usable</u>
	%	%
Sales of Council houses/flats	75	25
Sale of Other housing assets	50	50
Sale of Other assets	0	100

The reserved sums are set aside and are credited to the capital financing reserve. The usable sums are held within the usable capital receipts reserve, until such time as they are used to finance further capital expenditure. As the Council is debt-free, it is permitted under the regulations to use 100% of capital receipts to finance new capital expenditure.

10. Investments

Investments are shown in the Consolidated Balance Sheet at market valuation. Short term investments are realisable within one year and are only made with approved organisations as set out in the Council's Treasury Policy Statement. See note 8 to the Consolidated Balance Sheet for further details.

11. Debtors and Creditors

In accordance with Code of Accounting Practice and SSAP2 the transactions of the authority are recorded on an income and expenditure basis. Thus, all sums due to or from the authority 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 31st March, although a full years income is credited to the accounts.

12. Stocks and Work in Progress

(a) Stocks in hand relate in the main to stocks held at the Council's central and transport stores, valued on an average cost basis.

(b) Work in progress, valued at cost, relates to expenditure incurred on works which are incomplete at 31st March.

13. 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>
Central Departments	Estimated time spent by staff
Administrative Buildings	Area occupied
Common Services (Printing, photocopying etc.)	Usage

The Council is moving towards a system of allocating central costs based upon Service Level Agreements for each Support Service as recommended in the CIPFA Code of Practice.

14. Pensions

The Council pays an employer's contribution into the Essex Superannuation Fund, a Local Government funded pension scheme administered by Essex County Council. Payments that are outside of the terms of the pension fund, such as benefits awarded for ill health and early retirements, are the responsibility of the Council on a pay as you go basis. Full details of payments can be found in note 1 to the Consolidated Revenue Account.

15. Provisions & Reserves

Provisions are made in respect of specific future liabilities faced by the Council, for which the amount and time of payment cannot yet be determined.

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 & reserves are set out on pages (30) and (33).

16. Internal Interest

Interest is credited in total to the General Fund with the following exception:-

(a) Interest is credited to the Housing Revenue Account for the equated movement of funds during the year.

17. Treatment of interest Income on Long Term and Temporary Investments

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

CONSOLIDATED REVENUE ACCOUNT 2001/02

<u>2000/01</u>		<u>NOTES</u>	<u>EXPENDITURE</u>	<u>INCOME</u>	<u>NET</u>
<u>£'000</u>			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	Continuing Services				
4,079	Central Services		9,748	4,558	5,190
1,441	Cultural Services			589	1,434
			2,023		
2,052	Environmental Services		3,501	1,309	2,192
1,214	Highways, Roads & Transport		2,032	664	1,368
(-)28	Housing		6,430	6,196	234
2,608	Parks, Recreation & Sport		4,022	765	3,257
1,614	Planning and Economic Regeneration & Development		4,208	2,250	1,958
1,879	Social Services		2,888	846	2,042
1,631	Other Services	(7)	2,099	163	1,936
94	Internal Insurance Account		603	318	285
(-)718	Provisions & Write-Offs	(2)	37	0	37
			-----	-----	-----
15,866			37,591	17,658	19,933
(-)418	Housing Revenue Account		33,948	33,986	(-)38
			-----	-----	-----
15,448	Net Cost of Services		71,539	51,644	19,895
(-)81	Net Surplus on Trading Undertakings	(3)			(-)65
9,100	Transfer to/(from) Asset Management Revenue Account	(4)			6,273
(-)3,992	Interest and Investment Income				(-)975

20,475	Net Operating Expenditure				25,128
	APPROPRIATIONS				
418	HRA Surplus/(Deficit) Transferred to HRA Balances				38
1,150	Contribution to/(from) Earmarked Reserves				95
0	Contributions to/(from) Capital Reserves				0
(-)8,781	-Provision for repayment of External Loans				(-)10,216
		(5)			
229	-Financing of Capital Expenditure				1,693
763	Contribution to/(from) General Reserve				(-)1,844
(-)1,412	Deferred Charges				(-)1,449

12,842	Amounts to be met from Government Grants and Local Taxation				13,445
	SOURCES OF FINANCE				
(-)5,670	Demand on the Collection Fund				(-)5,884
(-)13	Collection Fund Transfer				
(-)4,271	Revenue Support Grant				(-)4,702
(-)2,888	Non-Domestic Rate Income				(-)2,859
0	Net General Fund (Surplus)/Deficit				0
(-)1,152	Balance on General Fund b/f				(-)1,152

(-)1,152	Balance on General Fund c/f				(-)1,152

NOTES TO CONSOLIDATED REVENUE ACCOUNT

1. Pension Costs

Harlow Council employee's pensions are administered through the Essex County Council Pension Fund, which provides members with defined benefits related to pay and length of service.

In 2001/02 the following pension costs were incurred by the Council :-

- A standard employer's contribution to the fund of £2.138m based upon 188% of employee's contributions of £1.137m, a total contribution of £3.275m.

(This compares to a standard rate of 188% and contributions of £2.093m, £1.112m and £3.205m respectively in 2000/01).

- A fixed charge of £0.9m to cover an overall under funding of the Pension Fund since the date of the previous actuarial revaluation (2000/01 £0.857m).

Participating authorities will be required to make up the shortfall in funding over a 13- year period commencing April 1999.

- A fixed charge of £0.848m 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. This sum was charged to the Council's capital programme (2000/01 £0.358m).

- The Council was responsible for all pension payments relating to added years benefits awarded by the Council under its early retirement scheme.

In 2001/02 these totalled £0.569m, which represents 2.8% of pensionable pay. (£0.495m and 2.5% respectively in 2000/01)

The pension Fund's Actuary has advised that the pension costs it would have been necessary to provide for in accordance with SSAP 24 'Accounting for Pension Costs' are £3.012m representing 15.02% of pensionable pay.

The capital cost of discretionary increases in pension payments in 2001/02 totalled £0.966m. The capital cost in relation to earlier years for which payments are still being made totalled £8.935m.

2. Provisions & Investment Write Ons

In 2001/02 the Council increased its provision for future possible liabilities by £67,000, of which £30,000 was charged direct to the Market Trading account. Detail of specific provisions is set out in note (13) to the Balance Sheet on page (30).

3. Trading Services

(i) Market.

