

**LONDON BOROUGH OF HARROW
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009**

SECTION 1.	STATEMENT OF RESPONSIBILITIES	3
SECTION 2.	AUDIT OPINION & CERTIFICATE	5
SECTION 3.	FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE	9
SECTION 4.	ANNUAL GOVERNANCE STATEMENT	15
SECTION 5.	STATEMENT OF ACCOUNTING POLICIES	23
SECTION 6.	FINANCIAL STATEMENTS	27
SECTION 7.	NOTES TO THE FINANCIAL STATEMENTS	31
SECTION 8.	SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS	47
SECTION 9.	PENSION FUND & NOTES TO THE PENSION FUND	51
SECTION 10.	APPENDIX	57

STATEMENT OF RESPONSIBILITIES

Section 1. Statement of Responsibilities

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 Harrow, that officer is the Chief Finance Officer, i.e. the Corporate Director of Finance;
- To manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets; and
- To approve the statement of accounts (delegated to the Governance, Audit & Risk Management Committee) (GARM).

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (SORP).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority SORP.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts has been prepared in accordance with the requirements of Regulation 7 of the Accounts and Audit Regulations 2003, issued under the Audit Commission Act 1998 and, where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities.

Chair's Approval of Statement of Accounts

The provisional Statement of Accounts was presented to the GARM Committee of the London Borough of Harrow at its meeting on 23rd June 2009 and was approved by resolution of the Committee.

I certify that the Statement of Accounts set out in this document presents fairly the financial position of the Council as at 31st March 2009 and its income and expenditure for the year.

Councillor John Cowan
B.Com. (Hon), F.C.A.
Chairman: GARM Committee
September 2009

Myfanwy Barrett
CPFA
Corporate Director of Finance
September 2009

Section 2. Audit Opinion & Certificate

2.1. Independent auditor's report to the Members of the London Borough of Harrow

Opinion on the Authority accounting statements

I have audited the accounting statements and related notes of the London Borough of Harrow 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 the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The 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 the London Borough of Harrow 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 Corporate Director of Finance and auditor

The Corporate Director of Finance 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 accounting statements and related notes 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 related notes and consider whether it is

consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. 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 Statement of Recommended 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.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Harrow 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 Corporate Director of Finance and auditor

The Corporate Director of Finance responsibilities for preparing the pension fund accounts, 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 pension fund accounts and related notes 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 pension fund accounts 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 transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. 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 pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts 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 pension fund accounts 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 pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United

Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

2.2. 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, I am satisfied that, in all significant respects, the London Borough of Harrow has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Delay in certification of completion of the audit

I am required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of Harrow Council Pension Fund. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2009. As the authority has not yet prepared the Annual Report I have not yet been able to read the other information to be published with those financial statements and I have not issued my report on those financial statements. Until I have done so, I am unable to

AUDIT OPINION & CERTIFICATE

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.

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

(Officer of the Audit Commission)

St Albans
September 2009

DRAFT

Section 3. Foreword by the Corporate Director of Finance



Myfanwy Barrett
Corporate Director of Finance

This document provides an overall explanation of the Council's financial position for the year 2008-09.

The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. Also included in the foreword is a general review of the year identifying any major developments and influences affecting the Council's financial position during the year.

3.1. Review of the year

Harrow has achieved real improvements in year which has led to the Council being short-listed by the Municipal Journal for the prestigious award of Best Achieving Council as one of 6 finalists. This is a major step towards achieving the Corporate Vision to be one of the best London Councils by 2012, ahead of time in a borough that is cosmopolitan, confident and cohesive. In 2008-09 the Council's corporate priorities were to provide:

- A place with quality neighbourhoods with clean and safe streets;
- A place where you can be proud of the Town Centre;
- A place which promotes the well-being of its communities; and
- A place where the Council provides value for money.

The Council's Comprehensive Performance Assessment (CPA) performance has considerably strengthened although the Council remains 2 star overall. The Use of Resources score for 2007-08 improved from 2 to 3 out of 4, and Value for money is rated as 'Good'. Housing and Cultural services have improved from 2 to 3 out of 4. Adults services remain at 1 star, but have moved to 'promising capacity to improve'. Some of the underspend achieved in year will be available to Adults services to invest back into their transformation programme. Children's services OFSTED inspection outcome was 'Good Overall'. There were significant improvements for individual outcomes with 'Excellent' for 'Positive Contribution' and 'Economic Wellbeing', and 'Good' for 'Safeguarding'. Overall the Direction of Travel is improving well.

Further management restructuring has now been completed, resulting in the appointment of an Assistant Chief Executive and a Director for Place Shaping, thus strengthening the Corporate Strategic Team.

The Council has been pro-actively monitoring and responding to the local impact of the slow down in economic growth and the housing market. It has established a 'Recession Busting Group' which meets regularly to discuss and analyse data and take appropriate action. The effect of increased redundancies and higher unemployment has resulted in increased demands on services, such as numbers of enquiries to Revenues and Housing Benefits sections. On the business front it is clear that small businesses are suffering as evidenced by a sharp drop in collection rates and the number of empty commercial properties having doubled in the last year to approximately 750 or 50% of all commercial property.

The Council has implemented a number of practical activities to help people through the downturn. These include:

- Producing and delivering a 'Surviving the credit crunch' leaflet to all properties in Harrow;
- Holding a Business Advice Fair/Open Day at the Civic Centre; and
- Changing procedures to allow payment of business rates over 12 instalments instead of 10.

The budget for 2009-10 allows for additional costs or reduced income directly attributable to the economic position of £3.5m.

In addition it is estimated that Directorates are absorbing pressures in the order of £1m due to the economic situation.

Capital receipts fell substantially below target which meant that a number of projects were put on hold, including development of the Town Centre. The size of the capital programme increased during the year but this was mainly as a result of grant funded projects.

The Pension Fund suffered a substantial fall in value (around 25%) as a result of the global financial crisis and economic downturn. The Pension Fund Investment Panel carried out a review of the strategic asset allocation and has proceeded to make a number of changes which include taking the UK equities from active to a passive portfolio, and is in the process of selecting some new managers for global equities. It is expected that along with the improvements in markets and recent strengthening of sterling that there will be a marked improvement in performance.

The Council has identified substantial funding gaps, around £10m year on year in the future years of the Medium Term Financial Strategy (MTFS). It is therefore developing a Transformation Programme in 2009-10 to

FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

review all services in a systematic way and identify longer term sustainable savings to close the funding gaps.

In summary, the Council is focussed on the needs of its residents in these difficult times and the following Corporate Message is an expression of this continuing commitment, as well as having been substantially delivered in year:

'Harrow Council is working hard to provide good value local services. We know that money is tight at the moment but we are spending your money wisely and are focussed on helping to make your lives better.'

We are making Harrow better, cleaner and safer, building strong communities and supporting vulnerable people. This is underpinned by providing jargon-free Council services to all our customers for excellent value for money.

We want to see your Council as one of the best in London, so we intend to make improvements in every area of our work, listening to your needs and reporting back on what we've changed.'

3.2. Revenue Outturn for 2008-09

General Fund Revenue Account (GF)

The Council's revenue budget outturn for 2008-2009 confirmed an under spend of £8.3m. This represented 4.8% of the total net expenditure of £165.6m which has been applied to provisions and reserves as required. The under spend was divided between £4.9m on directorate services and £3.4m on capital financing budgets. The latter was due to longer term investments placed at higher rates of return before the substantial fall in bank base rate to the current 0.5% and to less reliance on external borrowing, replacing this by internal funds. The result was a considerable achievement by all areas of the organisation. The total contribution to the general reserves was £2.6m, which exceeded the planned contribution by £1.6m, the balance carried forward into 2009-10 now stands at £5.72m. The following table sets out the outturn position:

	2008-2009		
	Budget £m	Outturn £m	Outturn Variation £m
Departmental Costs	182.4	177.5	-4.9
Non Departmental Costs	-16.5	-19.9	-3.4
Net Expenditure	165.9	157.6	-8.3
Contribution to			
Various provisions	0.1	2.3	2.2
Earmarked reserve	0.0	4.5	4.5
General reserve	1.0	2.6	1.6
Total	1.1	9.4	8.3

The net under spend across Directorates was due mainly to:

- Adults delivering a £1.9m under spend spread over a number of service areas, of which £0.7m has already been built in 2009-10 budget;
- Community and Environment producing an under spend of £2.8m, of which £1.2m was parking enforcement income built into the 2009-10 budget and £0.8m was one off income from Transport for London (TFL) as a result of carrying out 18 months work in 12 months; and
- There were under spends in other areas and spending across the board was lower due to the spending protocol issued by the Corporate Director for Finance as financial pressures emerged during the year.

This enabled pressures of £0.6m in Children's to be offset overall. These resulted mainly from Special Needs Transport and the children in care budgets on placements and safeguarding.

The remaining under spend has provided the capacity to deal effectively with risks and liabilities and strengthen the Council's balance sheet as detailed in the table above, and explained below:

Provisions and reserves as required are being made for:

- Bad debts (including Housing Benefit overpayments);
- The Voluntary Severance Scheme in relation to decisions taken in 2008-09 on severances occurring on or after 1 April 2009 in relation to the 2009-10 budget; and
- An additional contribution of £1.6m to the GF balance as previously stated.

In addition there is £3.250m remaining to be allocated to service priorities including:

- Targeted investment in services;
- Special Projects Fund;
- Building Schools of the Future;
- The Transformation Programme;
- Contingency 2009-10 in light of the recession.

The net cost of service for the year, was £212.5m (£173.2m in 2007/08). The main reason for the significant increase is the impairment charge of £38.8m, following reduction in valuation of the council's housing stock, which does not in itself, affect the council's ongoing finances unless disposals are planned at this time. There are no planned disposals in the near future.

Capital

Actual capital spend in the year was £98.9m, compared with an original capital programme of £83.6m. This was due to commitments, mainly in Children's, carried forward from 2007-08. Major projects included in the programme were:

- The new Whitmore School;
- Education modernisation and improvements;
- Improvements to the Council's housing stock to achieve the 'Decent Homes' standard by 2010;
- The redevelopment of the Town Centre; and
- Further investment in new technology to drive out efficiencies in future.

Expenditure during the year was funded from grants (£45m), usable capital receipts (£3m), revenue contributions (£5m) and borrowing (£46m), of which the latter was mainly internal funds. The original approved programme included capital receipts of £29.9m and therefore some projects like the Town Centre Redevelopment and Sports and Leisure sites dependant on capital receipts were put on hold.

The total capital programme including Housing Revenue Account (HRA) for 2009-10 is £61m. There is carry forward of £15.75m from 2008-09 of which £7m is grant funded projects.

Housing Revenue Account

The Council provides rented accommodation of 5,067 units. In 2008-09 average Council rents were £81.55 per week, an increase of £4.33 (5.6%) from 2007-08. The HRA outturn confirmed a deficit of £1.1m in 2008-09. This resulted in a decrease in the HRA balance from £6.2m to £5.1m.

Collection Fund

The outturn surplus on the Collection Fund at year end is £0.355m compared to the estimated figure of £0.381m. This is a movement of £2.156m from last year when there was a deficit of £1.8m.

The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the SORP), and the Best Value Accounting Code of Practice (BVACOP) jointly developed by CIPFA and the Accounting Standards Board. The Authority's accounting statements comprise:

3.3. The core financial statements grouped together as detailed below

- **Income and Expenditure Account:** This account is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how

that cost has been financed from general government grants and income from local taxpayers.

- **Statement of Movement on the General Fund Balances:** The Income and Expenditure Account discloses the income receivable and expenditure incurred from running services for the year. However, there are other items that are required to be charged or credited to the General Fund that are not shown in the Income and Expenditure Account that have to be taken into account in determining the Council's budget requirement and its Council Tax demand. These other items are shown in the Statement on the Movement on the General Fund Balance. The surplus or deficit on the Income and Expenditure Account reflects the Council's financial results for the year in accordance with generally accepted accounting practice, and the movement on the General Fund Balance is important as an aspect of the Council's stewardship of its funds.

- **Statement of Total Recognised Gains and Losses (STRGL):** The STRGL reflects all gains and losses which are not reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded from the Income & Expenditure Account as they are treated as arising from asset and liability valuation changes rather than from an entity's operating performance.

- **Balance Sheet:** This statement is fundamental to the understanding of an authority's financial position at the year-end. It shows the balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

- **Cash Flow Statement:** This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

3.4. The supplementary single entity financial statements as detailed below

- **Housing Revenue Account:** This statement reflects a statutory obligation to account separately for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure – maintenance, administration and capital financing costs, and how these are met by rents, subsidy and other income.

FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

- **The Collection Fund Account:** It is a statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to finance services provided by the Council and the Greater London Authority (GLA).

3.5. The Pension Fund Account

The objective of the Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the fund.

The Pension Fund and its financial position are certified in section 2.

3.6. Accounting Developments

The SORP sets out the accounting concepts and accounting principles which underpin the Statement of Accounts. Significant changes to the 2008 SORP are:

- Amendments to the Pension Fund Accounts to implement the requirements of the Pension SORP 2007. This requires a change in valuation of securities from mid to bid value;
- A new section on Area Based Grant, which is a new government grant that came into force on 1 April 2008; and
- A new section on back pay arising from unequal pay claims, which covers regulations made in 2007 (England and Wales only) providing discretion to authorities to defer charging unequal pay expenditure or other costs incurred by the authority in relation to such back payment to the General Fund.

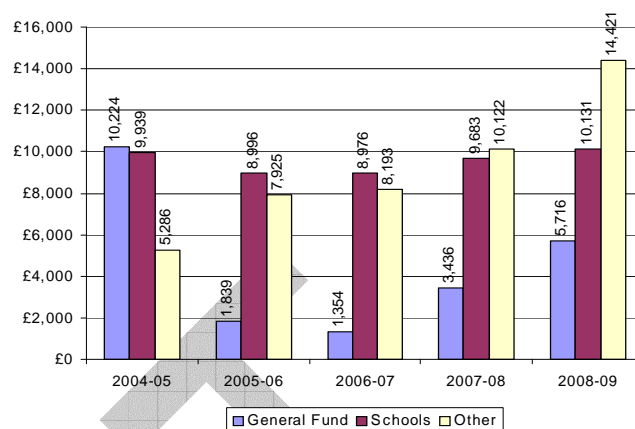
3.7. Pensions

The financial statements include the relevant pension costs and provisions required to reflect the pension accounting arrangements under the Pensions Accounting Standard FRS17. The significant change in market values is due to the sharp fall in equity values due to the global banking crisis and economic recession.

3.8. Financial Data

The following tables and charts analyse Balances, Council Tax Band D, income and expenditure of the Council services provided and summary of capital expenditure

3.8.1. Council Revenue Balances

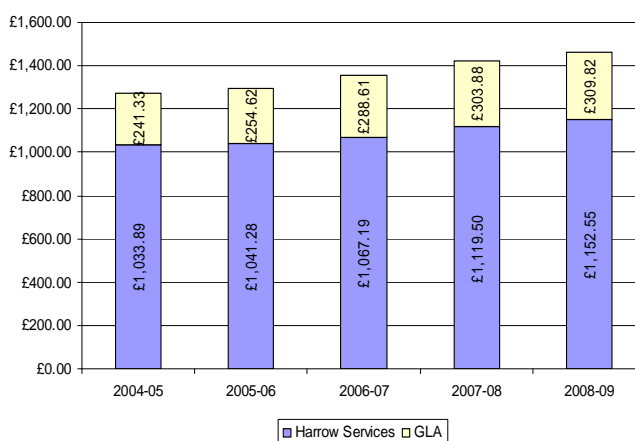


*Note: the above balances, excluding General Fund, are ring fenced.

3.8.2. Council Tax Band D

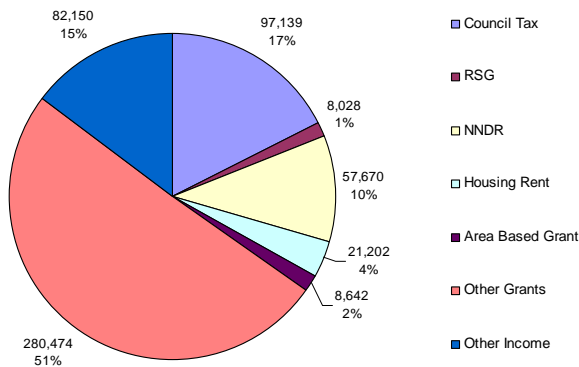
Council tax helps to pay for the services provided by Harrow Council and the Greater London Authority (GLA).

The total Council Tax for Band D was £1,462.37, an increase of 2.74% in 2008-09.