This undertaking has been run by an external company acting as the Council's agent since November 2000. In 2001/02 an agreed Fixed Annual Sum of £76,000 was paid to the Council by the agent. Net costs of £78,700 resulted in a deficit of £2,700.

In 2000/01 the turnover was £97,000 for the 7 months up to the end of October. For the remaining 5 months a proportion of an agreed Fixed Annual Sum, amounting to £32,000, was paid to the Council by the agent. A deficit of £62,000 was made

(ii) Car Parks.

Turnover in 2001/02 was £432,000 which resulted in a surplus of £68,000 which was contributed to the General Fund. In 2000/01 turnover of £431,000 resulted in a surplus of £143,000, there being a back-dated Business Rate revaluation that reduced costs by £70,000

4. Transactions on the Asset Management Revenue Account

	<u>2001/02</u> £'000	<u>2000/01</u> £'000
Income		
Capital Charges - General Fund	(-)5,366	(-)4,664
- HRA	1,383	1,693
Transfer from Grants - Deferred A/C	(-)177	(-)98
Recharge to Outside organisations	(-)5	(-)5
	-----	-----
	(-)4,165	(-)3,074
Expenditure		
Provision for Depreciation	10,393	8,879
External Interest		3,267
New Towns Commission Debt Repayment		
Debt Management	35	20
Leasing Rental	10	8
	-----	-----
	10,438	12,174
	-----	-----
Balance to Consolidated Revenue Account	6,273	9,100
	-----	-----

5. Provision for Repayment of External Loans

	<u>2001/02</u> £'000	<u>2000/01</u> £'000
Minimum Revenue Provision		
Housing amount 2% of Credit Ceiling		
Non Housing amount 4% of Credit Ceiling		
	-----	-----
	0	0
	-----	-----
Amount Charged as Depreciation	10,393	8,879
Amount Credited from Grants - Deferred A/C	(-)177	(-)98
	-----	-----
	10,216	8,781
Reduced Charge Credited to Consolidated Revenue Account	(-)10,216	(-)8,781
	-----	-----
	0	0
	-----	-----

Due to a negative overall Credit Ceiling the Council is not required to make a Minimum Revenue Provision.

6. Operating leases

Vehicles & Plant

At 31st March 2002 the Council had acquired vehicles and plant assets to a value of £1,073,000 on operating leases (£1,073,000 at 31st March 2001). During the year four of the nine lease agreements reached the end of the contract period and new contracts taken out for a maximum of two extra years. Under the lease agreements, rentals paid in 2001/02 totalled £187,000 (£160,000 in 2000/01).

At 31st March 2002 future rental commitments are as follows:

	<u>£'000</u>
2002/2003	162.5
2003/2004	98.5
2004/2005	47.3
2005/2006	37.8
2006/2007	37.8
2007/2008	37.8

Information Technology Open Hire Scheme

In December 1993 the Council entered into an open hire scheme, to commence from April 1994 to obtain new Information Technology equipment and software through exchanging old equipment and the payment of an annual rental.

Under the agreement the capital value of equipment to be rented totals £5.6m with an annual rental in 2001/02 of £591,000.

The reduced future years rental commitments are as follows:

	<u>£</u>
2002/2003	591,000
2003/2004	591,000

Careline Alarm System

The Council is in the third year of a five year lease agreement to obtain 500 alarm units at a capital value of £80,000. Under the agreement rentals paid in 2001/02 totalled £10,123 with two further annual payments of £10,123.

7. Other Services

Expenditure on activities that cannot be clearly identified under the main service classifications is included under other services. The main items are as follows:

	<u>£'000</u>
Contact Harlow	291
Community	126
strategy	
Best Value	208
Welfare Rights &	574
Advice	
Community	467
Partnerships	

Other	270

Total	1,936

8. Agency Services

The Council carries out certain works on an agency basis for which it is reimbursed. The main areas of work are:-

- as highways agent for Essex County Council, the Council's engineers department supervise work carried out on the district's highways, including footway repairs, road surfacing and street lighting maintenance.

Total expenditure in 2001/02 was £1,969,000, of which £1,969,000CR was reimbursed by Essex County Council (£1,804,000 and £1,804,000CR respectively in 2000/01).

9. Local Government Act 1972. Section 137 Expenditure

This section enables a local authority to spend up to the limit of £1.90 per resident (equivalent to £141,282 in 2001/02) for the benefit of people in the area on activities which are not specifically authorised by other statutory powers. (In 2000/01 the limit was £139,443). An analysis of the expenditure is as follows:

	<u>2001/02</u>	<u>2000/01</u>
	£	£
Grants to Voluntary Organisations	48,644	49,536
Grants to HCVS	11,523	9,927
	-----	-----
	60,167	59,463

10. Publicity Account

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

	<u>2001/02</u>	<u>2000/01</u>
	£	£
Employees - Public Relations	221,553	206,610
Corporate Publicity	81,611	64,477
News Letters	3,003	1,413
Photography	1,339	3,532
Development Work	18,665	12,489
Recruitment Advertising	73,581	7,923
Harlow Magazine	29,921	41,100
Environmental Magazine	3,522	
Harlow 2020 partnership	71,763	
Image consultants	25,165	
	-----	-----
	530,123	337,544

11. Building Control Account

Under the Building (Local Authority charges) Regulations 1998 the Council is required from April 1999 to fix its charges to ensure that over a rolling 3 year accounting period the income received recovers the cost of providing the service.

	<u>2001/02</u>	<u>2000/01</u>
	£	£
Total Charges Income Received	191,438	171,314
Total Charges Expenditure Incurred	157,682	147,628
	-----	-----
Surplus / (Deficit) for Year	33,756	23,686

12. Members Allowances

In 2001/02 payments to Members for attendance and special responsibility allowances totalled £156,258

13. Officers Emoluments

The number of employees whose remuneration in the year excluding pension contributions was £40,000 or more, in bands of £10,000, were :

<u>Remuneration Band</u>	<u>Number of Employees</u>		
	<u>£</u>	<u>Total</u>	<u>Left During Year</u>
40,000 - 49,999		14	4
50,000 - 59,999		5	1
60,000 - 69,999		0	
70,000 - 79,999		2	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 £40,000, are shown separately above.

14. Related Party Transactions

The code of practice includes a requirement for disclosure of any material transactions between the Council and related parties.