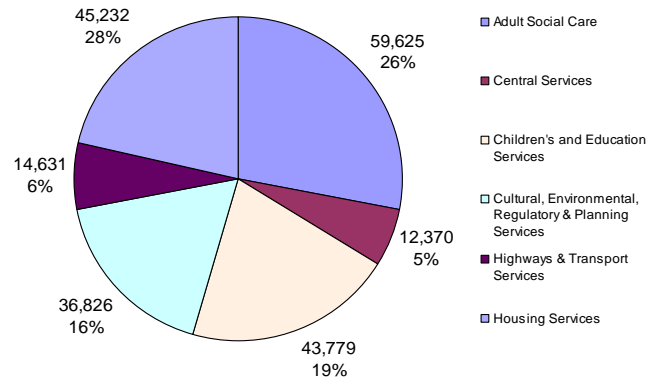


FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

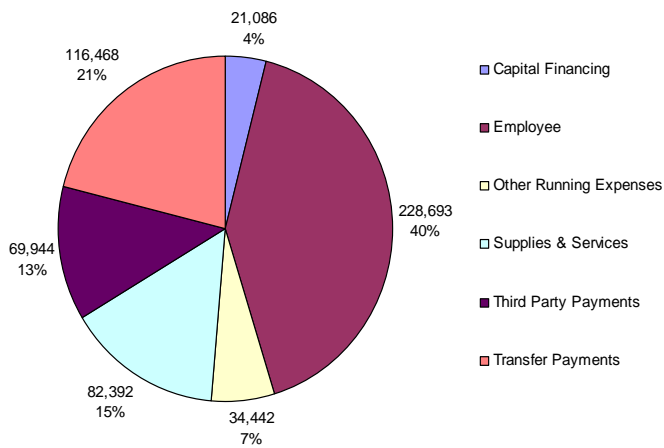
3.8.3. Analysis of Revenue Income (£000's)



3.8.5. The Services Provided

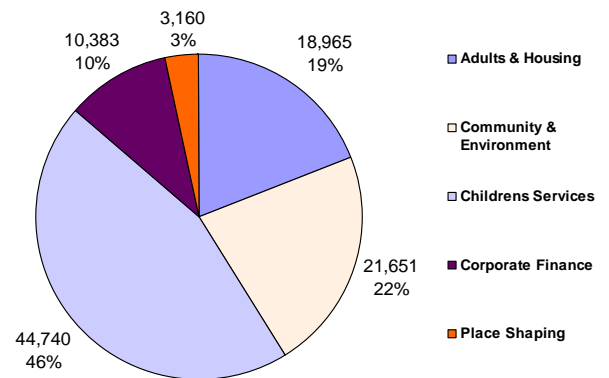


3.8.4. Analysis of Revenue Expenditure (£000's)



3.8.6. Capital Expenditure (£000's)

Capital expenditure represents money spent by the Council on purchasing, upgrading and improving assets that will be of benefit to the community over many years.



Section 4. Annual Governance Statement

4.1. Scope of Responsibility

Harrow 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.

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.

The Council has approved and adopted a corporate governance framework, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy can be obtained from Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XF. This statement explains how the Council has complied with the code and the governance framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of this Annual Governance Statement.

4.2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk 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 Harrow 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.

The governance framework has been in place at Harrow Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

4.3. The Governance Framework

Identifying, communicating and reviewing the authority's vision.

Harrow Council's vision is "to be recognised as one of the best London Councils by 2012, in a borough that is cosmopolitan, confident and cohesive".

The priorities and flagship actions set out in the corporate plan were set in response to consultations with residents and filter down the organisation hierarchically at Directorate, Service and individual plan levels. The priorities are communicated to residents through "Harrow People" magazine and the harrow.gov internet site.

The Council's vision and corporate priorities are consistent with the Sustainable Community Strategy.

The Sustainable Community Strategy 2020 was refreshed during 2008/09 by the Harrow Strategic Partnership (HSP) together with the local community, with local agencies, stakeholders and residents involved in identifying its priorities. This was to reflect the recent changes in partnership working, nationally and locally, and to ensure the HSP it can play as significant a role in the future as it has in the past. The strategy, which contains 6 key themes, shows how the organisations making up the Harrow Strategic Partnership (HSP) will try to shape the effects of global, national regional and local trends and events to work towards successful outcomes for Harrow.

Through this partnership, the HSP Members have agreed a new Local area Agreement which runs until March 31st 2011 and reflects the work that partners need to do over the next 3 years to improve the quality of life for local people.

In addition, a Council Improvement Plan (CIP) sets out a range of project-based programmes which will be delivered over the next 3 years. These are focused on internal improvements to business processes to create further efficiencies and compliment the delivery of the Chief Executive's 9-point improvement plan. 2008/09 was the second year of the CIP which contained 43 separate improvement projects.

Five improvement boards, which cover all areas of the Council, oversee all improvement initiatives across the Council, and the Corporate Strategy Board (CSB) has regular performance monitoring meetings scheduled throughout the year. CSB Membership consists of the Council's 5 Corporate Directors, the Assistant Chief

Executive, the Director of Legal and Governance Services and is chaired by the Chief Executive.

Progress towards the Council's corporate priorities is regularly monitored by the improvement boards, Corporate Strategy Board (CSB), the Executive (Members of the Cabinet, consisting of the Leader of the Council and nominated Portfolio Holder Councillors) and the LAA by the Harrow Strategic Partnership.

The Executive meets monthly and the Corporate Strategy Board meet weekly to monitor performance and to consider the key risks to the achievement of those objectives. There are also six weekly 'leadership meetings' between CSB and Cabinet Members.

The corporate priorities are reviewed annually and the priorities for 2008/09 were to:

- Deliver cleaner streets, better environmental services and keep crime low;
- Redevelop the Town Centre;
- Improve the well-being of adults and children and the care of those who most need our help;
- Extend community use of schools while making education in Harrow even better;
- Improve the way we work for our residents; and
- Develop communities where people from different backgrounds get on well together.

Measuring the quality of services and ensuring best use of resources

The Council has an integrated planning framework to develop its corporate plan and medium term financial strategy each year, and monitor performance against plans and budgets. The Sustainable Community Strategy and the Local Area Agreement inform the Council's Corporate Planning process. The direction provided by the Corporate Plan and the Medium Term Financial Strategy is cascaded through directorate service improvement plans down to service development plans and then to personal development plans and IPADS for individual staff.

The process commences with the development of a Year Ahead Statement, setting out the evidence base to support the Council's priorities, and this sets the scene for the planning round. More detailed work follows, culminating in the approval of the corporate plan and budget in February each year.

In December 2007 the IDeA carried out a corporate Peer Review of the Council with its partners, at the request of the incoming Chief Executive. The results of this informed the Council's key improvement priorities and shaped the Council Improvement Plan (CIP) for 2008-09.

Performance against plans, key indicators and targets and budgets is monitored during the year by Directorate Management Teams, quarterly Improvement Boards and CSB. There are quarterly monitoring reports to cabinet on both the budget and performance using a balanced scorecard approach.

The Council has made considerable progress to improve its financial position and financial management in the last 3-4 years. This has involved much more robust medium term planning, an increase in the number of qualified finance staff, training for budget holders, and the replacement of the finance system with Enterprise Resource Management System (ERP). The Council commissioned a financial effectiveness review during 2007-08 with support from Capital Ambition. The recommendations from this were incorporated into the Council's Improvement Programme.

A Use of Resources Assessment is carried out annually by the Audit Commission which is wide ranging and covers financial management, performance management, internal control and value for money. The outcome of the assessment results in actions being built into service plans and the Council's Improvement Programme.

Defining roles

The Council's constitution describes the role of Members, the Executive, Portfolio holders, Mayor, full Council, the Standards Committee and the Overview and Scrutiny Committee. The Council launched a new corporate consultation strategy in 2008/09

Officer responsibilities are also set out in the Constitution, including the Chief Executive and Corporate Directors, the Director of Legal & Governance Services. This includes the various statutory responsibilities of these roles and role profiles of senior officers are in place and relevant officers have written delegated authority to undertake the statutory functions.

Democratic services maintain a register of Members' interests in outside bodies.

The Constitution is reviewed on an on-going basis, with full Council making amendments as and when required.

Standards of behaviour and codes of conduct

Members and employees have clear codes of conduct, which set out expectations of behaviour and are regularly reviewed and re-issued. Training for Members on the code was provided during 2007-08 and the employee code forms part of the officer induction training.

A Standards Committee is in place to ensure that individual Members uphold and exemplify good

governance and behaviour, and the role of the Committee and its structure was revised during early 2008/09 to reflect its new powers and responsibilities.

Separate mechanisms for Members and Officers are in place in the event that the codes are breached and appropriate action is taken as necessary.

Registers of gifts and hospitality are held at Member and Officer level and reviewed regularly. Departmental Management Teams review the Officer registers at regular intervals.

In September 2008 the Council adopted new Council values which apply to all employees and replace the previous competency framework for middle managers and above. The values set out expected behavioural standards within 6 themes known as the CREATE values:

- **Customer first;**
- **Respect;**
- **Engaged communication;**
- **Actively 'One Council';**
- **Taking responsibility; and**
- **Energise and improve.**

A new suite of employment policies were prepared during 2007/08 and introduced from April 2008 which includes key HR policies for dealing with grievance, disciplinary and harassment issues. These have been communicated to managers under new capability and dignity at work procedures and are available on the Council's intranet site together with the full range of HR policies.

Decision making

Decision making arrangements are set out in the constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for full Council, most are made by the Executive or by Committees, Sub-Committees or officers. The powers delegated to individual portfolio holders are set out in the Constitution. In accordance with the Local Government Act 2000 the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process, call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.

Forthcoming Executive decisions are published on the Forward Plan which sets out all future key decisions that may be made within the following four month period.

The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery.

The scrutiny function supports effective decision making and policy development by the executive. The Overview and scrutiny Committee is responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of poor performance and the development of an effective strategy/policy framework for the council and its partners. This includes consideration of the corporate plan, local area agreements and the medium term financial strategy. The Performance and Finance sub-committee is the scrutiny body responsible for monitoring the performance of the council and its partners in relation to their stated policy and priorities.

All formal meetings are clerked by well trained and experienced Democratic Services Officers and lawyers are present when appropriate to provide advice on law and constitutional procedure.

Members are required to make sound decisions based on written reports which are prepared in accordance with report writing guidelines and have to be cleared by officers in finance, legal services, performance management, environment and portfolio holders. Reports must pay due regard to equalities issues, crime and disorder implications, and risks.

The Executive receive a briefing (Cabinet Briefing) two weeks before the formal Cabinet meeting date when Members can ask detailed technical questions of officers. A Member Development programme is in place to support Members and provide them with information and the skills to make effective decisions.

The Constitution details those decisions that may not be taken by the Executive and those decisions that have been formally delegated to officers.

Internal control and risk management

The Council's internal control and risk management arrangements are assessed every year by the Audit Commission. In the most recent assessment published March 2009 the Council was rated 3 out of 4. This means that the Council is consistently operating at above minimum requirements and performing well.

The Council has a duty to manage its risks effectively and this is achieved through a consistent corporate process in a hierarchical series of risk registers. A risk management strategy is reviewed and agreed by the Executive each year. The strategic risk register is reviewed by the Corporate Strategy Board on a quarterly basis. All Directorates have risk registers as part of Service Improvement Plans and these are reviewed by Directorate Management Teams regularly.

A new Strategic Risk Board, consisting of nominated directorate risk champions and chaired by the Assistant Chief Executive, was established during 08/09.

All registers highlight identified risks, evaluate the likelihood and severity of risks materialising and identify mitigations to reduce risks, which are assigned to named risk owners.

Project risks are managed through the same corporate process and separate risk registers exist where this is specific to other processes such as the Medium Term Financial Strategy.

All committee reports are required to include commentary on the risks associated with the subject matter of the report so that Members can take informed decisions based on the balance of opportunities versus risks.

Audit arrangements

An effective Internal Audit service is provided by an in-house team, which operates in accordance with the standards set out in the CIPFA Code of Practice for Internal Audit for Local Government.

The Council's External Auditors, Deloitte LLP, rely on the Internal Audit team's work on the authority's core financial systems.

The Council has operated an Audit Committee in accordance with the CIPFA Guidance Audit Committees – Practical Guidance for Local Authorities, since July 2004. Its terms of reference were reviewed and widened during 2007/08 to encompass the review and monitoring role of a range of risk related services including monitoring performance on corporate governance generally. The new role was agreed by full Council in October 2007 and the committee renamed the Governance, Audit and Risk Management (GARM) Committee.

Training was undertaken for the members of the GARM Committee in March 2007 and lead members were nominated as specialists in distinct areas of the GARM Committee responsibilities.

Compliance with statute and internal policies and procedures

The Council's legal service tracks new legislation and keeps the relevant Directorate(s) informed of the implications for future service delivery. Corporate issues are discussed at the Corporate Strategy Board and Corporate Leaders Group.

All internal policies and procedures are contained on the Council's intranet site and communicated to staff. Compliance is monitored through the annual

management assurance exercise, Internal Audit reviews and specific monitoring at Directorate Management Team meetings and the quarterly improvement boards.

Key internal policies and procedures are reviewed and communicated regularly, such as the Council's Financial Regulations and Contract Procedure Rules.

Serious breaches of policies and procedures are subject to the Council's disciplinary procedures and where necessary investigated by the Council's Internal Audit service which works closely with the Council's Corporate Anti-Fraud team and maintains the Council's corporate anti-fraud policy and corruption strategy.

Whistle blowing and complaints

The Council has a whistle blowing policy, publicised to staff and available on the intranet. The policy is primarily designed for staff to raise concerns but is also explicit regarding contractors and agents outside of the authority. A register is maintained by the Monitoring Officer.

The Council has a three stage complaints procedure for Members of the public to complain about individual service areas. This was refreshed in 2008/09 and details of the procedure and an online form are contained on the Harrow.gov website. Details of the Local Government Ombudsman Service are included and a printable information pack is available to download. A similar facility exists for Members of the public to provide general comments and suggestions, or compliments.

Training and development

The Council runs a Member induction programme for new Members and a development programme for all Members. The latter consists of a schedule of events throughout the year in a variety of formats, including events led by key officers from across the organisation and quarterly update sessions to keep Members up to speed on new developments/ideas.

A staff appraisal programme exists for all employees which is conducted on an annual basis with a mid year review. The process is formal with a corporate template and is designed to record achievements of staff, enable discussion about training and development needs, personal development and provide a clear understanding of how all individuals work contribute to the Team, Service, Directorate and Corporate priorities. The 2008/09 Management Assurance process highlighted that managers consider that the appraisal process is working well in only 47% of departments across the Council although corporate feedback to Human Resources indicates a much healthier position. This disparity will be investigated and action taken to tackle the situation as part of the 2008/09 Management Assurance Action plan.

The appraisals process is monitored at Divisional Management Team level, at Council Improvement Boards and as part of the annual management assurance exercise.

All Directorates started work in 2007/08 on building workforce strategies and these were implemented in 2008. Learning and development plans for staff are integral to these strategies, as are initiatives to provide career opportunities for existing staff within the Council and Directorates.

A managers development programme was attended by most middle managers during 2008/09 and professional qualification opportunities are provided within Directorates.

All service areas have a budget allocated for training and development of staff.

Communication and consultation

The Council has a community engagement strategy which sets out agreed methods of consultation on key decisions such as the allocation of resources and Council priorities. A new corporate consultation strategy was launched in 2008/09

The Council magazine "Harrow People", which is delivered to every household in Harrow seven times a year, is used to communicate important messages

Internally a variety of media are used to keep staff informed of developments and important information. These range from communications e-letters to poster campaigns, "The Arrow" internal newsletter, the 'Grapevine' an e-newsletter, the Chief Executive's newsletter and staff forums held jointly by the chief Executive and Leader of the Council when all staff are able to attend and ask questions.

The Council's communications strategy was reviewed in 2007/08 and a new corporate communications team was established.

Protocols for 2 way communication between the Council and the Trade Unions are well established.

All Committee meetings are held in public except where items on the agenda are exempt from publication due to confidentiality.

Members hold ward surgeries.

Partnerships

As part of the process for agreeing the 35 improvement priorities for the Local Area Agreement, partners committed to a number of values around addressing

inequality, focussing on preventative actions and delivering value for money through the LAA. They have also signed up to a compact agreement, setting out the principles for partnership working and how they engage with the voluntary and community sectors. A Scrutiny review of the relationship between the Council and the Voluntary Sector was carried out in 2007/08 and work to achieve the recommendations from that review commenced in 2008/09.

The Council has engaged a number of commercial partners to support the delivery of services, from a business transformation project to construction and infrastructure partners. The partnerships have been secured under framework agreements and are subject to strong governance and accountability processes.

Directorate Service Improvement Plans are required to list key partnerships and to consider partnership risks. Joint risk registers exist with key commercial partners and during 2008/09 further work with public partners was carried out to establish joint registers during 2009/10.

A number of initiatives were established during the year with commercial and voluntary community partners to support businesses and residents of the borough specifically in relation to the economic downturn.

4.4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have the responsibility for the development and maintenance of the governance environment, the Corporate Governance Group, Corporate Governance Working Group, Internal Audit annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework in the 2008/09 financial year is described below.

The Council

- Set the annual budget in accordance with the corporate priorities.

The Executive

- Made decisions in accordance with corporate priorities.
- Allocated responsibility for Member Portfolio Holders to specific areas of responsibility
- Considered risks and opportunities as part of the decision making process.

- Monitored performance against the corporate priorities

The Audit Committee (GARM)

- Met 6 times during 2008/09 and has considered the work of Internal Audit during the year including mid year and end of year reports, the results of the management assurance exercise, approved the Internal Audit Annual work plan, the Internal Audit delivery plan and the results of the Internal Audit self assessment against the CIPFA Code of Practice.
- Monitored the effective development of the Council's corporate governance framework
- Reviewed and approved the Annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- Reviewed and challenged the reports provided by External Auditors on behalf of the Audit Commission including the annual audit and inspection letter and the use of resources judgement
- Reviewed and approve the Annual Governance Statement

The Standards Committee

- Received reports from the Council's Monitoring Officer. It also considered and made decisions on allegations of breaches of the member's code of conduct.

The Overview and Scrutiny Committee

- Supported the Council and Executive in developing the policy framework and budget for the Council and worked with partner organisations on issues that may be outside the remit of the Council.
- Considered the Council and its partners' performance against stated policy and priorities.
- Reviewed specific services by making reports and/or recommendations to the full Council, Executive, Portfolio Holders and any joint or area committees on any of their functions.
- Reviewed policy and decisions developed by others by reviewing and/or scrutinising decisions made or actions taken in connection with the discharge of the Council's functions.
- Reviewed issues of concern to local people by considering matters affecting the area or its inhabitants and monitoring and scrutinising the activities of others.
- Considered the Forward Plan prior to key decisions as appropriate.

Internal Audit

- Provided assurance to the Council on operational and financial controls through the delivery of an agreed audit plan and follow-up reviews.
- Produced mid and end of year reports including the annual audit opinion on the Councils internal control framework.
- Supported the Corporate Governance Group and Corporate Governance Working Group.
- Provided assurance and advice to major project boards and partnership arrangements.
- Conducted an annual management assurance exercise the results of which informed risk registers, corporate governance update reports, action plans and also this annual governance statement.
- Contributed to the annual governance statement.
- Implemented an escalation procedure to the Corporate Strategy Board and Audit Committee on audit reviews that give rise to concern.
- Worked closely with the corporate anti-Fraud Team in relation to system controls and investigations to counter fraud.
- The Internal Audit plan for 2008/09 was approved by the Audit Committee in June 2008 and 92% of the plan was completed which included all the key financial system reviews relied upon by the External Auditors. A total of 276 recommendations were made during the audit year and 273 (99%) were agreed for implementation by the various managers.
- A significant part of the work programme involved supporting schools to achieve the Financial Management Standard in Schools (FMSIS). 91% of schools who were assessed achieved the standard.
- Undertook work on the authority's core financial systems for external audit reliance purposes.
- The overall audit opinion for the Council's control environment for 2008/09 was assessed as "adequate – good". The detailed report setting out the reasoning behind this assessment was considered and approved by the Governance, Audit and Risk Management Committee (GARMC) in September 2009.

Corporate anti-fraud team

- Reviewed and updated the Council's corporate anti-fraud policy and corruption strategy.
- Investigated allegations of fraud both from external and internal sources.
- Worked closely with Police partners to secure convictions where appropriate.
- Publishes successful prosecutions as part of a deterrent communication strategy.

Management Assurance Exercise

The management assurance process was developed and introduced across the Council in 2005/2006 (the 2004/2005 exercise). The areas of assurance are reviewed and updated annually by Internal Audit using the corporate risk register to provide a clear link between the controls identified in the risk management process and the assurances being obtained

When management assurance was introduced the assurance level was set at 70%. The assurance level indicates the percentage of departments in which the organisation expects any given area of assurance to be working well in. This level of assurance was maintained for the first three years that the exercise was run at 70%. However this is set at a pragmatic/realistic level rather than a challenging level and now that the assurance process is embedded the level of assurance expected has been increased to 75% for the 2008/09 exercise and will be increased to 80% in future years.

Overall the 2008/09 management assurance exercise confirmed that 80% of the areas of assurance covered by the self-assessment process are working well across the Council i.e. above the assurance level set, and have been given a green assurance rating. This is a 10% improvement on areas given a green assurance rating in 2007/2008; had the assurance level been left at 70% this would have been a 13% improvement. 11% are working just below the agreed assurance level (50 – 74%) and 9% are working well below the agreed assurance level (49% and below).

Action points were agreed as part of the management assurance statements sign off by the 3rd tier managers for all areas of assurance identified as working towards or where a gap was identified. These will be monitored throughout 09/10 by the quarterly Improvement Boards.

4.5. Significant Governance Issues/Progress on previous agreed actions

The annual review of the Council's governance arrangements and the annual management assurance exercise identified a number of governance issues for which detailed action plans have been developed. The year end update of the 07/08 AGS Action Plan shows that the governance gaps identified in 07/08 were closed fully in 08/09 for 50% of gaps identified, and significant progress has been made towards closing the remaining gaps.

Of the 3 gaps considered to be significant in 2007/08 the gap relating the Council's complaints process has been completely closed; significant progress has been made towards closing the gap relating to the embedding of the risk management process (the deadline for full implementation being 2010) and as a result of progress thus far this is no longer considered to be a significant

gap and whilst significant progress has been made toward closing the gap identified relating to Business Continuity/IT Disaster Recovery it is recognised that this is still a significant gap that the Council needs to address.

6 new gaps were identified as part of the 2008/09 annual governance review and these, along with the carry forwards from 07/08 form the new AGS Action Plan for 2008/09. None of the new gaps identified are considered to be significant by the Corporate Governance Group.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

4.6. Declaration

We have been advised on the implications of the review of the effectiveness of the governance framework by the Governance, Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed.....

Councillor David Ashton
Leader of the Council

Signed.....

Michael Lockwood
Chief Executive

Section 5. Statement of Accounting Policies

5.1. Introduction

Accounting Policies

The Authority's objective is to ensure that for all material items:

- The appropriate accounting policies have been adopted, given the Authority's circumstances to ensure the Accounts give a true and fair view;
- The accounting policies adopted are reviewed regularly to ensure that they remain appropriate; and
- Sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

Estimation Techniques

These are the methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.

The Authority has determined the estimation techniques that most closely reflect the economic reality of the transactions or other events to which the relevant accounting policy refers.

5.2. General Principles

The Statement of Accounts summarises the council's transactions for the 2008-09 financial year and its position at the year-end of 31 March 2009.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008 (the SORP), Statement of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS).

The accounting convention adopted is historical cost, modified by the revaluation of £32.8m of certain categories of tangible fixed assets.

The accounts have been prepared in accordance with three fundamental concepts:

Accruals of Income and Expenditure

Revenue transactions have been accrued and accounted for in the period to which they relate and not the period in which the cash is received or paid. Therefore, provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2009.

Going Concern

The Statement of Accounts should be prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Primacy of Legislative Requirements

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local Council accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

5.3. Capital Charges

Service revenue accounts, the Housing Revenue Account (HRA) and support services are charged with a capital charge for all capital assets used in the provision of services. The charge consists of the annual provision for depreciation.

A charge is also made to the HRA from the General Fund equivalent to statutory capital financing charges. It is calculated in a manner determined by the Secretary of State in accordance with the Item 8 determination.

Capital charges have a neutral impact on the amounts required to be raised from council tax, as they are reversed out in the Statement of Movement on the General Fund Balance and replaced by the Statutory Minimum Revenue Provision for debt repayment.

5.4. Financial Assets

All the Council's financial assets fall into the classification of "loans and receivables" and are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are 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. 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

STATEMENT OF ACCOUNTING POLICIES

5.5. 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure account in the year of repurchase / settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount respectively would be deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure account spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure account, regulations allow the impact on the General Fund balance to be spread over future years. The council has a policy of spreading the gain / loss over the term of the replacement loan. The reconciliation of amounts charged to the Income and Expenditure account to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment account in the Statement of Movements on the General Fund balance.

5.6. Financial relationships with companies

London Authorities Mutual Limited (LAML) is a mutual insurance fund company, limited by guarantee and set up by a group of participating London Borough Councils. LAML with its own memorandum & Articles of Association, Regulations and Board of Directors (elected by the members) is a separate legal entity and is accounted for in the council's statement of accounts as a 'simple investment'.

5.7. Government Grants and Contributions

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Where the acquisition of a fixed asset is financed either wholly, or in part, by a government grant or other contribution, the amount of the receipt is credited to the

deferred account on acquisition or completion. Sums are released to the relevant service account from the following year over the useful lives of the assets to which they relate.

5.8. Investments

The Council has adopted the CIPFA Code of Practice for Treasury Management. Investments are made in accordance with this code and the Council's Treasury Strategy Statement is approved by Members each year.

5.9. Leases

The Council has no finance leases. Operating leases allow the Council to have the use, but not the ownership of assets. Rentals payable under operating leases are charged to the service revenue account on a straight-line basis over the term of the lease.

5.10. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Code of Practice. The total absorption costing principle is used and the main bases for apportionment are actual usage, head count, floor space and budgets.

5.11. Pensions

The Council participates in two pension schemes, which meet the needs of employees in particular services. Both schemes provide members with defined pension benefits related to pay and service. The schemes are as follows:

5.11.1. Employees – Excluding Teachers

Employees, subject to certain qualifying criteria, are eligible to join the Council's own funded scheme administered under the Local Government Pension Scheme Regulations.

5.11.2. Teachers'

This is an unfunded scheme administered by the Teachers' Pension Agency (TPA). The pension cost charged to the accounts is the contribution rate that is set by the TPA based on a notional fund.

5.12. Pensions - FRS17

The requirements of Financial Reporting Standard 17 (FRS 17) are implemented in full in the accounts. The accounts include a net pension liability within the balance sheet. The change in the figure between years reflects the change in the estimated employer's assets and the present value of the scheme liabilities. The Council's triennial valuation takes a longer term view and provides a more appropriate measure of pension obligations.

STATEMENT OF ACCOUNTING POLICIES

5.13. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor.

In carrying out the assessment of the risks and rewards for elements of contracts that involve property, an assessment is made of the substance of the transaction and whether the Council or the operator is exposed to the majority of the risks and rewards of ownership. In carrying out this assessment the Council applied the Treasury Taskforce Guidance Note (TTF). The SORP requires the Council to apply Application Note F to FRS 5 'Private Finance Initiative and Similar Contracts'. CIPFA's Guidance Notes for Practitioners state that the TTF Guidance Note is influential but not mandatory in applying FRS 5 and accordingly, where two appear to conflict, the principles of FRS 5 should take precedence. The Council believes that it is more appropriate to account for these transactions by applying the TTF Guidance directly, which in this case leads to a different answer, as this reflects accepted practice in other local authorities with PFI contracts and enables comparability.

5.14. Provisions

The Council makes provision in compliance with FRS12 where there is a present obligation as a result of a past event, where it is probable that the Council will incur expenditure to settle the obligation but where the timing of the payment is uncertain and where a reasonable estimate can be made of the amount of the obligation.

5.15. Reserves

The Council set-aside specific amounts as reserves for future policy purposes. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily for earmarked purposes that fall outside the definition of provisions.

5.16. Revenue Expenditure funded from Capital under Statute

Revenue expenditure funded from Capital under Statute represents expenditure to be classified as capital for funding purposes but does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Expenditure of this nature is written off to the relevant service revenue accounts in the year in which the expenditure is incurred.

5.17. Stocks

Stock is valued at the year-end based on the lower of cost and net realisable value.

5.18. Tangible Fixed Assets

These are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

The freehold and leasehold properties that comprise the Council's Property Portfolio have been valued by the Council's internal valuers in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS) and are classified into groupings required by the CIPFA Code of Practice on Local Government Accounting.

There is a rolling programme of valuations intended to embrace the whole of the property asset portfolio of the Council, including landlord's fixtures and fittings, over a period of five years. Review is also undertaken of the values at which each category of fixed assets is included in the Council's balance sheet at each year-end. Where there is sufficient reason to believe that values may have changed materially since the last valuation, and that change is likely to be other than temporary, the relevant categories of assets are revalued accordingly.

5.18.1. Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Expenditure on the acquisition of a tangible fixed assets, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and is classified as a tangible fixed asset.

5.18.2. Measurement

Assets are initially measured at cost. Assets are then carried in the balance sheet using the following measurement bases:

- Non-specialised operational properties are valued on the basis of the open market value in existing use;
- Specialised operational properties are valued on the basis of depreciated replacement cost;
- Car parks, where charges are made, have been valued by capitalising the net receipts receivable;
- Non-operational properties have been valued at open market value;
- Community assets are recorded at nominal value;
- Plant and machinery that is normally associated with a building, such as lifts, has been reflected in the valuation; and
- Infrastructure assets, vehicles and plant and equipment are included in the balance sheet at historic cost net of depreciation and are not included in the valuation exercise.

Where enhancement expenditure on an existing property is in excess of £50,000, the property is revalued in the following year and property values are

updated then to reflect any changes in value. The effect of enhancement work below this threshold and on Council dwellings is dealt with when the properties are next re-valued through the Council's five-year rolling revaluation programme.

5.18.3. Impairment

An impairment review is carried out and where impairment is identified as part of this review, this is accounted for:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account; and
- Where not attributable to the clear consumption of economic benefits – the loss is written off against revaluation reserve if any balance of revaluation reserve is available against the respective asset, otherwise the loss is charged to the relevant service revenue account.

5.18.4. Disposals

When an asset is disposed the current value is used to determine gain or loss on disposal which is charged to the relevant service revenue account. The gain or loss will be reversed out in the Statement of Movement on the General Fund Balance to avoid any impact on council tax.

Amounts in excess of £10,000 are categorised as capital receipts.

A portion of receipts relating to housing disposals (75% for dwellings and 50% for land and other assets) are payable to the Government. Balance of the receipts is credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow.

5.18.5. Depreciation

Depreciation is provided on all fixed assets with a determinable finite useful life in accordance with FRS15 and the following policy:

- The Council's Housing stock has been depreciated by an amount equal to the Major Repairs Allowance;
- Depreciation on non-housing assets is calculated using the straight-line method over the estimated useful life of the asset, as detailed below:
 - Non housing operational buildings: 20-80 yrs;
 - Vehicle plant and equipment: 5 yrs; and
 - Infrastructure assets: 10-60 yrs.
- Freehold land and non-operational investment properties have not been depreciated; and
- Newly acquired revalued or completed assets are depreciated in the following year of acquisition, revaluation or completion.

FINANCIAL STATEMENTS

Section 6. Financial Statements

6.1. Income and Expenditure Account

For The Year Ended 31 March 2009

	2008-09			2007-08
Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Restated Net Expenditure £000
Continuing Service				
Adult Social Care	76,781	-17,156	59,625	56,321
Central Services to the Public	19,952	-18,775	1,177	912
Children's and Education Services	213,802	-170,023	43,779	37,586
Cultural, Environmental, Regulatory & Planning Services	50,574	-13,748	36,826	47,771
Highways & Transport Services	28,852	-14,221	14,631	14,094
Housing Services (General Fund)	109,315	-100,763	8,552	6,038
Housing Services (HRA)	22,167	-24,263	-2,096	-3,435
Impairment on Council Housing Stock	38,776		38,776	0
Total Housing Services (HRA)	60,943	-24,263	36,680	-3,435
Corporate & Democratic Core	13,426	-7,181	6,245	9,371
Non Distributed Costs	5,155	-208	4,947	4,512
Net Cost of Services	578,800	-366,338	212,462	173,170
Housing Pooled Capital Receipts			465	970
Gains on disposal of Fixed Assets			-398	-9,408
Interest payable and similar charges			9,717	10,384
Discount and Premiums			0	-11,452
Interest and investment income			-4,541	-3,824
Levies by other authorities	7.1.14		7,003	6,492
Pension Interest costs and return on Pension Assets			6,756	-1,346
Net Operating Expenditure			231,464	164,986
Income from the Collection Fund			-97,139	-94,725
Revenue Support Grant			-8,028	-8,672
Area Based Grant			-8,642	0
Distribution from non-domestic rate pool			-57,670	-51,676
Deficit for the year			59,985	9,913

FINANCIAL STATEMENTS

6.2. Statement Of Movement On The General Fund Balance

	Notes	2008-09 £000	Restated 2007-08 £000
Deficit for year on the Income & Expenditure Account		59,985	9,913
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year	7.1.17	-62,713	-12,702
Increase in General Fund Balance for the year		-2,728	-2,789
General Fund balance brought forward		-13,119	-10,330
General Fund balance carried forward		-15,847	-13,119
Amount of General Fund balance held by schools under local management schemes		-10,131	-9,683
Amount of General Fund balance Carried Forward		-5,716	-3,436
		-15,847	-13,119

6.3. Statement Of Total Recognised Gains and Losses (STRGL)

	Notes	2008-09 £000	Restated 2007-08 £000
Deficit on the Income and Expenditure Account for the year		59,985	9,913
Surplus arising on revaluation of fixed assets		-6,793	-36,132
Actuarial losses/(gains) on Pension Fund assets and liabilities		76,813	-5,425
Other		-2,157	-269
Total recognised losses/(gains) for the year	7.1.39	127,848	-31,913