This includes:

- Central Government
- Other local authorities
- Controlled companies and trusts
- Council Members
- Council Chief Officers

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

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

HOUSING REVENUE ACCOUNT

	<u>NOTES</u>	<u>2001/02</u> £'000	<u>2000/01</u> £'000
<u>INCOME</u>			
Gross dwelling rents		28,024	27,953
Other rents		2,261	2,258
Charges for services		138	196
Heating charges		58	68
Leaseholders charges		468	415
Contributions to expenditure		330	334
Housing benefit transfers		73	74
Housing subsidy	(8)	1,522	
Other income		78	63
		-----	-----
Total Income		32,952	31,361
<u>EXPENDITURE</u>			
Repairs and maintenance		7,746	10,083
Management general		3,753	3,853
Special services		2,966	2,737
Homelessness		244	150
Rents, rates, taxes & other charges		15	4
Rent Rebates		12,699	12,369
Debt Management		39	92
Negative subsidy transfer		3,114	3,455
Increase in provision for bad & doubtful debts		129	96
Cost of capital charge	(5)	25,086	16,367
Depreciation	(6)	7,912	6,560
Amortization of deferred charges	(7)	1,016	301
		-----	-----
Total Expenditure		64,719	56,067
		-----	-----
Net Cost of Services		31,767	24,706
Net HRA income/expenditure on AMRA	(5)	(-)28,823	(-)24,921
Transfers from General Fund		0	0
HRA investment income		(-)118	(-)203
		-----	-----
Net Operating Expenditure		2,826	(-)418
RCCO		250	
Transfer from Major Repairs Reserve	(2)	(-)3,114	
		-----	-----
Total (surplus)/deficit		(-)38	(-)418
Working balance b/f		2,097	1,679
		-----	-----
Working balance c/f		2,135	2,097

Notes to the Housing Revenue Account

1. Housing Stock

The Council was responsible for managing 10,852 dwellings during 2001/02. The stock was made up as follows:-

	<u>2001/02</u>	<u>2000/01</u>
Houses	6,690	6,821
Flats	4,142	4,220
Other	20	20
	-----	-----
	10,852	11,061

The change in stock can be summarised as follows:-

	<u>2001/02</u>	<u>2000/01</u>
Stock at 1st April	11,061	11,459
Less: sales, demolitions, transfers etc.	(-)209	(-)398
add: new buildings, acquisitions & equity share properties	0	0
	-----	-----
Stock at 31st March	10,852	11,061

The most recent valuation which has been prepared of HRA assets was at 1st April 2000. The figure included for 31st March 2002 takes into account capital expenditure, disposals and depreciation since that date.

<i>Balance Sheet Valuation of HRA Assets</i>	<u>1st April</u> <u>2001</u>	<u>31st March</u> <u>2002</u>
	£'000	£'000
Operational asset.	435,836	407,056
Non Operational assets	2,377	2,295
	-----	-----
Total	438,213	409,351

The balance sheet valuation for HRA dwellings based on Existing Use Value-Social Housing at the date of the valuation was £394.4m. The Vacant Possession Value reflecting the Council's estimate of the total sum it would receive if all the assets were sold on the open market at that date was £690.6m. The difference between the two values £296.2m shows the economic cost of providing housing at less than the market value.

2. Major Repairs Reserve

	<u>2001/02</u>	<u>2000/01</u>
	£'000	£'000
Balance b/f	0	0
Amount transferred to MRR	6,574	0
Amount transferred to HRA	(-)3,114	0
Financing of capital expenditure on HRA assets	(-)3,460	0
	-----	-----
Balance c/f	0	0

3. HRA Capital Financing

	<u>2001/02</u> <u>£'000</u>
<i>Capital Expenditure</i>	
<i>Land</i>	0
<i>Houses</i>	6,293
<i>Other property</i>	196

<i>Total</i>	6,489
<i>Financed by</i>	
<i>Borrowing</i>	0
<i>Usable capital receipts</i>	2,779
<i>Revenue contributions</i>	250
<i>Major Repairs Reserve</i>	3,460

<i>Total</i>	6,489

4. Capital Receipts

	<u>2001/02</u> <u>£'000</u>
<i>Land</i>	10
<i>Houses</i>	7,646
<i>Other property</i>	202

<i>Total</i>	7,858

5. Cost of Capital Charge

The cost of capital charge reflects the cost of capital tied up in council housing and other HRA assets and is calculated as 6% of the value of HRA operational assets. This charge does not impact

on the amount of income to be generated to achieve a balanced budget. The actual charge to the HRA is its share of the total investment income received by the Council. To reflect this, an adjustment is made through the Asset Management Revenue Account:

	<u>2001/02</u> <u>£'000</u>
<i>Cost of capital charge</i>	25,086
<i>Amortization of deferred charges</i>	1,016
<i>Depreciation of non dwellings</i>	1,338
<i>AMRA adjustment</i>	(-)28,823

<i>Item 8 General Determination - Investment interest</i>	(-)1,383

6. Depreciation

<u>2001/02</u> <u>£'000</u>

Operational asset.		7,830
Non Operational assets		82

Total		7,912

7. Deferred Charges

In accordance with proper practices, capital deferred charges in respect of expenditure on HRA staff redundancies & early retirements £979,000 and the tenants move incentive scheme £37,000, were amortised to the HRA in 2001/02.

8. 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>2001/02</u>	<u>2000/01</u>
	<u>£'000</u>	<u>£'000</u>
<u>Expenditure</u>		
Management & maintenance	10,655	11,173
Major repairs allowance	6,574	
Rent rebates	12,205	12,560
Resource Accounting	59	57
Tenants Compacts	23	22
	-----	-----
	29,516	23,812
	-----	-----
<u>Income</u>		
Rents	26,744	26,315
Investment interest	1,250	944
Other income		
	-----	-----
	27,994	27,259
	-----	-----
Notional deficit/subsidy receivable	1,522	(-)3,447
	-----	-----

Notional management & maintenance is based upon a fixed allowance of £931 per dwelling. (2000/01 £951).

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 deficit of £1,522,000 (compared to a surplus of £3,447,000 in 2000/01).

9. HRA Rent arrears

Outstanding rent arrears at 31/3/02 total £2,065,162 plus £627,407 overpaid housing benefit (£1,796,270 and £657,516 at 31/3/01). A provision for uncollectable debts has been made at 31/3/02 totalling £2,143,000 (£1,951,000 at 31/3/01).

COLLECTION FUND 2001/02
INCOME & EXPENDITURE ACCOUNT

	<u>Notes</u>	<u>2001/02</u> £'000	<u>2000/01</u> £'000
<u>Income</u>			
<i>Non domestic rates</i>	(2)	29,392	27,973
<i>Council tax</i>	(1)	22,641	21,067
<i>Adj. for previous years community charge</i>	(3)	(-)23	(-)56
<i>Benefits</i>	(1)	4,065	3,915
<i>Essex CC Benefit Contribution</i>	(4)	267	159
		-----	-----
		56,342	53,058
<u>Expenditure</u>			
<i>Precepts Essex County Council</i>		19,126	17,586
<i>Essex Police Authority</i>		1,942	1,844
<i>Harlow District Council</i>		5,884	5,670
<i>Non-domestic rates:</i>			
<i>Payment to National Pool</i>		29,274	27,854
<i>Cost of collection</i>		118	119
<i>Provision for uncollectable amounts:</i>			
<i>Council tax</i>	(5)	150	123
<i>Community charge</i>	(3)	(-)23	(-)56
<i>Contribution to Essex County Council</i>	(6)		38
<i>Contribution to Essex Police Authority</i>	(6)		4
<i>Transfer to General Fund</i>	(6)		13
		-----	-----
		56,471	53,195
 <i>Net income/(expenditure)for year</i>		 (-)129	 (-)137
<i>Balance on Collection Fund b/f</i>			137
		-----	-----
<i>Balance on Collection Fund c/f</i>	(6)	(-)129	0

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 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: 27,343 for 2001/02). This basic amount of council tax for a band D property (£985.68 for 2001/02) 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.

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

Total income of £26,706,000 for 2001/02 is receivable from the following sources:

	£
Billed to Council tax payers	22,641,000
Council tax benefits	4,065,000

2. National Non Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount (43.0p in 2001/02 & 41.6p in 2000/01) 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 £29,392,000 for 2001/02 was based on an average rateable value for the Council's area of £79,058,000 for the year (£81,920,000 in 2000/01).

3. Adjustment for previous year's Community Charge

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

In 2001/02 the following adjustments were made:

	£'000
Write off uncollectable amounts	23
Increased/reduced assessments (net)	-----
	23
Reduction in provision for uncollectable amounts	(-)23

	NIL

4. Essex County Council Contribution to Council Tax Benefit

Under council tax benefit subsidy limitation regulations the council suffered a reduction in benefit subsidy received from the Government due to Essex Council Council increasing its element of the council tax above the Government set threshold of 4.5% in 2001/02.

Under the regulations Essex County Council were required to make good the loss of subsidy through a special contribution of £267,000

5. Provision for Uncollectable Amounts

In 2001/02 the provision for uncollectable council tax was increased by £150,000. During the year uncollectable debts totalling £102,000 were written off against the provision.

6. 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 and the Council in proportion to the value of the respective precepts made by the three Councils on the Collection Fund.

The deficit balance of £129,000 carried forward at 31st March 2002 will be distributed in the proportion of £92,000 deficit to Essex County Council, £9,000 deficit to Essex Police Authority and £28,000 deficit to the Council.

CONSOLIDATED BALANCE SHEET 31ST MARCH 2002

		2002		2001
	NOTES	£'000	£'000	£'000
Fixed Assets	(1)			
<i>Operational assets</i>				
Council dwellings		406,782		435,509
Other land and buildings		26,946		25,004
Vehicles, plant & equipment		3,379		2,778
Infrastructure		6,938		6,608
Community assets		796		796
<i>Non-Operational assets</i>		14,611		15,036
Work in progress		131		15
		-----		-----
			459,583	485,746
<i>Deferred charges</i>	(3)			
Improvement grants		301		242
Other		913		1,086
		-----		-----
			1,214	1,328
<i>Long term investments</i>				
<i>Long term debtors</i>	(5)			
Mortgages		210		272
Other		518		493
		-----		-----
			728	765
			-----	-----
Total Long Term Assets			461,525	487,839
Current Assets				
Stocks & work in progress	(9)	303		393
Debtors	(10)	6,930		7,642
Investments	(8)	19,261		19,292
Cash in hand of officers		18		20
Cash in Hand				
		-----		-----
			26,512	27,347
Current Liabilities				
Creditors	(11)	(-9,049)		(-9,219)
Cash overdrawn		(-320)		194
		-----		-----
			(-9,369)	(-9,025)
			-----	-----
Total Assets Less Current Liabilities			478,668	506,161
<i>Less:</i>				
Long term borrowing		0		0
Deferred liabilities	(12)	231		271
Provisions	(13)	1,040		995
		-----		-----
			1,271	1,266
Total Assets Less Liabilities			477,397	504,895
<i>Fixed assets restatement reserve</i>	(16)		310,561	338,000
<i>Capital financing reserve</i>	(17)		151,475	150,771
<i>Usable capital receipts reserve</i>	(19)		1,286	682
<i>Grants deferred account</i>	(14)		1,812	1,339
<i>Earmarked reserves</i>	(21)		7,062	6,967
<i>General reserve</i>	(20)		2,043	3,887
<i>Balances</i>				
General Fund		1,152		1,152
HRA		2,135		2,097
Collection Fund		(-129)		
		-----		-----
			3,158	3,249
	(22)		477,397	504,895

1. Movement of fixed assets 2001/02

	Council Dwellings	Land & Buildings	Vehicles, Plant & Equip	Infrastructure	Community Assets	Non-Operational Assets	Work in Progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value at 1st April 2001	442,069	25,755	5,314	7,793	796	15,475	15	497,217
Additions	6,489	2,785	1,697	564		19	116	11,670
Disposals	(-7,328)		(-238)					(-7,566)
Revaluations	(-20,112)							(-20,112)
Reclassification								
Gross Book Value at 31st March 2002	421,118	28,540	6,773	8,357	796	15,494	131	481,209
Depreciation at 1/4/01	6,560	751	2,536	1,185		439		11,471
Depreciation for year	7,776	843	1,096	234		444		10,393
Depreciation on assets sold			(-238)					(-238)
Balance as at 31st March 2002	14,336	1,594	3,394	1,419		883		21,626
Net Book Value as at 31st March 2002	406,782	26,946	3,379	6,938	796	14,611	131	459,583

Work in progress (WIP) relates to expenditure incurred by the Council's DSO on incomplete capital projects which has not been recharged to capital accounts at the year end.