FINANCIAL STATEMENTS

6.4. Balance Sheet As At 31 March 2009

	Notes	2008-09		Restated 2007-08
		£000	£000	£000
Tangible Fixed Assets	7.1.18			
Operational Assets				
Council Dwellings		355,621		400,441
Other land and buildings		591,788		550,300
Vehicles, plant and equipment		40,538		40,591
Infrastructure assets		98,606		92,873
Community assets		1		1
		<u>1,086,554</u>		<u>1,084,206</u>
Non Operational Assets				
Investment properties		40,906		39,830
Assets under construction		43,601		19,863
Surplus assets, held for disposal		104		125
		<u>84,611</u>		<u>59,818</u>
		<u>1,171,165</u>		<u>1,144,024</u>
Long Term investments		16,345		12,260
Long Term debtors	7.1.26	3,897		4,086
Total Long Term assets		<u>1,191,407</u>		<u>1,160,370</u>
Current Assets				
Stocks		91		44
Debtors	7.1.27	32,674		35,086
Investments	7.1.28	69,212		73,598
Cash and Bank		1,060		2,012
		<u>103,037</u>		<u>110,740</u>
Current Liabilities				
Short term borrowing	7.1.29	-17,594		-12,444
Creditors	7.1.30	-69,533		-67,708
Bank Overdraft		-7,036		-5,115
		<u>-94,163</u>		<u>-85,267</u>
Total Assets less Current Liabilities		<u>1,200,281</u>		<u>1,185,843</u>
Long term borrowing	7.1.32	-212,217		-202,337
Government grants deferred account	7.1.33	-70,116		-55,047
Deferred Credits	7.1.34	-156		-182
Capital Grants Unapplied	7.1.35	-61,332		-25,873
Provisions	7.1.36	-9,249		-8,547
Pension liability	7.1.44	-189,575		-108,373
Total Assets less Liabilities		<u>657,636</u>		<u>785,484</u>
Reserves				
Capital Adjustment Account	7.1.37	-783,066		-842,594
Financial Instruments Adjustment Account		4,397		4,418
Equal Pay Back Pay Account		0		867
Revaluation Reserve	7.1.38	-38,274		-33,306
Pension Reserve		189,575		108,373
Fund Balances and Reserves		-30,268		-23,242
Total Equity	7.1.39 & 7.1.40	<u>-657,636</u>		<u>-785,484</u>

FINANCIAL STATEMENTS

6.5. Cash Flow Statement for Year Ended 31 March 2009

		2008-09	2007-08
	Notes	£000	£000
Revenue Activities			
Cash outflows			
Cash paid in respect of employees		224,140	217,393
Other operating payments		209,414	193,582
Housing benefit paid out		78,535	71,932
Precepts paid		26,106	25,713
NNDR paid to National Pool		45,819	40,278
Payment to the Capital Receipts Pool		465	1,367
		<u>584,479</u>	<u>550,265</u>
Cash inflows			
Rents (after rebates)		-7,523	-6,559
Council Tax Income		-111,605	-108,911
Non-domestic rate receipts		-45,842	-44,509
Receipts from NNDR Pool		-57,670	-51,675
Revenue Support Grant		-8,028	-8,672
DWP grants for benefits		-107,414	-106,639
Other Government grants	7.1.47	-174,370	-175,384
Cash received for goods and services		-19,267	-15,610
Other operating cash receipts		-85,784	-86,778
		<u>-617,503</u>	<u>-604,737</u>
Revenue Activities - Net Cashflow	7.1.48	<u>-33,024</u>	<u>-54,472</u>
Returns on Investments & Servicing of Finance			
Interest Paid		9,750	-802
Interest Received		-4,160	-4,018
Servicing of Finance net cash outflow		<u>5,590</u>	<u>-4,820</u>
Capital Activities			
Cash Outflows			
Purchase of fixed assets		93,717	44,344
Long term investments		5,183	298
Other capital cash payments		85	7,433
		<u>98,985</u>	<u>52,075</u>
Cash Inflows			
Sale of fixed assets		-4,044	-13,342
Capital grants received		-49,925	-23,605
Other capital cash income		-325	-271
		<u>-54,294</u>	<u>-37,218</u>
Capital Activities - Net cashflow		<u>44,691</u>	<u>14,857</u>
Net cash outflow/(-)inflow before financing	7.1.50	<u>17,257</u>	<u>-44,435</u>
Management of liquid resources			
Movement in investments	7.1.52	646	7,628
Financing			
Cash outflows			
Repayment of amounts borrowed		5,118	48,132
Cash Inflows			
New loans raised		-10,000	-13,000
New short term loans	7.1.51	-10,148	3,200
		<u>-20,148</u>	<u>-9,800</u>
Financing net cash inflow (-)/outflow		<u>-15,030</u>	<u>38,332</u>
Net decrease in cash	7.1.49	<u>2,873</u>	<u>1,525</u>

NOTES TO THE FINANCIAL STATEMENTS

Section 7. Notes to the Financial Statements

7.1. The Income & Expenditure Account

Service Analysis

The Consolidated Revenue Account conforms to the Service Expenditure Analysis contained in CIPFA Best Value Accounting Code of Practice (BVACOP). Annex 1 sets out a detailed analysis.

7.1.1. Prior Year Adjustments

As a result of the introduction of new accounting standards and regulations, there has been an impact on the comparative figures for 2007-08. These are:

- Revaluation of fixed assets on disposal is no longer allowed; and
- New Minimum Revenue Provision (MRP) - this has been implemented retrospectively from 2007-08.

These changes have had the following impact on the comparative figures for 2007-08 compared with those published in the 2007-08 Statement of Accounts.

	2008-09 £000	2007-08 Post adj £000	2007-08 Pre adj £000
Income and Expenditure Account			
Gains on disposal of Fixed Assets	-398	-9,408	0
Net Operating Expenditure	6,756	-1,346	174,394
Deficit for the year	59,985	9,913	19,321
Statement of Movement on the General Fund Balance			
Deficit for the year	59,985	9,913	19,321
Net additional amount required to be credited to Council Fund Balance for the year	-62,713	-12,702	-21,705
Increase in General Fund Balance	-2,728	-2,789	-2,384
General Fund Balance brought forward	-13,119	-10,330	-10,330
General Fund Balance carried forward	-15,847	-13,119	-12,714

	2008-09 £000	2007-08 Post adj £000	2007-08 Pre adj £000
Breakdown of reconciling items in the Statement of Movement on the General Fund Balances			

Amounts included in the Income & Expenditure account but required by statute to be included or excluded			
Net gain on sale of fixed assets	398	9,408	0
Statutory provision for repayment of debt	6,101	5,656	6,061
Net additional amount required to be credited to the General Fund Balance for the year	-62,713	-12,702	-21,705

Statement of Total Recognised Gains and Losses			
Deficit for year on the Income & Expenditure Account	59,985	9,913	19,321
Surplus arising on revaluation of fixed assets	-6,793	-36,132	-45,540
Total recognised gains for the year	127,848	-31,913	-15,779

Balance Sheet			
Deferred Credits	-156	-182	0
Total Assets less Liabilities	657,636	785,484	786,686
Deferred Credits	0	0	-182
Capital Adjustment Account	-783,066	-842,594	-842,999
Fund Balances and Reserves	-30,268	-23,242	-22,837
Total Equity	-657,636	-785,484	-786,686

7.1.2. Private Finance Initiative (PFI) transactions

The Council makes payments under various PFI contracts as detailed below:

- Sancroft Hall with residential and day care units. The establishment became operative on 1 November 1999 and the contract ends in October 2024. The annual payment under the contract was £1.511m in 2008-09 (£1.222m in 2007-08); and
- Two new schools for pupils with learning disabilities, and the refurbishment and site of a third first and middle school. These were completed and fully operational in February 2006. The full unitary charge is now payable and grant received on an annuity basis, with contributions made to a sinking fund on an annual basis until the end of the contract in August 2033. The annual payment under the contract was £2.234m in 2008-09 (£2.203m in 2007-08).

NOTES TO THE FINANCIAL STATEMENTS

The payments which the Council is committed to make for the duration of the above contracts are estimated and detailed in the table below. However, these will vary depending on the performance of the Providers and future inflation.

	2008-09 £000	2007-08 £000
Sancroft	29,282	27,076
Special Schools	62,270	64,126
Total	91,552	91,202

7.1.3. Section 137 Expenditure

Section 137 Expenditure of the Local Government Act 1972 (as amended) enables local authorities to incur expenditure for the benefit of people in its area and activities or projects not specifically authorised by other powers. The maximum amount that can be spent in this way is £5.00 per head of population, amounting to £1.08m in 2008-09 (£1.08m in 2007-08). The Council has not used this power since 1998-99.

7.1.4. Publicity

The Council is required under Section 5 of the Local Government Act 1986 to keep a separate account of certain categories of expenditure on publicity. The Council has entered into an arrangement with Westminster City Council to provide Communications services. This includes delivering media relations, corporate marketing, service marketing and internal communication.

The Council's expenditure on publicity is summarised below:

	2008-09 £000	2007-08 £000
Staff recruitment advertising	173	155
Other advertising	212	259
Public Relations, Communication	983	801
Advertising for Schools (Delegated Budgets)	492	459
Total	1,860	1,674

7.1.5. Building Regulations Charging Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The following table shows the total cost of operating the building control unit, divided between chargeable and non-chargeable activities.

	Chargeable £000	Non- Chargeable £000	Total £000
2008-09			
Expenditure			
Employee Expenses	529	273	802
Premises	17	5	22
Transport	18		18
Supplies and Services	14	15	29
Central and support service charges	246	45	291
Total Expenditure	824	338	1,162
Income			
Building Regulation charges	-944		-944
Miscellaneous income		-5	-5
Total Income	-944	-5	-949
Deficit for year	-120	333	213
Totals 2007-08			
Expenditure	773	217	990
Income	-933	-11	-944
Deficit for year	-160	206	46

7.1.6. Agency Services

There were no agency services carried out during 2008-09 (none in 2007-08).

7.1.7. Parking Control

In accordance with the 1984 Road Traffic Act, the Council maintains a Parking Control account, which is detailed in the table below.

	2008-09 £000	2007-08 £000
Income	-6,067	-5,832
Expenditure	2,599	2,090
Total Surplus for year	-3,468	-3,742
Use of surplus		
Design and implementation of traffic management schemes	2,268	1,908
Concessionary Fares	1,200	1,834
Total	3,468	3,742

7.1.8. The Local Authorities (Goods and Services) Act 1970

The Council received income of £0.191m (£0.132m in 2007-08) for the supply of services to the West London Waste Authority during the year ended 31 March 2009.

7.1.9. Pooled Budget Agreements

Section 31 of the Health Act 1999 allows partnership arrangements between NHS bodies, local authorities, and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a pooled budget with the aim of focusing services and activities for a client group. Funds contributed are those normally

NOTES TO THE FINANCIAL STATEMENTS

used for the service represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

The Council, in association with Harrow Primary Care Trust, has established a pooled fund for the Integrated Community Equipment Service (ICES) for which Harrow Council is the lead body.

	2008-09 £000	2007-08 £000
Gross Income		
Harrow's Contribution	-277	-272
Schools Contribution	-21	-19
Harrow Primary Care Trust	-423	-415
	-721	-706
Gross Expenditure	804	980
Deficit for year	83	274

7.1.10. Members' Allowances

The total amount of Members' allowances paid in 2008-09 was £0.796m (£0.654m in 2007-08). Additional information on the Members' Allowance Scheme 2008-09 may be found in a leaflet available at Council libraries.

7.1.11. Officers' Emoluments

The following table shows the number of officers whose remuneration in the year (excluding pensions) was £50,000 or more, grouped in bands of £10,000:

Remuneration Bands	2008-09 No. of Employees	2007-08 No. of Employees
£ 50,000 - £ 59,999	209	165
£ 60,000 - £ 69,999	68	50
£ 70,000 - £ 79,999	19	16
£ 80,000 - £ 89,999	13	12
£ 90,000 - £ 99,999	9	2
£100,000 - £109,999	3	2
£110,000 - £119,999	3	4
£120,000 - £129,999	2	1
£130,000 - £139,999	2	1
£140,000 - £149,999	1	1
£160,000 - £169,999	0	1
£170,000 - £179,999	1	0

7.1.12. Related Party Transactions

During the year no Council members, chief officers nor their close relations, or members of the same household have declared any related party transactions other than those disclosed below.

- Myfanwy Barrett, Corporate Director of Finance holds various positions as detailed below:
 - Director of Harrow in Business (up to June 2008)
 - Director of London Authorities Mutual Limited

- Treasurer of West London Waste Authority, Edward Harvist Trust, Pinner Memorial Park, Middlesex Guildhall Collection, Harrow's Mayor's Charity and Harrow Recreation Trust
- Hugh Peart, Director of Legal and Governance is the Honorary Secretary of Edward Harvist Trust.

The transactions between the Council and its related parties are detailed below.

West London Waste Authority

	2008-09 £000	2007-08 £000
Payments to WLWA	5,872	5,040
Payments from WLWA	590	344
Cash balances invested with the Council as at 31 March 2009	8,828	7,205
Long Term lending to WLWA	3,415	3,538

London Borough of Harrow Pension Fund

	2008-09 £000	2007-08 £000
Employers pension contribution to the Fund	15,794	15,326
Administration expenses paid by the Fund	-790	-932
Cash due to/from(-) the Fund	3,473	-2,947

Other Funds

	2008-09 £000	2007-08 £000
Cash due to Harrow Weald Common Conservators	15	0
Cash due to Edward Harvist Trust	106	90

London Authorities Mutual Limited (LAML)

LAML is a company limited by guarantee set up by a number of London Boroughs to provide insurance services to its members. The Council provided guarantee as part of its membership of the LAML for £609,500, of which £345,000 has been paid in cash. On 9 June 2009 the Court of Appeal issued a judgment which effectively stated that the Authorities did not have the necessary powers to establish the Mutual. The company will therefore be wound up. Alternative insurance arrangements have been made and it is anticipated that most of the guarantee paid in cash will be recovered once the winding up process is complete. It should be noted that the most significant outstanding insurance claim affecting Harrow and the Mutual relating to a fire at Bentley Wood school, was settled with a third party through mediation on 2 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

Central Government and other local authorities

Grants from Central Government are disclosed in the notes to the Cash Flow Statement. Payments to precepting bodies are detailed in the notes to the Collection Fund. Payments to the levying bodies are disclosed in note 7.1.14.

7.1.13. External Audit Fees

The revenue accounts include fees payable to the Council's external auditor and to the Audit Commission with regard to:

- External audit services carried out under the Audit Commission's "Code of Audit" in accordance with section 5 of the Audit Commission Act 1998;
- Statutory inspection under section 10 of the Local Government Act; and
- Certification of grant claims and returns under section 28 of the Audit Commission Act 1998.

The Audit Commission appointed Deloitte LLP as the Council's external auditors in respect of the audit of the accounts and the audit of Government grants and returns. The following table sets out the sums payable in respect of each financial audit year reflected in the accounts.

	2008-09 £000	2007-08 £000
Annual audit	396	348
Inspection fees	87	69
Grants audit	110	130
Total audit fees	593	547
Audit of Harrow Pension Fund	38	0
Harrow PCT funding project	19	0
Total non audit fees	57	0

7.1.14. Levies

	2008-09 £000	2007-08 £000
London Boroughs Grants Committee	753	757
Coroners Court	150	133
London Pension Fund Authority	360	254
WLWA	5,306	4,932
Lee Valley	261	260
Environment Agency	173	156
Total	7,003	6,492

7.1.15. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools & Families (DCSF), and known as the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services

provided on an authority-wide basis and for the individual Schools Budget, which is divided into a budget share for each school. Over/under-spends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2008-09 are as follows:

	Central Expenditure £000	Individual Schools £000	2008-09 Total £000
Original Grant Allocation	13,415	119,347	132,762
DSG receivable for the year	13,415	119,347	132,762
Actual expenditure for the year	13,748	119,347	133,095
Overspend for the year	333	0	333
Balance brought forward from previous year	120	0	120
Overspend carried forward	453	0	453

7.1.16. Significance of the 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. 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 is met from the usable capital receipts balance rather than council tax;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned; and
- 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; and
- The Statement of Movement on the General Fund Balance provides the necessary reconciliation between the outturn on the Income and Expenditure Account and the General Fund Balance.