The movement in WIP during the year is shown under additions.

An analysis of fixed assets is:

31st March

	2002 (No.s)	2001 (No.s)
Council Dwellings	10,852	11,061
Town Hall	1	1
Neighbourhood Area Offices	6	6
Depots	8	8
Nursery	1	1
Latton Bush Centre	1	1
Playhouse Theatre	1	1
Swimming pool	1	1
Museums	2	2
Day Centres	1	1
Family Centres	2	2
Recreation Centres	3	3
Abercrombie Centre	1	1
Family Resource Centres	4	4
Pavilions	9	9
Car Parks (1 of which is multi-storey)	12	12
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	8	8

2. 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 2000 by P.H. Bond FRICS, the District Valuation Officer, in accordance with the RICS Appraisal & Valuation Manual as published by the Royal Institute of Chartered Surveyors.

Properties regarded by the Council as operational were valued on the basis of Existing Use Value (EUV) except in the case of housing stock where Existing Use Value for Social Housing (EUV-SH) values have been applied.

Specialist properties which are rarely sold on the open market were valued on the basis of Depreciated Replacement Cost. Properties regarded by the Council as Non-operational have been valued on the basis of Open Market Value.

With effect from 1st April 2000 property asset values have been adjusted where appropriate for depreciation reflecting the estimated residual life of the assets.

During the year the Council received notification from the District Valuation Officer that the basis of his valuation of housing sheltered accommodation included in the accounts at April 2001 was incorrect, in that it reflected vacant possession value rather than EUV-SH. A reduction adjustment of £20.1m to correct the valuation was made in the 2001/02 accounts.

3. Deferred Charges

	£'000
Balance as at 1st April 2001	1,328
Expenditure	2,351
Amounts written off to consolidated revenue account	(-)1,449
Amounts written off to HRA	(-)1,016

Balance as at 31st March 2002	1,214

4. Capital Commitments

The following incomplete or uncommenced scheme sums are committed at 31st March 2002, although expenditure will not appear in the accounts until 2002/03.

	£'000
Housing dwellings enhancement programme	2,165
Works to Municipal Buildings	525
Infrastructure	146
IT Investment	999
Other	48

	3,883

5. Long Term Debtors

	Balance 1.4.01	Expenditure	Write Off	Income	Balance 31.3.02
	£'000	£'000	£'000	£'000	£'000
Housing Mortgages	257			59	198
Housing Act Advances Association	14			2	12
Leaseholders Loans	14	36		17	33
Griffin Centre	24			3	21
Harlow Industrial Association	301	37			338
Harlow Sports Trust	28			20	8
Youth Hostel	123			9	114
Miscellaneous	4				4
	----- 765 -----	----- 73 -----	----- 0 -----	----- 110 -----	----- 728 -----

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

Housing Act Advances relate to mortgage advances to Harlow residents for the purchase of private housing within the town.

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

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

Under its industrial development powers the Council guaranteed a loan of £690,000 made to Harlow Industrial Association by NWS Bank.

Due to defaults in loan repayments by Harlow Industrial Association the guarantee was called upon by NWS Bank to the value of £301,000 up to 1st April 2001, plus a further £37,000 in 2001/02.

As a consequence, the total sum of £338,000 is due to be repaid to the Council by Harlow Industrial Association and is included under long term debtors.

The Harlow Sports Trust long term debtor relates to a loan of £200,000 made to the Trust in 1989/90 in respect of the ski chalet development at the Sportscentre.

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.

6. Financing of Capital Expenditure

	<u>2001/02</u>	<u>2000/01</u>
	£'000	£'000
Expenditure Capitalised as fixed assets and deferred charges	13,905	8,735
Decrease/(increase) in capital creditors	137	(-)681
	-----	-----
Expenditure for Capital Control purposes	14,042	8,054
<i>Financed by:-</i>		
Borrowing approvals		4,094
Use of capital receipts	7,370	2,530
Major Repairs Reserve	3,460	
Revenue contributions	1,942	229
Capital grants	1,270	1,201
	-----	-----
	14,042	8,054

7. Assets held under finance leases

Within the Fixed Assets balance at 31st March 2002 there are no assets obtained under finance leases.

8. Investments

Long term & temporary investments are included in the Balance Sheet at market value.

	<u>31st March</u>	
	<u>2002</u>	<u>2001</u>
	£'000	£'000
Long term	0	0
Temporary	19,261	19,292
	-----	-----
	19,261	19,292
	-----	-----

9. Stocks and Work in Progress

	<u>31st March</u>	
	<u>2002</u>	<u>2001</u>
	£'000	£'000
Stocks		
Central Stores	177	212
DSO	76	139
Other	50	42
Work in Progress		
DSO	0	0
	-----	-----
	303	393
	-----	-----

10. Debtors

	<u>31st March</u>	
	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
<i>Amounts falling due in one year</i>		
Government depts.	2,382	1,562
Ratepayers	338	1,139
Community charge payers	246	347
Council tax payers	2,026	1,816
Housing rents	2,692	2,454
Sundry debtors	3,297	3,856
Other local authorities	346	547
<i>Amounts falling due after one year</i>		
Car loans to employees	232	321
Less provisions for bad debt	(-)4,629	(-)4,400
	<u>6,930</u>	<u>7,642</u>

11. Creditors

	<u>31st March</u>	
	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Government depts.	907	611
Other local authorities	466	414
Ratepayers	563	641
Council tax payers	442	425
Housing rents	335	284
Sundry creditors	5,498	5,868
Capital creditors	838	976
	<u>9,049</u>	<u>9,219</u>

Included in sundry creditors above are monies paid to the Council by developers under the Town & Country Planning Act 1990 Section 106 to finance capital schemes. A summary of transactions is as follows:

<i>Scheme</i>	<u>Balance</u> <u>1st April</u> <u>2001</u> <u>£'000</u>	<u>Income</u> <u>from</u> <u>Developer</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Balance</u> <u>31st March</u> <u>2002</u> <u>£'000</u>
Station forecourt.		77	(-)57	20
Town Centre paving	70	(-)25		45
Eastgate paving	(-)7	64	(-)57	0
Other schemes	(-)1	30	(-)3	26
	<u>62</u>	<u>146</u>	<u>(-)117</u>	<u>91</u>

12. Deferred Liabilities

Deferred Liabilities 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.