NOTES TO THE FINANCIAL STATEMENTS

7.1.17. Breakdown of reconciling items in the Statement of Movement on the General Fund Balances

	2008-09 £000	Restated 2007-08 £000
Amounts included in the Income & Expenditure account but required by statute to be excluded		
Depreciation and impairment	-68,721	-38,485
Government Grants deferred	4,198	4,127
Revenue Expenditure Funded from Capital under statute	-3,865	-5,704
Net gain on sale of fixed assets	398	9,408
Premiums and Discount	21	11,716
Equal Pay Back Pay Account	867	-867
Net charges made for retirement benefits in accordance with FRS17	-20,183	-15,569
	<u>-87,285</u>	<u>-35,374</u>
Amounts not included in the Income & Expenditure account but required by statute to be included		
Statutory provision for repayment of debt	6,101	5,656
Capital expenditure charged to the General Fund balances	1,000	1,000
Transfer from usable capital receipts	-465	-970
Employer's contributions payable to the Pension Fund	15,794	15,326
	<u>22,430</u>	<u>21,012</u>
Transfers to or from the General Fund balance		
Transfer from HRA	-1,117	531
Transfer to Earmarked Reserves	3,259	1,129
	<u>2,142</u>	<u>1,660</u>
Net additional amount required to be credited to the General Fund Balance for the year	<u>-62,713</u>	<u>-12,702</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

7.1.18. Tangible Fixed Assets

Movement of Fixed Assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles and Plant £000	Infra- structure £000	Community Assets £000	Non-Ops Properties £000	Total £000
Certified Valuation as at 1 April 2008	411,112	574,035	61,161	136,033	1	59,818	1,242,160
Additions	15,593	16,024	11,128	10,245	1,303	39,425	93,718
Disposals	-232	0	0	0	0	0	-232
Reclassifications	160	9,550	187	2,106	603	-12,606	0
Revaluations	-18008	24,801	0	0	0	0	6,793
At 31 March 2009	408,625	624,410	72,476	148,384	1,907	86,637	1,342,439
Depreciation and impairments							
At 1 April 2008	-10,671	-23,735	-20,570	-43,160	0	0	-98,136
Charge for 2008-9	-3,557	-5,947	-11,368	-6,618	0	0	-27,490
Revaluations	-38,776	-2,940	0	0	-1,906	-2,026	-45,648
At 31st March 2009	-53,004	-32,622	-31,938	-49,778	-1,906	-2,026	-171,274
Balance Sheet amount as at 31 March 2009	355,621	591,788	40,538	98,606	1	84,611	1,171,165
Balance Sheet amount as at 1 April 2008	400,441	550,300	40,591	92,873	1	59,818	1,144,024
Nature of asset holding							
Owned	355,621	591,788	40,538	98,606	1	84,611	1,171,165

NOTES TO THE CORE FINANCIAL STATEMENTS

7.1.19. Capital Financing

Capital expenditure in 2008-09 was financed as follows:

	2008-09 £000	2007-08 £000
Opening Capital Financing Requirement	203,936	183,254
Capital Investment		
Fixed Assets	93,717	45,949
Revenue Expenditure funded from Capital under Statute	5,183	7,433
Sources of finance		
Capital Receipts	-3,355	-12,374
Capital Grants	-44,707	-10,073
Revenue financing	-4,557	-4,597
Minimum Revenue Provision	-6,101	-5,656
Closing Capital Financing Requirement	244,116	203,936
Explanation for Movements in year		
Increase in supported borrowing	8,322	5,390
Increase in unsupported borrowing	37,959	20,948
Minimum Revenue Provision	-6,101	-5,656
Increase in Capital Financing Requirement	40,180	20,682

7.1.20. Revenue Expenditure funded from Capital under statute

	2008-09 £000	2007-08 £000
Balance as at 1 April	0	0
Additions		
Improvement Grants	2,313	2,951
Other	1,960	1,861
Redundancy Costs	0	2,621
Single Status	910	0
Written off during year	-5,183	-7,433
Balance as at 31 March	0	0

7.1.21. Fixed Asset Valuation

The Council's Property Portfolio have been valued by the Council's internal valuers in accordance with the disclosed accounting policy.

Valuations carried out after 1st January 1996 have been made in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. Not all the properties were inspected as this was neither practicable nor considered to be necessary by the valuers for the purpose of the valuation.

Properties regarded by the Council as operational (non-specialised) valued after 1st April 1996 are valued on the basis of the Open Market Value in Existing Use. Where this method is not applicable due to the lack of suitable market evidence, or if the property was of a specialised nature, then the Depreciated Replacement cost basis is adopted, in accordance with the relevant

professional guidance applicable as at the valuation date.

	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles and Pant £000's	Non-operational Assets £000's	Total £000's
Valued at historical cost			40,538		40,538
Valued at current value in:					
2008-09	355,621	591,788		84,611	1,032,020
2007-08	400,441	550,300		59,818	1,010,559
2006-07	369,188	564,965		50,483	984,636
2005-06	352,854	555,563		36,305	944,722
2004-05	358,561	567,988		29,012	955,561
2003-04	241,040	449,925		27,236	718,201

7.1.22. Depreciation

Depreciation is charged on all fixed assets other than non-depreciable land and investment properties. Depreciation is calculated using the straight line method based on the following useful lives:

Asset Category	Useful Life
Council Dwelling	Amount equal to Major Repair Allowance in line with CIPFA recommended practice
Infrastructure	10 - 60 years
Vehicles, Plant & Equipment	5 years
Other Land & Buildings	20 - 80 years

NOTES TO THE CORE FINANCIAL STATEMENTS

7.1.23. The Council's Capital Investment Plan for the next 3 years contains the following major schemes and initiatives:

	2009-10 £000	2010-11 £000	2011-12 £000
BTP	7,735	5,293	1,720
LBH Anywhere	3,000	1,650	850
Byron Park Residential Home	300	500	200
Social Care Sites	1,100	575	500
Autistic Spectrum Disorder and School Amalgamation	900	810	300
Catering in schools	700	1,800	0
Whitmore High School	8,728	1,250	
Schools Capital Projects	14,707	20,913	5,300
Disabled Facilities Grants	1,172	1,172	1,172
Empty Property and Renovation Grants	765	765	765
Major Works Corporate Buildings	690	690	690
Public Realm Infrastructure	4,875	4,875	4,875
Prosperity Action Teams	210	210	210
School Landlord Works	750	750	750
Transport for London Schemes	3,970	4,000	4,000
Sports and Leisure Sites	1,172	250	250
Strategic Development	2,115	2,115	11,565
Housing Improvement (HRA)	7,000	6,500	6,500

7.1.24. Fixed Assets Statistical Analysis

Fixed Asset	31-Mar-09 Number	31-Mar-08 Number
Primary Schools	45	45
High Schools	8	8
Special Education	4	4
Teachers Centre	1	1
Youth Club Premises	3	3
Day Nurseries	3	3
Misc Education Properties	9	9
Children's Services	5	6
Disability Services	6	6
Mental Health Services	8	8
Social Services Offices	2	3
Elderly Services	1	1
Dwellings (inc properties managed by LBH)	5067	5,070
Garages	993	993
Community Centres	10	10
Car Ports	59	59
Gypsy Caravan Sites	1	1
Hostels for the Homeless	2	2
Highways (km)	480	496
Depots	1	1
Off Street Car Parks	18	18
Public Conveniences	10	11
Civic Centre	1	1
Parks & Open Spaces (hectares)	579	579
Swimming Pool (unattached)	1	1
Leisure Centre	1	1
Libraries	11	11
Cemetries	8	7
Allotments	32	32
Community Halls	3	3
Community Safety Services Offices	0	0
Misc Shops	34	34
Misc Offices	3	3
Voluntary aided schools not included in the assets of the authority, as shown below :		
High Schools	2	2
Primary Schools	7	9

NOTES TO THE CORE FINANCIAL STATEMENTS

7.1.25. Leasing

The amount charged to revenue in respect of Rentals Payable under operating lease was £0.285m for Land & Buildings and £4.137 for Vehicles. (2007-08 £0.304m for Land & Buildings and £0.134m for Vehicles)

The Council was committed at 31 March 2009 to making payments of £4.601m, under operating leases comprising the following elements:

	Other Land and Buildings 000	Vehicles, Plant and Equipment 000
Leases expiring within 1 year	17	969
Leases expiring between 2 to 5 years	185	1687
Leases expiring after 6th year and subsequent	54	628
Total		

7.1.26. Long Term Debtors

	31-Mar-09 £000	31-Mar-08 £000
Employees Car Loans	187	227
House Purchase Loans to Individuals	156	182
West London Waste Authority	3,415	3,538
Other Loans	139	139
Total	3,897	4,086

7.1.27. Debtors

	31-Mar-09 £000	31-Mar-08 £000
Employees	45	36
Government Departments	16,834	5,816
Rate and Council Tax Payers	8,998	10,120
Sundry	16,992	28,147
Housing Rents	1,407	1,221
Gross Debts	44,276	45,340
Provision for Doubtful Debt	-11,602	-10,254
Net Current Debts	32,674	35,086

7.1.28. Investments

	31-Mar-09 £000	31-Mar-08 £000
Temporary Lending:		
Managed in-house	68,855	73,264
Deposits - with Council's Bank	354	331
Internal Investments	3	3
Total	69,212	73,598

7.1.29. Short Term Borrowing

	31-Mar-09 £000	31-Mar-08 £000
Public Works Loan Board	-5,012	-11
Other Financial Institutions	0	-5,000
West London Waste Authority	-8,828	-7,205
Pension Fund	-3,473	0
Other Loans	-281	-228
Total	-17,594	-12,444

7.1.30. Creditors

	31-Mar-09 £000	31-Mar-08 £000
Government Departments	-7,372	-8,261
Receipts in advance:		
Tenants	-468	-285
Other	-12,133	-10,751
Rate and Council Tax Payers	-4,347	-4,512
Trust Funds	-42	-40
Sundry	-45,171	-43,859
Total	-69,533	-67,708

7.1.31. Analysis of Bequest Funds

	31-Mar-09 £000	31-Mar-08 £000
Education Scholarship Funds	-12	-11
Libraries and Arts	-28	-27
George Hallam Bequest	-2	-2
Total	-42	-40

7.1.32. Long Term Borrowing

	31-Mar-09 £000	31-Mar-08 £000
Source of Loan:		
Public Works Loan Board	-130,417	-120,537
Other Financial Institutions	-81,800	-81,800
Total	-212,217	-202,337
Analysis of loans by maturity:		
1-2 years (1.4.2010 - 31.3.2011)	-39	-31
2-5 years (1.4.2011 - 31.3.2014)	-10,192	-244
5-10 years (1.4.2014 - 31.3.2019)	-26,088	-26,160
More than 10 years (1.4.2019+)	-175,898	-175,902
Total	-212,217	-202,337

7.1.33. Government Grants Deferred Account

Government Grants deferred represent capital grants received, which will be credited to revenue in future years in line with the depreciation charge for the related fixed assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

	31-Mar-09 £000	31-Mar-08 £000
Implementing Electronic Government	-342	-629
National Lottery	-2,258	-2,212
Department of Childrens, Schools and Families	-17,943	-12,583
Transport Supplementary and Transport for London	-38,020	-33,554
Waste Management	-566	-894
Learning Skills Council	-3,963	
Other	-7,024	-5,175
Total	-70,116	-55,047

7.1.34. Deferred Credits

Deferred Capital Receipts of £0.156m (£0.182m 2007-08) refer to amounts derived from the sale of assets that will be received in instalments over agreed periods of time.

7.1.35. Capital Grants Unapplied

	2008-09 £000	2007-08 £000
Balance unapplied at 1 April	-25,873	-7,350
Receipts in year	-4,045	-13,532
Capital grants	-57,020	-26,647
Pooling payment to the DCLG	465	970
Applied during the year:		
Capital receipts	3,372	12,374
Capital grants	21,769	8,198
Capital gifts		114
Balance unapplied at 31 March	-61,332	-25,873

Affordable Housing

Also included in capital receipts unapplied is £3.679m received from developers in lieu of providing affordable housing. The money is held pending its use in accordance with Cabinet policy and is invested internally in order to accrue interest. No payments were made from these funds in 2008-09.

7.1.36. Provisions

	As at 01-Apr- 08 £000	Provided in year £000	Utilised in year £000	As at 31-Mar-09 £000
Insurance Provision	-4,727	-2,889	2,016	-5,600
Employee Related Provision	-2,627	-1,236	1,892	-1,971
HRA Disrepair Provision	-80	0	0	-80
Litigation Provision	-700	-682	213	-1,169
Refunds under the Mental Health Act (s117)	-413	-16		-429
Total	-8,547	-4,823	4,121	-9,249

Details of the main provisions included in the above table are:

- The Council operates an insurance programme that requires a significant degree of self-funding. Provisions have been made to cover the costs of

the Council's potential liabilities. The Council's insurance programme consists of a range of insurance covers in three broad classes; liability, property and motor. The programme involves a significant element of self-funding of losses, where deductibles (excess) apply to each claim. The Council's maximum potential liability is limited by a series of aggregate stop loss covers with the Council's insurers that are triggered off when the total of all claims under the cover exceeds that amount for the period of insurance. It is Council policy not to insure "pound swapping" items (e.g. theft and "all risks" on equipment), or terrorism risks on properties other than the Civic Centre complex. The level of insurance provision covers the actual claims submitted and also the claims reported but not submitted;

- Employee related provision covers a potential liability to employees in respect of redundancies, tribunal cases and part time pension claims;
- The disrepair provision is for claims made by Council tenants in respect of repairs to Council property;
- Litigation provision is in respect of various planning cases and other cases; and
- There is a provision for claims in relation to charges made in the past for accommodation under the Mental Health Act (s117).

7.1.37. Capital Adjustment Account

	31-Mar-09 £000	31-Mar-08 £000
Opening Balance	-842,594	-867,437
Disposal of Fixed Assets	232	13,218
Transfer from other reserves	-1,824	-9,408
Minimum Statutory Provision (less provision for depreciation)	21,388	19,007
Capital Financing	-4,723	-16,971
Government Grants depreciated and written out	-4,198	-4,127
Write Down of Capital Expenditure funded from Revenue	3,865	5,704
Impairment Charges	44,788	17,420
Closing Balance	-783,066	-842,594

7.1.38. Revaluation Reserve

	2008-09 £000	2007-08 £000
Balance at 1st April	-33,306	0
Upward Revaluation	-6,793	-31,109
Acquisition as a result of revaluation rolling program	0	-1,952
Impairment	775	
Transfer to Capital Adjustment Account	1,050	-245
Total	-38,274	-33,306

NOTES TO THE CORE FINANCIAL STATEMENTS

7.1.39. Reserves and Balances Movements

The Council keeps a number of reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	Balance as at 01-Apr-08	Net Movement In Year	Balance as at 31-Mar-09
	£000	£000	£000
Capital Adjustment Account	-842,594	59,528	-783,066
Financial Instruments Adjustment Account	4,418	-21	4,397
Equal Pay Back pay Account	867	-867	0
Revaluation Reserve	-33,306	-4,968	-38,274
Pensions Reserve	108,373	81,202	189,575
Housing Revenue Account	-6,259	1,117	-5,142
General Fund	-3,436	-2,280	-5,716
School Delegated Funds	-9,683	-448	-10,131
Collection Fund	1,801	-2,156	-355
Earmarked Reserves			
Harvist - Harrow's Share	-18	-8	-26
NW London Education Business Partnership	-93	0	-93
Borough Elections Transformation Programme	-78	-73	-151
Building Schools for Future	0	-500	-500
Carry Forward	0	-400	-400
PFI Schools	-1,284	-1,085	-2,369
Personal Injury Reserve	-4,097	80	-4,017
Bad Debt Reserve	-95	-8	-103
Insurance Reserve	0	-250	-250
Litigation and Employment Related Reserve	0	-500	-500
Total	-785,484	127,848	-657,636

Reserves held by schools

Under the terms of the Education Reform Act, schools have been given increasing proportions of budgets to self-manage. Unspent budgets, which have been delegated, remain at the disposal of the schools even though they are still reserves held by the Local Education Authority. These balances are committed to be spent by the schools concerned and are not available to the Council for general use.

7.1.40. Analysis of Net Assets Employed

	31-Mar-09 £000	31-Mar-08 £000
General Fund	-366,614	-437,401
Housing Revenue Account	-291,022	-348,083
Total Equity	-657,636	-785,484

7.1.41. Contingent Liabilities

- There is a provision of £0.429m for claims in relation to charges made in the past for accommodation under the Mental Health Act s117. Claims are now being processed and the amounts payable may be in excess of the provision. Other local authorities have similar potential claims; and
- The Council has a possible liability in relation to MMI, its former insurer, arising from possible new claims and clawback provisions. However, the extent of this liability is very unclear at this stage and subject to a long chain of events. Moreover any issues arising will affect a large number of local authorities and may require government intervention.

7.1.42. Authorisation of Statement of Accounts

The Statement of Accounts subject to Audit was presented to the GARM Committee of the London Borough of Harrow at its meeting on 23 June 2009 and authorised for issue on 28 September 2009.

The Statement of Accounts has now been authorised by the Chairman of the GARM Committee Councillor John Cowan and the appointed Section 151 Officer of the Council Myfanwy Barrett (Corporate Director of Finance).

7.1.43. Trust Funds

The Council administers four trust funds related to specific services. These are principally legacies left by individuals over a period of years. The funds do not represent assets of the Council and are not included in the Balance Sheet.

	31-Mar-09 £000	31-Mar-08 £000
Harrow Recreation Trust	80	77
Edward Harvist	106	90
Middlesex Guildhall Collection	56	54
Pinner Memorial Park	24	23

7.1.44. Pension Liability

Participation in pensions scheme

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not

NOTES TO THE CORE FINANCIAL STATEMENTS

actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Change of accounting policy

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 defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is immaterial to the value of scheme assets.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Income and Expenditure Account

	31-Mar-09 £000	31-Mar-08 £000
Net cost of services:		
Current service cost	11,597	15,974
Past service costs	4,094	67
Curtailments and settlements	589	875
Net operating expenditure		
Interest cost	34,435	28,677
Expected return on scheme assets	-27,680	-30,024
Net Charge to the Income and Expenditure Account	23,035	15,569

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £76.813m were included in the STRGL. The cumulative amount of actuarial losses recognised in the STRGL is £86.829m.

Amounts recognised in STRGL

	31 Mar 09 £000	31 Mar 08 £000	31 Mar 07 £000	31 Mar 06 £000	31 Mar 05 £000
Actuarial (Losses)/Gains	-76,813	5,425	22,329	4,945	-42,714
Cumulative Actuarial Losses	-86,828	-10,015	-15,440	-37,769	-42,714

Reconciliation of present value of the scheme liabilities

	31-Mar-09 £000	31-Mar-08 £000
Opening Defined Benefit Obligation	496,877	530,900
Current service cost	11,597	15,974
Interest cost	34,435	28,677
Contributions by Members	5,796	5,153
Actuarial Gains	-41,671	-63,024
Past Service Costs	4,094	67
Losses on Curtailments	589	875
Estimated Unfunded Benefits Paid	-2,852	-2,702
Estimated Benefits Paid	-18,842	-19,043
Closing Defined Benefit Obligation	490,023	496,877

Reconciliation of fair value of the scheme assets

	31-Mar-09 £000	31-Mar-08 £000
Opening Fair Value of Employer Assets	388,504	414,643
Expected Return on Assets	27,680	30,024
Contributions by Members	5,796	5,153
Contributions by the Employer	15,794	15,326
Contributions in respect of Unfunded Benefits	2,852	2,702
Actuarial Losses	-118,484	-57,599
Unfunded Benefits Paid	-2,852	-2,702
Benefits Paid	-18,842	-19,043
Closing Fair Value of Employer Assets	300,448	388,504

NOTES TO THE CORE FINANCIAL STATEMENTS

Scheme history

	31 Mar 09	31 Mar 08	31 Mar 07	31 Mar 06	31 Mar 05
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	300,448	388,504	414,643	390,200	307,164
Present Value of Defined Benefit Obligations	-490,023	-496,877	-530,900	-527,200	-447,616
Deficit	-189,575	-108,373	-116,257	-137,000	-140,452
Experience (Losses)/Gains on Assets	-118,484	-57,599	-6,572	58,568	16,914
Experience (Losses)/Gains on Liabilities	-1,659	-19,958	181	1,904	9,077

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £490m has a substantial 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 remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 will be approximately £16.6m.

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2008, or date of joining the fund if later).

FRS17 requires that the expected return on assets is set by the employer having taken actuarial advice. Details of the expected returns are set below.

The actual return on scheme asset for the year was -22.9%.

Breakdown of the expected return on Assets

	Long Term Return at 31-Mar-09		Long Term Return at 31-Mar-08	
	% p.a.	£000	% p.a.	£000
Assets				
Equities	7.0%	234,349	7.7%	289,843
Bonds	5.4%	39,058	5.7%	44,905
Property	4.9%	24,036	5.7%	32,400
Cash	4.0%	3,005	4.8%	21,356
Estimated Employer Assets		300,448		388,504

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries based on their latest triennial valuation as at 31 March 2007.

Average future life expectancies at age 65

	Males	Females
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

	31-Mar-09 %p.a.	31-Mar-08 %p.a.
Price Increases	3.1%	3.6%
Salary Increases	4.6%	5.1%
Pension Increases	3.1%	3.6%
Discount rate	6.9%	6.9%

7.1.45. Teachers' Pension

The Teachers' Pension Agency (TPA) provides retirement benefits for teachers on behalf of the Department for Education and Skills. Benefits are payable by the TPA on an unfunded basis and any liability is ultimately the responsibility of the Department for Education and Skills.

In 2008-09 the Council paid £8.430m (£7.931m in 2007-08) to the Teachers' Pension Agency in respect of Employers Contributions on teachers pension costs. The current contribution rate remains unchanged at 14.10% which was effective from 1st January 2007.

In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2008-09 these amounted to £0.713m (£0.714m in 2007-08) representing 1.17% (1.27% in 2007-08) of gross pay.

The assets and liabilities for the Teachers' Scheme cannot be identified at individual employer level and for the purposes of Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme. The accrued liability in respect of pension contribution as at 31 March 2009 was £1.041m (£0.988m 2007-08).

7.1.46. The EURO

The adaptation of operational and information systems to take account of the Euro will be required as the Euro becomes established as a major currency and the possible date for British entry to EMU comes closer. Due to the uncertainty surrounding the issue, no detailed work has yet been undertaken to identify the costs likely to be incurred. Consequently, no provision has been established to cover future costs arising from the introduction of the Euro.

NOTES TO THE CORE FINANCIAL STATEMENTS

7.1.47. Other Government Grants

	2008-09 £000	2007-08 £000
Standards Fund	-14,065	-14,669
Schools Standard Fund	-5,949	-5,934
Dedicated Schools Grant	-132,762	-127,092
Connexions Grant	0	-1,912
Asylum Seekers	-1,322	-1,343
LSC	-5,092	-4,273
Access & Systems Grant	0	-2,465
Housing Benefits Administration Grant	-1,916	-1,811
Supporting People	-3,833	-4,361
Preserved Rights	0	-1,054
Mental Health	0	-988
Area Based Grant	-8,642	0
Other Grants	-789	-9,482
Total Government Grants	-174,370	-175,384

7.1.48. Reconciliation of Income & Expenditure Account to Net Cash Flow

	2008-09 £000	2007-08 £000
Deficit per I&E Account	-57,670	9,913
Surplus per Collection Fund	-2,156	-269
Interest payable & similar charges	-465	1,068
Interest and Investment income	-9,717	3,824
Non-Cash Transactions		
Movement in Provisions and Reserves	-2,051	-6,537
Capital Financing charges	-71,087	-44,629
Contribution from Pension Reserve	-4,389	-243
Gains on disposal of Fixed Assets	0	0
Collection Fund	805	-1,068
Other adjustments	-1,978	85
Items on an accrual basis:		
Decrease (-)/Increase in Stock	-48	-48
Decrease in Debtors	-5,468	-6,901
Increase in Creditors	-1,859	-19,075
Net cash outflow from revenue	-156,083	-63,880

7.1.49. Analysis of Balances of Cash

	As at 31-Mar-09 £000	As at 31-Mar-08 £000	Movement £000
Cash and Bank	1,060	2,012	952
Cash Overdraw n	-7,036	-5,115	1,921
	-5,976	-3,103	2,873

7.1.50. Reconciliation of movement in Cash to movement in Net Debt

	As at 31-Mar-09 £000	As at 31-Mar-08 £000
Decrease in Cash	2,873	1,525
Decrease in Investments	-646	-7,628
Increase/Decrease (-) in Debt	15,030	-38,332
Movement in net debt	17,257	-44,435

7.1.51. Reconciliation of Financing and Management of Liquid Resources

	As at 31-Mar-09 £000	As at 31-Mar-08 £000	Movement £000
External Investments	85,212	85,858	646
Short Term Borrowing	-17,581	-7,433	-10,148
Long Term Borrowing	-212,229	-207,347	-4,882

7.1.52. Analysis of Liquid Resources

	As at 31-Mar-09 £000	As at 31-Mar-08 £000	Movement £000
Contractors Deposits	354	331	-23
Education Investments	3	3	0
Banks	31,955	6,364	-25,591
Other Bodies	0	260	260
Building Societies	52,900	78,900	26,000
	85,212	85,858	646

Financial Instruments

7.1.53. Amortised Costs

The Council's Financial Instruments consist of:

	31-Mar-09		31-Mar-08	
	Long-term £000	Current £000	Long-term £000	Current £000
Financial liabilities at amortised cost	-212,217	-74,813	-202,337	-64,689
Loans and receivables	20,242	79,235	16,346	93,366

The balance on the current category of financial liabilities consists of certain elements of creditors. The reason for exclusions is that many sections of creditors relate to statutory functions, not contractual arrangements as covered by the new Financial Reporting Standards.

Similarly, and for the same reason, the balance on current loans and receivables consists of short term loans and certain elements of debtors. The short term loans amount to £69.2m.

For further details of gross amounts held under debtors and creditors, and the corresponding provisions for bad debt, please refer to notes 7.1.27 and 7.1.30. These

NOTES TO THE CORE FINANCIAL STATEMENTS

notes provide a more comprehensive picture as they include all debtor and creditor amounts irrespective of whether they are due to contractual or statutory activities.

Fair Value

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration.

The calculations are made with the following assumptions:

- For PWLB debt, the rate used is the rate for new borrowing as per rate sheet number 072/09;
- Accrued interest has been included in the fair value calculations;
- For other market debt and investments the rate used were obtained from the market on 31st March using bid price where applicable;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be the carrying value or invoiced or billed amount.

The comparison with fair value where there is material difference is given below:

7.1.54. Fair Value

	31-Mar-09		31-Mar-08	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	-212,217	-225,477	-202,337	-210,064
Financial Assets	84,852	87,102	85,264	85,096

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates for similar loans at the balance sheet date.

7.1.55. Nature and Extent of risks arising from financial instruments

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management

Practices. The Treasury Management and Investment Strategy for 2008-09 approved by the Council in February 2008 were subject to major revision during the year due to the unprecedented impact of the credit crunch on world economies and the world banking system. The revised strategy was approved by the Cabinet in December 2008.

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 of AA- long term rating, F1+ short term rating, support rating level 2 and individual rating B, with limits set for each borrower based on the rating score.

The table below shows a summary of institutions with whom the Council has deposits.

7.1.56. Credit Risk

	Amount at 31 Mar 2009 £000	Historical experience of default %	Historical experience of adjusted for market conditions at 31 Mar 2009 %	Estimated exposure to default and uncollectibility £000
Deposits with Banks and Other financial Institutions	84,852	0	2.36	2,000
Customers	24,807	25.00	47.00	11,690
Total	109,659			13,690

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Debtors

The Council does not generally allow credit for customers. There are no impaired debtors. The past due amount can be analysed by age as follows:

	Amount at 31 Mar 2009 £000
Less than Three months	5,290
Three to six months	528
Six months to one year	665
More than one year	18,324
Total	24,807

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

Note 7.1.32 gives further details on the maturity analysis of financial liabilities.

Market Risk – Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account;
- The fair value of fixed rate financial asset will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value; and
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The Council's policy is to aim to bring the average borrowing rate down and to keep a maximum of 50% of its borrowings in variable rate loans.

However, at present the authority does not hold any variable rate loans as most of the higher rate variable loans were replaced by fixed interest rate loans during 2007-08 when a major debt restructuring exercise was carried out. Also, Lenders Option Borrowers Option (LOBOs) totalling £33.8m were taken out at a favourable rate during 2007-08. Following the initial fixed term, this will allow the flexibility of variable rate loans characteristics. As part of treasury management the debt portfolio is kept under review and during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

Section 8. Supplementary Single Entity Financial Statements

Housing Revenue Account

The account is maintained in accordance with the provisions of the Local Government and Housing Act 1989 to show all the transactions relating to the provision, maintenance and management of the Council's housing stock.

Summary of Income and Expenditure

	Notes	2008-09 £000	Restated 2007-08 £000
Income			
Dwelling Rents (Gross)	8.1.2	-21,202	-20,579
Non-Dwelling Rents (Gross)	8.1.3	-815	-845
Charges for services and facilities		-1,909	-1,644
Leaseholder charges for services and facilities		-232	-306
Other charges for services and facilities		-22	-27
Contributions towards expenditure		-83	-88
Total Income		-24,263	-23,489
Expenditure			
Repairs and Maintenance	8.1.5	5,066	5,338
Supervision and management		6,462	6,413
Rent, Rates and Other charges		43	21
HRA subsidy payable	8.1.4	6,821	4,473
Increased provision for bad/doubtful debts		173	165
Depreciation	8.1.6	3,557	3,597
Impairment		38,776	0
Debt management costs		45	47
Total Expenditure		60,943	20,054
Net cost of HRA services per Authority Income and Expenditure Account		36,680	-3,435
HRA services share of Corporate and Democratic Core		168	164
Net cost of HRA services		36,848	-3,271
Gain on sale of Fixed Asset		-398	-744
Interest payable and similar charges	8.1.7	2,011	1,740
Interest and Investment Income		-320	-341
Deficit for the year		38,141	-2,616

Statement of Movement on the HRA Balance

	Notes	2008-09 £000	Restated 2007-08 £000
Deficit for the year		38,141	-2,616
Net additional amount required by statute to be debited to the HRA balance	8.1.13	-37,024	2,085
(Increase)/decrease in the HRA Balance		1,117	-531
Surplus brought forward		-6,259	-5,728
Surplus carried forward		-5,142	-6,259

8.1. Notes to the Housing Revenue Account

8.1.1. Prior Year Adjustments

As a result of the introduction of new accounting standards, the revaluation of fixed assets on disposal is not allowed. These changes have had the following impact on the comparative figures for 2007-08 compared with those published in the 2007-08 Statement of Accounts.

Extract from

	2008-09 £000	2007-08 Post adj. £000	2007-08 Pre adj. £000
Income and Expenditure Account			
Gains on disposal of Fixed Assets	-398	-744	0
Amortised Premiums	0	0	358
Deficit for the year	38,141	-2,616	-1,514

Statement of Movement on the HRA Balance

	2008-09 £000	2007-08 Post adj. £000	2007-08 Pre adj. £000
Surplus for the year	38,141	-2,616	-1,514
Net additional amount to be debited	-37,024	2,085	983
Increase in General Fund Balance for the year	1,117	-531	-531
Surplus brought forward	-6,259	-5,728	-5,728
Surplus carried forward	-5,142	-6,259	-6,259

Breakdown of reconciling items in the Statement of Movement on the HRA Balances

	2008-09 £000	2007-08 Post adj. £000	2007-08 Pre adj. £000
Amounts included in the Income & Expenditure account but required by statute to be excluded			
Net gain on sale of fixed assets	398	744	0
Premiums	270	358	0
Net additional amount required to be credited to the surplus for the year	-37,024	2,085	983

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

8.1.2. Dwelling Rents Income

This is the total income due for the year after allowance is made for voids etc. At year-end 1.30% of lettable properties were vacant; in 2007-08 the figure was 0.57%. The average depooled rents were £81.55 per week in 2008-09 (£77.22 in 2007-08). There was an average rent increase of 5.61% over the previous year.

8.1.3. Non-dwelling Rents

This includes garages. At the year-end 36.69% of garages were vacant compared with 26.69% in 2007-08.

8.1.4. HRA Subsidy

This represents the amount of negative subsidy payable to the Government by the Council. It represents notional rent and other income against expenditure deemed by the Government to have been incurred for management, maintenance and charges for capital.

	2008-09 £000	2007-08 £000
Notional Expenditure		
Management and maintenance	8,640	8,647
Major Repairs Allowance	3,557	3,597
Charges for capital	2,430	2,598
Other	0	882
Total notional expenditure	14,627	15,724
Notional Income		
Rents	-21,344	-20,307
Other	-12	-16
Total notional income	-21,356	-20,323
Other		
HRA subsidy	6,729	4,599
Prior year adjustment	92	-126
	6,821	4,473

8.1.5. Repairs & Maintenance

This is a separate account within the HRA, of which the costs of all revenue repairs and maintenance to the Council's HRA housing stock are charged.

	Balance 01-Apr-08 £000	Net Expenditure £000	Contributions from HRA £000	Balance 31-Mar-09 £000
Movements	0	5,066	-5,066	0

8.1.6. Depreciation

	House £000	Other Properties £000	Total 2008-09 £000
Net book value as at 1 April 2008	384,700	20,531	405,231
Revaluations and restatements	-41,245	1,712	-39,533
Value at 31 March 2009	343,455	22,243	365,698
Disposals	-232	0	-232
Gross book value as at 31 March 2009	343,223	22,243	365,466
Depreciation for year	-3,557	0	-3,557
Net book value as at 31 March 2009	339,666	22,243	361,909

The valuation of HRA fixed assets has been prepared on the basis of Existing Use Value (Social Housing) and calculated in accordance with the Guidance on Stock Valuation published by the DETR in 2001-02. This recognises their value as social housing. A vacant possession valuation for dwellings at 1 April 2008 would have been £1046.869m (£996.840m at 1 April 2007), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £642.380m.

Depreciation

Under resource accounting the HRA is charged, within the net cost of services, a depreciation charge equal to the major repairs allowance. This depreciation charge reduces the value for net fixed assets. Non-operational properties have not been depreciated in line with the Statement of Accounting Policies.

There were no impairment charges made in respect of HRA assets or deferred charges amortised to the HRA during the financial year.

8.1.7. Interest Payable

Interest charges payable on borrowings are charged to the HRA and are determined in accordance with the item 8 Credit and Item 8 Debit (General) determination made by the Secretary of State.

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

8.1.8. Major Repairs Reserve

As from 1 April 2001 authorities are required to establish and maintain a Major Repairs Reserve. The main credit to the reserve is an amount equal to the total depreciation charge for HRA Assets. Authorities are able to charge capital expenditure directly to the reserve.

	Balance 01-Apr-08 £000	Transfer to Reserve £000	Capital Expenditure £000	Balance 31-Mar-09 £000
Movements	0	3,557	-3,557	0

8.1.9. Capital Expenditure and Funding Statement

	2008-09 £000	2007-08 £000
HRA Capital Expenditure		
Dwellings	15,590	10,957
Total	15,590	10,957
Financed by:		
Borrowing	10,673	6,122
Revenue Contributions	1,000	1,000
Capital Receipts	360	238
Major Repairs Reserve	3,557	3,597
Total	15,590	10,957

8.1.10. Capital Receipts

Under the Local Government and Housing Act 1989 a percentage of income from the disposal of HRA assets must be set aside. This 'reserved' element can be used to either repay debt or as a provision to meet future credit liabilities.