13. Provisions

	Bal b/f	Exp	Inc	Cont(to) From Gen Fund	Bal c/f
	£'000	£'000	£'000	£'000	£'000
Harlow Industrial Association	301			37	338
Insurance Claims	458				458
Other Provisions	236	23	1	30	244
	<u>995</u>	<u>23</u>	<u>1</u>	<u>67</u>	<u>1,040</u>

Under the Code of Practice provisions relate to items where known liabilities exist, but the likely date and amount of payment may still be uncertain.

Harlow Industrial Association

Provision for non-payment of the long term debt owed by Harlow Industrial Association was increased by £37,000 during 2001/02. (See Long Term Debtors note page 27)

Insurance Claims

At 31st March 2002 a provision of £458,000 is held for possible Insurance claim liabilities.

Other Provisions

In 2001/02 provisions were raised for possible liabilities arising from a dispute under the Market operation contract (£30,000).

The other main items included under Other Provisions are a provision for possible non repayment of Harlow Theatre Trust loan (£140,000) and liabilities arising from termination of lease agreements for office accommodation used by the Council (£50,000).

14. Grants Deferred Account

	<u>2001/02</u>	<u>2000/01</u>
	£'000	£'000
Balance b/f	1,339	514
Grants received	952	1,220
Grants amortised to revenue	(-)177	(-)98
Grants written out to Capital Financing Reserve	(-)302	(-)297
	<u>1,812</u>	<u>1,339</u>
Balance c/f		

Main capital grants received in 2001/02 were government disabled facilities grants (£91,000), a contribution from Yates Winelodge towards pedestrianisation works (£55,000) and a contribution from Essex County Council to the Bus Station Project (£706,000). Grants received in 2001/02 in respect of non depreciated fixed assets, totalling £302,000, were written out to the Capital Financing Reserve in 2001/02. See note 6. to the Statement of Accounting Policies set out on page 8 for an explanation of the treatment of government and other grants.

15.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	CAPITAL RESERVES				REVENUE RESERVES			Total
	Fixed Asset Restatement Reserve	Capital Financing Reserve	Capital Grants Deferred	Usable Capital Receipts	General Fund	Specific Reserves	HRA	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Balance 1.4.01</u>	(-)338,000	(-)150,771	(-)1,339	(-)682	(-)5,039	(-)6,967	(-)2,097	(-)504,895
Net (Surplus)/Deficit for year		7,279			1,973	(-)95	(-)38	9,119
Unrealised (gains)/loss from revaluation of fixed assets	20,112							20,112
Movement on grants deferred			(-)775					(-)775
Effects of disposal of fixed assets :								
- Cost or value of assets disposed of	7,327							7,327
- Proceeds of disposal		(-)343		(-)7,974				(-)8,317
	-----	-----		-----	-----	-----	-----	-----
Net (Surplus)/Deficit	7,327	(-)343		(-)7,974	0	0	0	(-)990
Financing of Fixed Assets		(-)7,370		7,370				0
Long Term Debtors Written Down		32						32
Grants Deferred Written Out		(-)302	302					0
	-----	-----	-----	-----	-----	-----	-----	-----
<u>Balance as at 31st March 2002</u>	(-)310,561	(-)151,475	(-)1,812	(-)1,286	(-)3,066	(-)7,062	(-)2,135	(-)477,397
	=====	=====	=====	=====	=====	=====	=====	=====
	=	=	=	=	=	=	=	=

The statement of total movement in reserves brings together all the recognised gains and losses of the Authority during the period and identifies those which have and have not been recognised in the consolidated revenue account.

The statement separates the movement between revenue and capital reserves.

16. Fixed Asset Restatement Reserve

	£'000
Balance Brought Forward	338,000
Surplus/(Deficit) on revaluation and restatement of fixed assets	(-)20,112
Disposal of fixed assets	(-)7,327

Balance at end of year	310,561

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

17. Capital Financing Reserve

	£'000
Balance Brought Forward	150,771
Capital receipts set aside	343
Capital financing	
- Capital receipts	7,370
- Revenue	1,942
- Major Repairs Reserve	3,460
Minimum Revenue Provision	(-)10,216
Grants Deferred Written Out	302

	153,972
Less	
Write down of deferred charges	(-)2,465
Write down of long term debtors	(-)31
Write down of Housing Act Advances	(-)1

Balance at end of year	151,475

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

18. Provision for Credit Liabilities (Memorandum Account)

	£'000
Balance Brought Forward	19,378
Reserved Capital Receipts	343

	19,721
Repayment of external loans: Debt	0
Use of PCL to finance capital programme	(-)343

Balance at end of year	19,378

19. Usable Capital Receipts Reserve

The usable proportion of capital receipts which have not yet been used to finance capital expenditure or to repay debt, are held in the Usable Capital Receipts Reserve.

	<u>31st March</u>	
	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Balance at beginning of year	682	0
Usable receipts in year from sale of assets	7,974	3,212
Usable receipts applied during the year	(-)7,370	(-)2,530
	-----	-----
Balance at end of year	1,286	682

20. General Reserve

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Balance at beginning of year	3,887	3,124
Contribution (-)/to/from General Fund	(-)1,844	763
	-----	-----
Balance at end of year	2,043	3,887

General Fund services made a net deficit of £1,844,000 in 2001/02 which was met from the general reserve. The Council has agreed to carry forward into 2002/03 unspent budget provisions of £240,000 and to transfer £45,000 to the Environment Fund in 2002/03.

21. Earmarked Reserves

<i>Earmarked Reserves</i>	<i>Balance</i> <u>1.4.01</u>	<i>Cont(to)/</i> <i>from</i> <i>General</i> <i>Fund</i>	<i>Balance</i> <u>31.3.02</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<i>Insurance fund</i>	3,515	(-)114	3,401
<i>Mtce in perpetuity</i>	3,380	207	3,587
<i>Museum & art fund</i>	3		3
<i>Housing equipment</i>			
<i>Environment Fund</i>	69	2	71
	-----	-----	-----
	6,967	95	7,062
	-----	-----	-----

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.

Maintenance in Perpetuity

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

22. Analysis of Net Assets Employed

	<u>31.3.02</u> £'000	<u>31.3.01</u> £'000
General Fund	44,198	47,023
HRA	433,199	457,872
	-----	-----
	477,397	504,895
	-----	-----

23. Euro

Due to present uncertainty regarding entry to the Single Currency System, the Council has not incurred or committed expenditure on preparation for the Euro.