	2008-09 £000	2007-08 £000
Balance at 1 April	0	0
Receipts in year:		
Houses	621	1,208
Paid to ODPM Pool	-465	-970
Applied in the year	-156	-238
Balance at 31 March	0	0

8.1.11. Pensions (FRS17)

The Council considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs. To ensure there is no net effect on the HRA both entries are reversed out and replaced by employers' contributions payable via an appropriation to the Pension Reserve after net operating expenditure.

Note 7.1.44 gives further details.

8.1.12. Housing Revenue Account Statistics

Housing Stock	Houses	Flats	Bungalows	2008-09 Total	2007-08 Total
4 or more bedrooms	97	1	1	99	99
3 bedrooms	1306	109	1	1,416	1,417
2 bedrooms	562	927	26	1,515	1,517
1 bedroom	1	1899	137	2,037	2,037
LBH managed stock as at 1 April *				5,067	5,070
Summary of change in stock					
Stock as at 1 April				5,070	5,077
Less					
Sales				-3	-6
Conversions				0	-1
Total HRA stock at 31 March				5,067	5,070
Measures of performance					
Average weekly rent (LBH managed)				£81.55	£77.22
Average weekly costs per dwelling of management and maintenance				£43.74	£43.79
Rent arrears (current and former tenants)				1.311m	£1.140m
Rent collection rate [BVPI 66a]				96.17%	97.44%
Current tenant arrears as percentage of the authorities rent roll (w/hether dwellings)				3.77%	3.26%
Rent loss through voids				0.86%	0.45%

* Included in the LBH managed stock is one property transferred from London Borough of Ealing under the 1994 boundary changes.

** Amounts written off during the year totalled £0.092m in 2008-09 (£0.142m in 2007-08). The provision in respect of un-collectable debts stood at £0.887m at 31 March 2009 (£0.621m at 31 March 2008).

8.1.13. Statement of Movement on the HRA Balance

	2008-09 £000	2007-08 £000
Items included in the Income & Expenditure Account but excluded from the movement on Balance for the year		
Impairment	-38,776	0
Premiums and Discounts	270	358
Gain on sale of fixed assets	398	744
HRA share of Pension Reserve	84	-17
	-38,024	1,085
Items not included in the Income & Expenditure Account but included in the movement on balance for the year		
Capital expenditure funded by HRA	1,000	1,000
	1,000	1,000
Net additional amount required to be debited or credited to balance for the year	-37,024	2,085

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

Collection Fund

This account reflects the statutory requirements for the London Borough of Harrow, as the billing Authority, to maintain a separate Collection Fund. The Fund shows the transactions in relation to the Council Tax and Non-Domestic Rates, and sets out the way in which these have been distributed to the General Fund and the Greater London Authority (the preceptor). The Collection Fund is consolidated with the other accounts of the Council.

Statement of Income and Expenditure

	Notes	2008-09 £000	2007-08 £000
Income			
Income from Council Tax		-110,715	-106,810
Council Tax Benefits		-16,510	-15,890
Income collectable from business ratepayers		-45,848	-44,038
Contributions			
Towards previous year's Collection Fund deficit		-1,735	-444
Total Income		-174,808	-167,182
Expenditure			
Precepts and demands	8.2.3	124,983	120,882
Business Rates			
Payment to the National Pool		45,594	43,779
Costs of Collection		254	259
Bad and Doubtful Debts			
Write offs		930	1,512
Provisions		891	481
Total Expenditure		172,652	166,913
Movement on fund balance:			
Surplus for the year		-2,156	-269
Deficit brought forward		1,801	2,070
(Surplus)/Deficit carried forward		-355	1,801

8.2. Notes to the Collection Fund

8.2.1. Income from Council Tax

The 2008-09 Council Tax Base was 85,466.50 with a Band D of £1,462.37. The Council Tax, as shown, reflects both Harrow Council and GLA services:

Valuation Bands

Band	2008-09		2007-08		
	Property Ratio	Council Tax £	Property Numbers	Council Tax £	
A= Not exceeding £40,000	6/9	278	974.92	263	948.92
B= £40,001 - £52,000	7/9	3,157	1,137.40	3,121	1,107.07
C= £52,001 - £68,000	8/9	17,627	1,299.89	17,381	1,265.23
D= £68,001 - £88,000	1	26,952	1,462.37	26,986	1,423.38
E= £88,001 - £120,000	11/9	21,624	1,787.34	21,600	1,739.69
F= £120,001 - £160,000	13/9	7,572	2,112.31	7,496	2,056.00
G= £160,001 - £320,000	15/9	6,013	2,437.29	5,965	2,372.30
H= £320,001 plus	18/9	1,118	2,924.74	1,099	2,846.76
Total		84,341		83,911	

8.2.2. Reconciliation of actual income from Council Tax to 2007-2008 Budget.

	2008-09 £000	2007-08 £000
Income from Council Tax payers	-110,715	-106,810
Council Tax benefits	-16,510	-15,890
Other council tax adjustments	2,242	1,818
Budgeted Income	-124,983	-120,882

8.2.3. Precepts and Demands

	2008-09 £000	2007-08 £000
1. Local Demand (Harrow)	98,504	95,075
2. Greater London Authority	26,479	25,807
Total	124,983	120,882

8.2.4. National Non-Domestic Rates

Under the arrangements for National Non-Domestic Rates (NNDR), the Council collects National Non-Domestic Rates (NNDR) for its area, which is based on local rateable values multiplied by a uniform business rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool, based on a standard amount per head of the local adult population. The total non-domestic rateable value for the London Borough of Harrow at the year-end was £113.84m (£115.53m in 2007-08) and the national non-domestic rate multiplier for 2008-09 was 0.462 (0.444 in 2007-08).

Section 9. Pension Fund & Notes to the Pension Fund

9.1. Pension Fund Certificate

Harrow Council Pension Fund Accounts 2008-09

I certify that the accounts set out in Section 9 present fairly the financial position of the Pension Fund as at 31 March 2009 and its income and expenditure for the year.

Myfanwy Barrett
CPFA
Corporate Director of Finance
September 2009

9.2. Introduction

The Fund operates a defined benefits scheme under the Superannuation Act 1972 as amended by subsequent regulations. Its purpose is to provide pensions to all of the Council's employees with the exception of teaching staff. Also included are certain employees of admitted and scheduled bodies which have gained admittance to the Fund.

Admitted:

- Care UK;
- Duchy Catering;
- Harrison Catering;
- Harrow Weald Common Conservators;
- Haywards Services;
- Hughes Gardner;
- Kier;
- North London Collegiate School; and
- Supporta Care.

Scheduled:

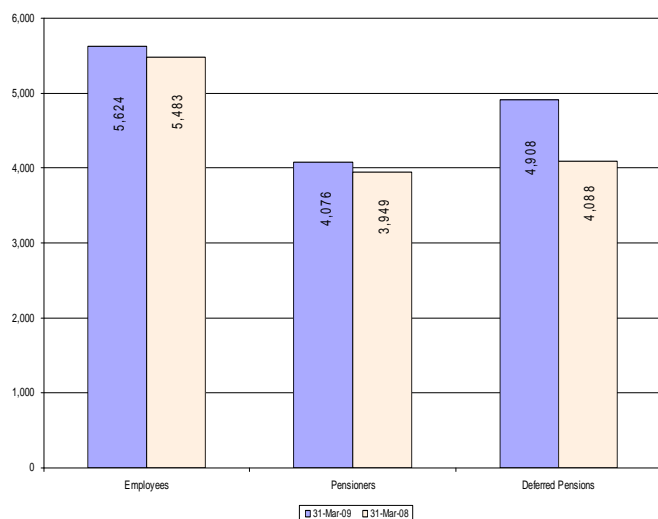
- St Dominics Sixth Form College;
- Stanmore College; and
- Harrow College.

Responsibility for the overall direction of the Fund's investment policy rests with a Council Panel. In implementing the Fund's investment policy, the Council has appointed six investment managers with responsibility to deal at discretion within broad investment objectives laid down by the Council. These are: UBS, BlackRock, Baillie Gifford, Pantheon, Mellon and Record Currency Management.

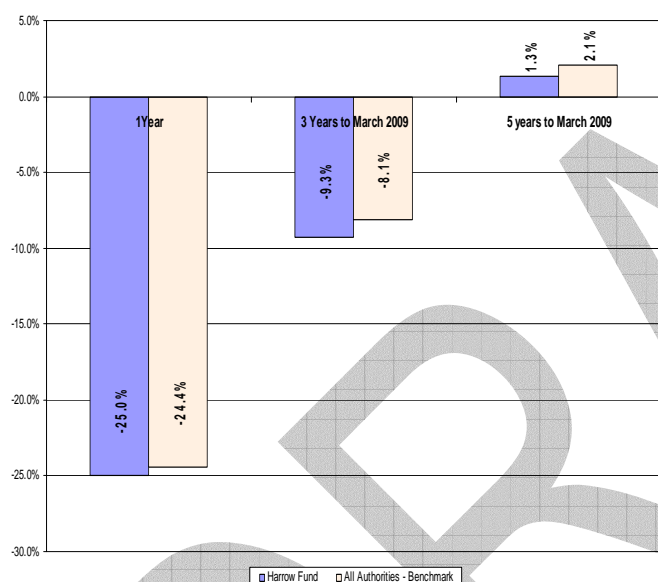
This statement sets out the Pension Fund's annual accounts for the year 2008-09.

The objective of this financial statement of the Pension Fund generally, is to provide information about the financial position, performance and financial adaptability of the Fund. This statement shows the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

Membership of the Fund



Pension Fund Performance



9.3. Statement of Accounting Policies

The accounts have been compiled in accordance with chapter 2 of the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised May 2007) ("the SORP"). The accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting and as disclosed below.

Basis of Preparation - Except where otherwise stated, the accounts have been prepared on an accruals basis.

Investments - These are shown in the accounts at market value which has been determined as follows:

- All listed investments are quoted at the bid price at the close of business on 31 March 2009;

- Other unlisted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information;
- Investments in the pooled investment vehicles are stated at the bid value of the latest prices quoted by their respective managers prior to 31 March 2009; and
- Derivatives are valued at the appropriate closing exchange rate or the bid spot or forward rates. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

This is in accordance with the current SORP and is a change from previous years when valuations were based on mid values for both securities and pooled investment funds. This change in valuation does not have a material impact on the financial statements and therefore comparatives have not been restated. As a result the comparative figures for investments are reported on a mid price basis and the adjustment in valuation from mid to bid is included in the current year's "change in market value of investments".

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2009.

Benefits, Refunds of Contributions and Transfer Values

Benefits payable and refunds of contributions are accounted for in the period in which they are payable.

Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on a payments and receipts basis. The transfers can take a considerable time to determine and amounts can vary depending upon the date of settlement.

Investment Income

Dividends and interest on government stocks, loans and deposits have been accounted for on an accrued basis. Foreign income has been converted into sterling at the date of the transaction.

PENSION FUND AND NOTES TO THE PENSION FUND

Investment Management and Administration

Regulations published in 1989 permit the Council to charge administration costs to the Pension Fund. A proportion of the relevant Council officers' salaries, including related on-costs, have been charged to the Fund based on estimated time spent on scheme administration and investment related business. The fees of the Fund's investment managers have been accounted for on the basis contained within their respective management agreements.

9.4. Pension Fund Account

	Notes	2008-09 £000	2007-08 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions receivable	9.6.1		
From employers		-17,892	-17,111
From members		-6,523	-5,747
Individual Transfers in from other schemes		-2,250	-2,214
Other Income			
Capital Costs	9.6.1	-104	-158
Benefits payable	9.6.1		
Pensions		16,698	15,462
Commutation of pensions and lump sum retirement benefits		4,000	5,483
Lump sum death benefits		317	273
Payments to and on account of leavers			
Refunds of contributions		8	11
Individual transfers out to other schemes		2,082	4,014
NI contributions: equivalent premium		-1	-7
Administrative expenses borne by the scheme	9.6.2	1,109	1,261
Net (additions)/withdrawals from dealings with members		-2,556	1,267
Returns on Investments			
Investment Income	9.6.3	-8,813	-10,302
Change in market value of investments	9.6.4	112,346	33,679
Investment management expenses	9.6.2	1,005	1,060
Net returns on investments		104,538	24,437
Net decrease in Fund during the year		101,982	25,704
Opening net assets of the scheme		-409,403	-435,107
Closing net assets of the scheme	9.5	-307,421	-409,403

PENSION FUND AND NOTES TO THE PENSION FUND

9.5. Net Assets Statement

Notes	2008-09 £000	2007-08 £000
Investment Assets		
Fixed interest securities	2,584	8,216
Equities	167,386	235,547
Pooled investment vehicles	9.6.7 133,702	144,539
Derivative contracts	9.6.8 91	12,266
	303,763	400,568
Investment Liabilities		
Derivative contracts	9.6.8 -4,901	-4,915
Net Investment Assets	9.6.4 298,862	395,653
Net current assets and liabilities		
Cash deposits	4,655	15,013
	303,517	410,666
9.6.6		
Current Assets	9.6.10 4,740	2,008
Current Liabilities	9.6.10 -836	-3,271
Closing net assets of the scheme	307,421	409,403

The accounts summarise the transactions of the Fund and deal with the net assets. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the Fund year.

9.6. Notes to the Pension Fund Accounts

9.6.1. Capital Costs

This is the payment to the Pension Fund from departmental budgets to make up for the funding shortfall following early retirement or ill health retirement.

9.6.2. Investment Management and Administration Expenses

	2008-09 £000	2007-08 £000
Investment management	1,005	1,060
Scheme administration		
Harrow Council	790	932
Misc. (including Actuary Fees)	319	329
	1,109	1,261
	2,114	2,321

9.6.3. Investment Income

Income from dividends has been accrued from the point when securities have been quoted ex-dividend.

	2008-09 £000	2007-08 £000
Interest from fixed interest securities	731	1,477
Dividends from equities	5,037	5,780
Income from index-linked securities	340	311
Income from pooled investment	1,682	2,162
Interest on cash deposits	531	306
Income from derivatives	190	-
Other income	302	266
	8,813	10,302

9.6.4. Analysis of Investments at Market Value

	Value at 01-Apr- 08 £000	Purchases at Cost & Derivative Payments £000	Sale Proceeds £000	Change in Market Value £000	Value at 31-Mar- 09 £000
Public Sector					
Overseas					
Fixed Interest Securities	8,216	7,804	-15,282	1,846	2,584
Equities					
Uk	133,025	41,310	-35,413	-41,671	97,251
Overseas	102,522	12,288	-9,383	-35,292	70,135
Pooled Investment Vehicles					
Property	34,012	4,296	-	-13,500	24,808
Other	109,009	18,248	-16,702	-1,661	108,894
Derivatives	8,869	8,389	-	-22,068	-4,810
Total	395,653	92,335	-76,780	-112,346	298,862

Fixed Interest Securities and Equities are both quoted. Pooled Investment Vehicles and Derivatives are unquoted.

The significant change in market values is due to the sharp fall in equity values as the global economic background deteriorated over the year. UK equity markets fell by 29% and overseas markets by 20%. £98.958m of the change was in respect of unrealised net losses at 31 March 2009.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year amounted to £0.369m. The comparable amount for 2007-08 is not available. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer

PENSION FUND AND NOTES TO THE PENSION FUND

spread on investments within pooled investment vehicles. The amount of indirect costs is not separately available.

The derivative payment of £8.4m is in respect of forward foreign exchange trades settled during the period.

9.6.5. Taxation

UK Tax

The Fund is an exempt approved fund and is therefore not liable to UK capital gains tax, but is liable for income tax on UK dividends. Where a taxation agreement exists between this country and another whereby a proportion of withholding tax deducted from investment income can be recovered, this will be reclaimed, although the amount and timescales vary from one country to another.

9.6.6. Investments held by Fund Managers

	2008-09		2007-08	
	£000	%	£000	%
BlackRock	39,921	13	45,608	11
UBS	134,880	44	185,273	45
Baillie Gifford	117,813	39	161,802	39
Record Currency	-2,333	-1	7,592	2
Pantheon	11,784	4	6,994	2
Mellon	1,452	1	3,397	1
Total Fund	303,517	100	410,666	100

The above amounts include the investment assets, cash deposits and the negative valued derivative.

The Record Currency includes the £4.901m derivative shown under liabilities. This negative valuation is due to the weakened value of sterling on the currency hedge overlay on the overseas investments that has been made to negate the movement in exchange rates against sterling. This is offset by the 'currency gain' element in the value of the overseas investments.

The table below shows the types of each investment included in the mandate for each manager.

BlackRock	Global bonds and property
UBS	Multi asset portfolio
Baillie Gifford	Specialist UK and global equities
Record Currency	Active and passive currency
Pantheon	Private equity
Mellon	Equity futures

The only investment that exceeded 5% of the total value of net assets was UBS Life Global Optimal Thirds 'A' Units. The market value of the investment was £51.1m as at 31 March 2009 (£70.8m as at 31 March 2008).