24. Pension Fund FRS 17 disclosures at 31st March 2002

Employees of the Council are admitted to the Essex County Council Pension Fund, which is administered by Essex County Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The figures disclosed below have been derived by approximate methods from the full actuarial valuation of the fund carried out by Watson Wyatt as at 31st March 2001.

The employer's contributions certified by the actuary to the fund in respect of the period 1st April 2002 to 31st March 2005 are 206% of members' contributions plus lump sums of £0.921m pa (in 2002/03 terms, £1.176m pa (in 2003/04 terms) and £1.439m pa (in 2004/05 terms), rising in line with price inflation, less 2.5% pa.

The main financial assumptions adopted as at 31st March 2002 were:

- a. retail price inflation: 2.5% pa
- b. increase in salaries: 4.3% pa
- c. increases in pensions and deferred pensions: 2.5% pa
- d. discount rate: 6.1%

The fair values of each main class of assets held by the fund as at 31st March 2002 and the expected rates of return for the ensuing year are set out in the following table:

	<u>Fair Value</u>	<u>Expected</u> <u>Return</u>
	£m	%
Equities	1,301.6	7.5
Gilts	190.6	5.25
Other bonds and property	284.5	6.0
Cash	64.1	4.5
	-----	-----
Total	1,840.8	6.9
	-----	-----

There is no provision for unitising the assets of the fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

The fair value of the assets related to the Council was: £88.1m

The value placed on the liabilities related to the Council was: £118.4m

Consequently, at 31st March 2002 the deficiency related to the Council was: £30.3m

25. Contingent Liabilities

Guarantees

(i) In July 1992 the Council agreed to undertake joint liability with a number of other local authorities to guarantee loans of £65m and £16.5m to North Housing Association in support of their private initiative for the provision of housing in Harlow and surrounding authorities.

(ii) The Council has guaranteed a loan of £690,000 from NWS Bank to Harlow Industrial Association under its powers to assist industrial development. The loan runs until the year 2012 with a reducing balance each year. To date a call on the guarantee has been made to the value of £338,000. This sum now owed to the Council by Harlow Industrial Association is included within the accounts under long term debtors (see page 25).

Other

(i) In June 2001 a Harlow resident obtained permission in the High Court to seek a judicial review of the Council's decision not to build a sound shield along Second Avenue following road widening works to incorporate a bus route and cycle lane.

Following the outcome of the judicial review the Council is required to re-examine its decision and

in April 2002 engaged external engineering consultants to advise the Council of the environmental impact on residents of the infrastructure improvements, measures which could be taken to mitigate this impact and give an opinion on the cost effectiveness and appropriateness of these measures. The cost of building the sound shield (estimate £30,000) would be met from the Council's capital programme.

CASH FLOW STATEMENT
For the Year ended 31st March 2002

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

		2002		2001	
	Notes	£'000	£'000	£'000	£'000
Revenue Activities					
Cash Outflows					
Cash paid to & on behalf of employees		28,760			28,361
Other operating costs		34,656			34,392
Housing benefit paid out		8,709			8,130
NNDR Payments to National Pool		<u>30,280</u>			<u>27,904</u>
			102,405		98,787
Cash Inflows					
Rents (after rebates)		18,977			19,738
Council tax & community charge		22,683			21,044
Non domestic rates		33,728			30,824
Revenue Support Grant/NNDR contbn		7,561			7,172
DSS grants for rebates	(4)	7,812			8,053
Other government grants	(4)	2,201			565
Cash received for goods & services		6,969			5,796
Other revenue cash payments/income		<u>2,238</u>			<u>3,630</u>
			<u>102,169</u>		96,822
Revenue activities cash flow	(1)			<u>236</u>	1,965
Servicing of Finance					
Cash Outflows					
Interest paid					3,405
Interest element of finance lease rentals		<u>10</u>			<u>8</u>
			10		3,413
Cash Inflows					
Interest received			<u>1,185</u>		<u>5,145</u>
				(-)1,175	(-)1,732
Capital Activities					
Cash Outflow					
Purchase of fixed assets		11,808			6,583
Deferred charges & long term debtors		2,424			1,396
Purchase of long term investments		<u>0</u>			<u>0</u>
			14,232		7,979
Cash Inflows					
Sale of fixed assets		8,317			12,458
Capital grants received		952			1,220
Other capital cash received		17			11
Major Repairs Allowance		3,460			
			<u>12,746</u>		13,689
Net cash inflow before financing				<u>1,486</u>	<u>(-)5,710</u>
				547	(-)5,477
Management of Liquid Resources					
Net Increase / Decrease in Short Term Deposits	(3)			(-)31	(-)36,714
Financing					
Cash Outflows					
Repayment of amounts borrowed					46,313
Cash Inflows					
New loans raised			<u>0</u>		<u>0</u>
					<u>46,313</u>
Increase in cash	(2)			<u>516</u>	<u>4,122</u>

1. Reconciliation of revenue cash flow

	<u>2002</u> £'000	<u>2001</u> £'000
Surplus/deficit for year	0	0
Non cash transactions		
Add revenue contribution to capital	1,942	229
Add minimum revenue provision	0	0
Add /(Less) contributions to reserves	(-)1,711	2,331
Add /(Less) transfer to provisions	<u>296</u>	<u>73</u>
	527	2,633
Items on accruals basis		
(Increase)/Decrease in stocks & WIP	90	55
(Increase)/Decrease in debtors	483	(-)622
Increase/(Decrease) in creditors	<u>(-)170</u>	<u>(-)1,476</u>
	403	(-)2,043
Items included in another classification in statement		
Add/(Less) capital activities	138	(-)681
Add financing		
Add servicing of financing	10	3,413
Less investment interest	<u>(-)1,185</u>	<u>(-)5,145</u>
	(-)1,037	(-)2,413
Other balance sheet transactions		
Less decrease in Collection Fund working balance	(-)129	(-)137
Less net expenditure charged against provisions	<u>(-)0</u>	<u>(-)5</u>
	(-) 129	(-) 142
Net cash flow from revenue activities	<u>236</u>	<u>1,965</u>