9.6.7. Pooled Investment Vehicles

MARKET VALUES

	2008-09 £000	2007-08 £000
UK Managed Funds - Property	24,808	34,013
UK Managed Funds - Other	37,338	39,825
Overseas Other	71,556	70,701
	133,702	144,539

9.6.8. Derivatives

	31-Mar-09 £000	31-Mar-08 £000
Forward Foreign Exchange Contracts	-4,901	-4,915
Equitisation Account	91	8,603
	-4,810	3,688

Counterparty	Duration	No. of Contracts	Value at 31-Mar-09
HSBC Bank	7 days - 6 mths	9	-17
Northern Trust	3 mths	1	182
Royal Bank of Canada	3 mths - 6 mths	6	-4,248
Royal Bank of Scotland	3 mths - 6 mths	8	-1,024
UBS AG	7 days - 6 mths	10	206
		34	-4,901

The scheme objective in using derivatives is to reduce risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets and to mitigate the effect of currency risk on overseas investments. The value of the economic exposure is £58.3m.

9.6.9. Additional Voluntary Contributions (AVCs)

Members of the Fund make AVCs. These amounts are not included in the Pension Fund Accounts in accordance with regulation 5c of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

	2008-2009 £000	2007-2008 £000
Value of AVC Fund at 1 April	2,298	2,390
Employee contributions	191	225
Investment income and change in market value	-86	58
Benefits paid and transfers out	-283	-375
Value of AVC Fund at 31 March	2,120	2,298

PENSION FUND AND NOTES TO THE PENSION FUND

9.6.10. Current Assets & Liabilities

	31-Mar-09 £000	Restated 31-Mar-08 £000
Current Assets		
Cash balances held by London Borough of Harrow	3,473	-
Contributions due from employers	200	155
Other current assets	1,067	1,853
	4,740	2,008
Current Liabilities		
Cash owed to London Borough of Harrow	-	-2,947
Unpaid Benefits	-302	-
Other current liabilities	-534	-324

The comparative figures for the above table have been restated to comply with the SORP disclosure categories.

9.6.11. Actuarial Valuation

An actuarial valuation of the Fund was carried out as at 31 March 2007. The market value of the Fund's assets at the valuation date was £435m and the total accrued liabilities of the Fund were £503m. The Fund deficit was therefore £68m producing a funding level of 87% (compared to 82% at 31 March 2004).

To reach the funding level of 100% over a period of 20 years, the common employers' contribution rate is 19.4% of pensionable pay. Projected Unit method is used to determine this rate. Adjustments have been made to the common rate of employers' contribution to take account of certain circumstances that are peculiar to individual employers.

The main actuarial assumptions are detailed below:

Assumption	Rate at 31 March 2007 Nominal
Price Inflation (RPI)	3.2%
Pay Increases	4.7%
Gilt based discount rate	4.5%
Funding basis discount rate	6.1%

The objectives of the Fund's funding policy are as detailed below:

- To ensure the long term solvency of the Fund;
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- To maximise investment returns for an appropriate level of risk;
- To help employers recognise and manage pension liabilities as they accrue; and
- To minimise the degree of short term change in the level of each employer's contributions.

9.6.12. Analysis of Contributions and Benefits

	Administering Body £000	Admitted Bodies £000	Scheduled Bodies £000	Total £000
Contributions	-21,822	-769	-1,824	-24,415
Benefits	20,180	344	491	21,015

9.6.13. Related Party Transactions

	2008-09 £000	2007-08 £000
Employer's pension contribution to the fund	-15,794	-15,326
Administration expenses paid to the Council	790	932
Cash in hand/(overdraw n)	3,473	-2,947

9.6.14. Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999 require administering authorities to prepare, maintain and publish a written statement of principles governing their decisions about investments. The Pension Fund has adopted a formal Statement of Investment Principles which is published on the council website at www.harrow.gov.uk

Section 10. Appendix

10.1. Glossary of Terms

The glossary's definitions are intended to provide a clear and concise explanation of the technical terms used in this publication.

Accounting Standards

By law local authorities are required to follow "proper accounting practices" which are set out both in Acts of Parliament and in professional codes and statements of recommended practice (SORP).

Accruals

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

Bad Debt Provisions

Amount of money set aside to meet cost of monies owed to the Council that are not expected to be repaid.

Best Value Accounting

The Best Value Accounting Code of Practice (BVACOP) modernises the system of local authority accounting and reporting to ensure that it meets the changed and changing needs of modern local government, particularly the duty to secure and demonstrate Best Value in the provision of services.

Capital Charges

A charge to services' revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the purchase, construction and enhancement, of Council assets such as houses, offices, schools, roads, etc.

Capital Grants

Monies received from government departments and other statutory bodies towards the Council's capital expenditure.

Capital Receipts

Income received from the sale of land, buildings and other capital assets.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and

that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Contingent Liabilities

A condition which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Council Tax

A locally determined charge based on domestic property values levied by a local authority to enable it to provide its services.

Creditors

Amounts of money owed by the Council for goods or services received.

Debtors

Amounts of money owed to the Council for goods or services provided.

Depreciation

The measure used to determine the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

General Fund

The account that covers the net cost of all services other than the provision of Council housing for rent.

Housing Revenue Account (HRA)

A statutory account which contains all expenditure and income relating to the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

Infrastructure Assets

A classification of fixed assets which have no market value, and which exist primarily to facilitate transportation and communication requirements (e.g. highways and footpaths) and similar environmental works.

Levies

Payments to London-wide bodies, e.g. Environment Agency, Lee Valley Regional Park and West London Waste Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council tax base and is met from the General Fund.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an authority's revenue account and set aside as provision for credit liabilities.

National Non Domestic Rate (NDR)

A flat rate in the pound set by Central Government and levied on businesses in the borough. The money is collected by the Council and passed to Central Government. Sums are then re-allocated to all Councils in proportion to their population.

Non-operational Assets

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Provisions

Monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates are uncertain.

Precept

A levy made by the precepting authority on Harrow, as the billing authority, requiring the collection of income from Council tax-payers for the precepting authority. For Harrow the preceptor is the Greater London Authority (GLA).

Private Finance Initiative (PFI)

PFI is the procurement of public services and assets by local authorities where the private sector is responsible for the design, construction, finance and operation of an asset or service for a specified time after which it is transferred back into the public sector.

Revenue Expenditure

The day-to-day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. These costs would include salaries and wages, premises and the costs of supplies and services.

Revenue Support Grant

The main grant received from central government to support local authority revenue expenditure.

Statement of Recommended Practice (SORP)

Its aims are to specify the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of a local authority.

Abbreviations

ABG	Area Based Grant
BTP	Business Transformation Partnership
BVACOP	Best Value Accounting - Code of Practice
BVPP	Best Value Performance Plan
CDC	Corporate and Democratic Costs
CIPFA	Chartered Institute of Public Finance and Accountancy
DCLG	Department for Communities and Local Government (formerly ODPM)
DSCF	Department for Schools, Children & Families (formerly DFES)
EMU	European Monetary Union
ERP	Enterprise Resource Planning
FRS5	Financial Reporting Standard in respect of substance over form.
FRS8	Financial Reporting Standard in respect of Related Party Disclosure.
FRS15	Financial Reporting Standard in respect of tangible fixed assets.
FRS17	Financial Reporting Standard in respect of retirement benefits.
FRS 25	Financial Instruments: Disclosure & Presentation
FRS 26	Financial Instruments: Recognition * Measurement

APPENDIX

FRS 27	Financial Reporting Standard in respect of Life Assurance
FRS 29	Financial Instruments: Disclosures
GARM	Governance, Audit & Risk Management Committee
GLA	Greater London Authority
HRA	Housing Revenue Account
ICES	Integrating Community Equipment Service
ICT	Information & Communication Technology
LAA	Local Area Agreement
LAML	London Authorities' Mutual Ltd
LASAAC	Local Authority Scotland Accounts Advisory Committee
MIS	Management Information Service
MRP	Minimum Revenue Provision
NDC	Non Distributed Costs
NI	National Insurance
NNDR	National Non-Domestic Rate
PFI	Private Finance Initiative
PWLB	Public Works Loan Board
RCCO	Revenue Contribution to Capital Outlay
RSG	Revenue Support Grant
SETS	Stock Exchange Electronic Trading Service
SORP	Statement of Recommended Practice
STRGL	Statement of Total Recognised Gains and Losses
TPA	Teachers Pension Agency
TTF	Treasury Task Force
USM	Unlisted Securities Market
WLWA	West London Waste Authority

APPENDIX

10.2. Best Value – Detailed Service Expenditure Analysis

Division of Service	2008-09 Gross Expend. £000	2008-09 Gross Income £000	2008-09 Net Expend. £000	2007-08 Net Expend. £000
Best Value Service Analysis Summary				
Adult Social Care	76,781	-17,156	59,625	56,321
Central Services	19,952	-18,775	1,177	912
Children's and Education Services	213,802	-170,023	43,779	37,586
Cultural, Environmental, Regulatory & Planning Services	50,574	-13,748	36,826	47,771
Highways & Transport Services	28,852	-14,221	14,631	14,094
Housing Services	170,258	-125,026	45,232	2,603
Corporate and Democratic Core	13,426	-7,181	6,245	9,371
Non Distributed Costs	5,155	-208	4,947	4,512
Net cost of services	578,800	-366,338	212,462	173,170
Other items	23,941	-4,939	19,002	-8,184
Net operating expenditure	602,741	-371,277	231,464	164,986
Adult Social Care				
Service strategy	353	-9	344	395
Older people(Aged 65 or over) including older mentally ill	36,928	-9,012	27,916	24,980
Adults aged under 65 with a physical disability or sensory impairment	9,878	-1,087	8,791	7,213
Adults aged under 65 with a learning disabilities	22,327	-6,125	16,202	16,603
Adults aged under 65 with mental health needs	6,902	-781	6,121	6,352
Other adult services	393	-142	251	778
	76,781	-17,156	59,625	56,321
Central Services				
Local Tax Collection	18,652	-18,064	588	188
Registration of Births, Deaths and Marriages	385	-302	83	36
Elections	458	-99	359	422
Emergency Planning	109	0	109	2
Local Land Charges	348	-310	38	-604
	0	0	0	868
	19,952	-18,775	1,177	912
Children's and Education Services				
Nursery Schools	110	-70	40	-166
Primary Schools	93,311	-85,643	7,668	7,255
Secondary Schools	66,435	-61,392	5,043	2,510
Special Schools	10,049	-9,219	830	1,837
Non School Funding	9,014	-3,574	5,440	2,808
Management and Support Services	4,933	-4,635	298	648
Service Strategy	3,029	-71	2,958	1,969
Children's services-commissioning and social work	2,975	-619	2,356	5,396
Children looked after	12,944	-2,010	10,934	11,455
Family support services	4,547	-728	3,819	2,072
Youth justice	1,643	-825	818	725
Asylum seekers	1,869	-926	943	281
Other children's and families' services	2,943	-311	2,632	796
	213,802	-170,023	43,779	37,586

APPENDIX

Division of Service	2008-2009	2008-2009	2008-2009	2007-2008
	Gross Expend. £000	Gross Income £000	Net Expend. £000	Net Expend. £000
Cultural, Environmental, Regulatory & Planning Services				
Culture and Heritage	1,921	-429	1,492	1,946
Recreation and Sport	2,143	-557	1,586	18,429
Open Spaces	4,958	-976	3,982	3,189
Tourism	43	0	43	-8
Library Service	5,879	-497	5,382	5,050
Cemetary, cremation and mortuary services	2,102	-298	1,804	913
Environmental Health	2,641	-505	2,136	2,263
Community safety (Crime Reduction)	2,212	-724	1,488	796
Flood Defence and Land Drainage	1,097	-210	887	0
Trading Standards	1,081	-170	911	928
Street Cleansing (Not chargeable to highways)	4,821	-1,223	3,598	3,407
Waste Collection	5,823	-1,199	4,624	7,881
Trade Waste	1,188	-1,227	-39	0
Recycling	3,730	-346	3,384	0
Building Control	1,184	-965	219	55
Development Control	2,848	-1,201	1,647	2,036
Planning Policy	2,737	-1,372	1,365	928
Environmental initiatives	109	-86	23	0
Economic Development	665	-161	504	-42
Community Development	3,392	-1,602	1,790	0
	50,574	-13,748	36,826	47,771
Highways & Transport Services				
Transport planning, policy and strategy	170	-22	148	0
Highways / roads (structural)	2,585	-326	2,259	2,241
Highways / roads (routine)	4,439	-616	3,823	3,406
Street Lighting	2,053	-8	2,045	1,783
Winter Maintenance	157	-47	110	185
Traffic Management and Road Safety	6,431	-4,487	1,944	2,432
Parking Services	4,909	-8,702	-3,793	-4,603
Public Transport	8,108	-13	8,095	8,650
	28,852	-14,221	14,631	14,094
Housing Services				
Housing strategy	473	-16	457	409
Housing advice	140	0	140	154
Housing advances	0	0	0	3
Private sector housing renewal	2,420	-277	2,143	2,049
Licensing of Private Sector Landlords	205	0	205	199
Homelessness	3,473	-646	2,827	2,674
Housing benefits payments	93,522	-94,228	-706	-500
Housing benefits administration	5,023	-2,025	2,998	727
Contribution to the HRA re:items shared by the whole community	85	0	85	96
Other council property	57	-8	49	34
Supporting People	3,917	-3,563	354	193
Housing Revenue Account	60,943	-24,263	36,680	-3,435
	170,258	-125,026	45,232	2,603
Corporate and Democratic Core				
Democratic representation and management	6,831	-2,844	3,987	3,635
Corporate Management	6,595	-4,337	2,258	5,736
	13,426	-7,181	6,245	9,371
Non Distributed Costs				
Past service costs	5,155	-208	4,947	4,512
	5,155	-208	4,947	4,512

10.3. Officers Emoluments

Officer Name	Post	Remuneration Band
Mr T Whiting	Assistant Chief Executive	£100,000 - £109,999
Mrs H M Clements	Director of School and Childrens Development	£100,000 - £109,999
Mr W J Edwards	Divisional Director - Environmental Services	£100,000 - £109,999
Mr H E Peart	Director of Legal and Governance Services	£110,000 - £119,999
Ms C A Cutler	Director of Business Transformation and Customer Services	£110,000 - £119,999
Mr J Khan	Director of Community and Cultural Services	£110,000 - £119,999
Mr P Najsarek	Corporate Director - Adults and Housing	£120,000 - £129,999
Mrs M Barrett	Corporate Director - Corporate Finance	£120,000 - £129,999
Mr P A Clark	Corporate Director - Childrens Services	£130,000 - £139,999
Mr A G Trehern	Corporate Director - Place Shaping	£130,000 - £139,999
Mr M F Lockwood	Chief Executive	£170,000 - £179,999

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APPENDIX

10.4. Members Allowances

Councillor Name	Payments to Members	Councillor Name	Payments to Members
Husain Akhtar	£9,752.76	Christopher Noyce	£10,000.08
Nana Asante	£11,000.04	Phillip O'Dell	£9,618.63
David Ashton	£37,473.05	Asad Omar	£8,000.04
Marilyn Ashton	£27,623.31	Paul Osbourne	£27,596.04
Camilla Bath	£10,044.39	Anjana Patel	£27,500.04
Christine Bednell	£27,500.04	David Perry	£8,000.04
Robert Benson	£8,000.04	Raj Ray	£8,000.04
Don Billson	£8,000.04	Richard Romain	£0.00
Lurline Champagne	£10,000.08	Paul Scott	£8,000.04
Mrinal Choudhury	£8,000.04	Anthony Seymour	£11,000.04
Golam Choudhury	£10,000.08	Navin Shah	£9,794.48
John Cowan	£10,000.08	Rekha Shah	£11,000.04
Bob Currie	£10,000.08	Stanley Sheinwald	£16,500.00
Margaret Davine	£11,000.04	Eric Silver	£11,958.41
Mano Dharmarajah	£8,000.04	Dinesh Solanki	£11,000.04
Tony Ferrari	£25,665.36	Bill Stephenson	£15,127.79
Keith Ferry	£11,550.04	Sasikala Suresh	£8,000.04
Archie Foulds	£8,000.04	Yogesh Teli	£9,752.76
Brian Gate	£13,985.20	Keeki Thammaiah	£8,000.04
David Gawn	£8,000.04	Mark Versallion	£14,500.08
Mitzi Green	£14,500.08	Thomas Weiss	£10,000.08
Susan Hall	£27,500.04	Jeremy Zeid	£9,752.76
Graham Henson	£8,000.04		
Thaya Idaikkadar	£12,975.04		
Nisam Ismail	£8,000.04		
Krishna James	£7,465.81		
Manji Kara	£9,752.76		
Eileen Kinnear	£8,000.04		
Ashok Kulkarni	£8,000.04		
Jean Lammiman	£10,815.40		
Barry MacLeod-Cullinane	£25,770.20		
Julia Merison	£10,000.08		
Salim Miah	£8,000.04		
Myra Michael	£8,000.04		
Jerry Miles	£11,000.04		
Vina Mithani	£11,000.04		
Chris Mote	£28,653.26		
Janet Mote	£12,697.62		
Narinder Singh Mudhar	£10,000.08		
John Nickolay	£17,500.68		
Joyce Nickolay	£10,262.17		
		Co-opted Members	
		Despo Speel	£299.35
		Howard Bluston	£731.04
		Ranji Chauhan	£435.00
		Sheila Darr	£435.00

Details of all Council services may be found on the Council's website: www.harrow.gov.uk

Additional copies of this Statement of Accounts are available from the Corporate Director of Finance, PO Box 21, Civic Centre, Harrow, Middlesex, HA1 2UJ
(e-mail address: corporatefinance@harrow.gov.uk)