2. Movement in cash

	Balance <u>1.4.01</u> £'000	Balance <u>31.3.02</u> £'000	Movement <u>in year</u> £'000
Cash in Hand	194	(-)320	(-)514
Cash in hand of officers	<u>20</u>	<u>18</u>	<u>(-)2</u>
	214	(-)302	(-)516

3. Movement in Liquid Resources

	Balance <u>1.4.01</u> £'000	Balance <u>31.3.02</u> £'000	Movement <u>in year</u> £'000
Temporary Investments	19,292	19,261	(-)31

4. Analysis of Government Grants

	<u>2002</u> £'000	<u>2001</u> £'000
DSS Grants		
Rent allowances	4,072	4,238
Council tax benefits	<u>3,740</u>	<u>3,815</u>
	7,812	8,053
Other government grants		
Housing benefit administration	433	468
Housing subsidy	1,576	
Sheltered employment	107	105
Housing acts-grants towards debt charges	36	36
Council tax transitional relief		(-)51
Regeneration SRB	43	
Woodlands & Nature Reserve	<u>6</u>	<u>7</u>

GROUP ACCOUNTS

In response to Financial Reporting Standard 2 (FRS2 Accounting for Subsidiary Undertakings), the 1996 CIPFA code introduced the requirement for the preparation of group accounts where the Council has a controlling interest in companies.

In compliance with the accounting concept of substance over form, the reporting requirement has been broadened to include Trusts, which although not companies by legal definition, their activities are controlled by the Council and are material to the Council's overall financial position.

Harlow Information Technology Centre (1992) Ltd.

Prior to March 2002 Harlow ITEC (1992) Ltd. was a 100% controlled company under local authority legislation. The principal activity of the company was to provide training for unemployed persons and adults in the use and understanding of information technology.

The assets and income of the company are applied solely towards the furtherance of its objectives, no proportion being distributed directly or indirectly, by way of dividend or otherwise, to the members of the company.

The nature of the company's business is such that there can be considerable time delays in cash inflows. The company meets its day to day working capital requirements through an overdraft facility with the Council. The Council has given a commitment to the company to continue to provide the overdraft facility.

The Council provides an accounting and banking service free of charge to the company and the Council's head of Financial Services was also Treasurer of Harlow ITEC (1992) Ltd.

From December 2001, following a change in the make-up of the board of directors of Harlow ITEC (1992) Ltd. the Council no longer has a controlling interest in the company. The accounts for Harlow ITEC (1992) Ltd. therefore have been excluded from the group accounts set out on pages (39) to (40).

Harlow Recreation Trust.

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

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

All Trustees, (four Holding Trustees and eight Management Committee Trustees) are Harlow District Council members, and Council officers act as Secretary, Treasurer, Administrator, Legal Advisor and Investments officer to the Trust. These services are provided by the Council free of charge.

Harlow Trust for the Furtherance of Education.

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

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

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

CONSOLIDATED GROUP ACCOUNTS 2001/02**Group Balance Sheet 31.3.02**

	<i>Harlow Council £'000</i>	<i>Recreation Trust £'000</i>	<i>Education Trust £'000</i>	<i>Consolidation Adjustments £'000</i>	<i>Total £'000</i>
<i>Fixed Assets</i>	459,583				459,583
<i>Investments</i>					
<i>Other long term assets</i>	1,942				1,942
	461,525	0	0	0	461,525
<i>Current Assets</i>					
<i>Stocks</i>	303				303
<i>Debtors</i>	6,930	9	2		6,941
<i>Due from Recreation Trust</i>					
<i>Investments</i>	19,261	877	110		20,248
<i>Cash & Bank</i>					
	26,494	886	112	0	27,492
<i>Current Liabilities</i>					
<i>Borrowing</i>					
<i>Creditors</i>	9,049	6	2		9,057
<i>Due to Council</i>					
<i>Cash & Bank</i>	302	(-)20	(-)6		276
	9,351	(-)14	(-)4		9,333
<i>Long Term Borrowing</i>	0				0
<i>Deferred Liabilities</i>	231				231
<i>Provisions</i>	1,040				1,040
	1,271	0	0	0	1,271
<i>Net Assets</i>	477,397	900	116	0	478,413
<i>Capital & Reserves</i>					
<i>Share Capital</i>					
<i>Reserves</i>					
<i>Fixed Asset</i>	310,561				310,561
<i>Restatement</i>					
<i>Capital Financing</i>	151,475				151,475
<i>Capital Receipts</i>	1,286				1,286
<i>Grants deferred</i>	1,812				1,812
<i>General & Earmarked</i>	9,105				9,105
<i>Revenue</i>					
<i>General Fund</i>	1,152	900	116		2,168
<i>Housing Revenue</i>	2,135				2,135
<i>Account</i>					
<i>Collection Fund</i>	(-)129				(-)129
	477,397	900	116	0	478,413

GROUP REVENUE ACCOUNTS 2001/02

	<i>Harlow Council £'000</i>	<i>Recreation Trust £'000</i>	<i>Education Trust £'000</i>	<i>Consolidation Adjustments £'000</i>	<i>Total £'000</i>
<i>Net Cost of Services</i>	(-)19,830				(-)19,830
<i>Net Deficit from AMRA</i>	(-)6,273				(-)6,273
<i>Interest Income</i>	975				975
<i>Share of Deficit</i>		10	1		11
<i>Net Operating Expenditure</i>	(-)25,128	10	1		(-)25,117
<i>Appropriations</i>	11,683				11,683
<i>Government Grants</i>	7,561				7,561
<i>Collection Fund</i>	5,884				5,884
<i>Deficit for Year</i>	0	10	1		11
<i>Surplus at Start of Year</i>	1,152	910	117		2,179
<i>Surplus at end of Year</i>	1,152	900	116		2,168

The main variances between the Council's Consolidated Balance Sheet and the Consolidated Group Balance Sheet are an increase in current investments of £1.0m and an increase in revenue balances of £1.0m.

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 affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Financial Services.

to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

to approve the statement of accounts.

The Head of Financial Services responsibilities

The Head of Financial Services 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 2002).

In preparing this statement of accounts, the Head of Financial Services 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 Head of Financial Services 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 Head of Financial Services certificate

I Certify that the Statement of Accounts on pages 7 to 40 has been prepared in accordance with proper practices and presents fairly the financial position of the Authority at 31st March 2002 and its income and expenditure for the year then ended.

K A Smith

19th September 2002