

**LONDON BOROUGH OF HARROW  
STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2010**

<b>SECTION 1.</b>	<b>STATEMENT OF RESPONSIBILITIES</b>	<b>3</b>
<b>SECTION 2.</b>	<b>AUDIT OPINION &amp; CERTIFICATE</b>	<b>5</b>
<b>SECTION 3.</b>	<b>FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE</b>	<b>9</b>
<b>SECTION 4.</b>	<b>ANNUAL GOVERNANCE STATEMENT</b>	<b>19</b>
<b>SECTION 5.</b>	<b>STATEMENT OF ACCOUNTING POLICIES</b>	<b>31</b>
<b>SECTION 6.</b>	<b>FINANCIAL STATEMENTS</b>	<b>39</b>
<b>SECTION 7.</b>	<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>43</b>
<b>SECTION 8.</b>	<b>SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS</b>	<b>74</b>
<b>SECTION 9.</b>	<b>PENSION FUND &amp; NOTES TO THE PENSION FUND</b>	<b>81</b>
<b>SECTION 10.</b>	<b>APPENDIX</b>	<b>93</b>



# STATEMENT OF RESPONSIBILITIES

## 1 Statement of Responsibilities

### The Council's Responsibilities

#### The Council 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 Committee).

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council'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.

I certify that the Statement of Accounts set out in this document presents a true and fair view of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

**Myfanwy Barrett**  
CPFA  
**Section 151 Officer**  
**Corporate Director of Finance**

### 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 29 June 2010 and was approved by resolution of the GARM Committee.

**Councillor John Cowan**  
**Chairman: GARM Committee**



## 2 Audit Opinion & Certificate

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

#### Opinion on the Council accounting statements

We have audited the accounting statements and related notes of London Borough of Harrow for the year ended 31 March 2010 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 and their related notes 7.1 to 7.51, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account and their related notes 8.1 to 8.2.12, the Collection Fund and the related notes 8.3 to 8.4.3. The accounting statements have been prepared under the accounting policies (section 5) set out in the Statement of Accounting Policies.

#### 2.2 Respective responsibilities of the Corporate Director of Finance and auditor

The Corporate Director of Finance's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our 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).

We report to you our opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority accounting statements and related notes as described in the contents section, and consider whether it is consistent with the audited Authority accounting statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. Our responsibilities do not extend to any other information.

#### 2.3 Basis of audit opinion

We conducted our 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.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance

## AUDIT OPINION & CERTIFICATE

that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### 2.4 Opinion

In our opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

#### **Opinion on the pension fund accounting statements**

We have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes 9.1 to 9.6.15. The pension fund accounting statements have been prepared under the accounting policies (section 9.3) set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 published by the Audit Commission in April 2008.

#### **Respective responsibilities of the Corporate Director of Finance and auditor**

The Corporate Director of Finance's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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.

We read other information published with the pension fund accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited pension fund accounting statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. Our responsibilities do not extend to any other information.

### 2.5 Basis of audit opinion

We conducted our 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 accounting statements and related notes, and of whether the

## AUDIT OPINION & CERTIFICATE

accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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 our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

### 2.6 Opinion

In our opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

### 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

We are 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 our conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Conclusion

We have undertaken our 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 October 2009, and the supporting guidance, we are satisfied that, in all significant respects, London Borough of Harrow made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### Certificate

We certify that we 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.

[Signature of partner]

Paul Schofield (Engagement Lead) for and on behalf of Deloitte LLP  
Appointed Auditor St Albans, United Kingdom

[Date]





### 3 Foreword by the Corporate Director of Finance



**Myfanwy Barrett**  
Corporate Director of Finance

This foreword provides a guide to the Council's accounts for the year ended 31 March 2010. The Accounts and Audit Regulations 2003 require the Statement of Accounts to be approved by 30 June 2010.

The Statements have been 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.

The Statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements. Proper accounting practices represent compliance with the following:

- All relevant Financial Reporting Standards (FRS) issued by the Accounting Standards Board (ASB – a constituent board of the Financial Reporting Council);
- The Code of Practice on Local Authority Accounting in the UK 2009 (the Statement of Recommended Practice or SORP issued by the CIPFA/LAASC Joint Committee, a body recognised by the ASB for the purpose of issuing SORPs); and
- The Best Value Accounting Code of Practice 2008 (BVACOP issued by CIPFA) that establishes proper practice for consistent financial reporting below the Statement of Accounts level and has statutory recognition.

The Statement of Accounts comprises the core financial statements grouped together as detailed below:

- **Income and Expenditure Account:** This statement is fundamental to the understanding of a the Council'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 Balance:** 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 of 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 the Council's financial position at the year-end. It shows the balances and reserves and its long-term

## FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

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.

The supplementary single entity financial statements as detailed below:

- **Housing Revenue Account:** This statement reflects a statutory obligation to account separately for the Council's 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.
- **The Collection Fund:** 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).

### 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 9.

### Accounting Developments

The SORP sets out the accounting concepts and accounting principles which underpin the Statement of Accounts. Significant changes to the 2009 SORP are detailed below. The implementation of these changes is fully retrospective and requires a restatement of the previous years comparative:

- Private Finance Initiative (PFI) has primarily been accounted for as a revenue item. SORP 2009 now requires PFI and similar contracts to be accounted based on International Financial Reporting Standards (IFRIC12). This means that the assets that were previously accounted for as "off-balance sheet" will be brought "on-balance sheet" along with a liability for the financing provided by the PFI operator;
- Accounting for Council Tax now requires to include appropriate share of debtors in the billing authorities' and major preceptors' Balance Sheets;
- Accounting for National Non-domestic Rate (NNDR) shall not recognise NNDR debtor in their Balance Sheet but instead recognise a creditor or debtor for cash collected from NNDR;
- Minor changes to disclosing officers' remuneration; and
- Disclosure requirements for section 137 expenditure, expenditure on publicity, building control account and income under the Local Authorities Goods and Services Act have been removed.

### 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. Any implications of global economic recession will be taken into account in 2010 triennial actuarial valuation.

### 3.1 Review of the year

In 2009-10 the Council's corporate priorities were to:

- Deliver cleaner and safer streets;
- Improve support for vulnerable people; and
- Build stronger communities.

Environmental services successfully increased the recycling rates to 50%, improved street cleaning by 2% and completed the renewal of the vehicle fleet to reduce CO<sup>2</sup> emissions. Residents have benefited from a reduction in rates of antisocial behaviour through the implementation of a borough-wide alcohol exclusion zone.

The Adult services achieved a Care Quality Commission rating of 3 out of 4 for the first time which means that the service is performing well. Three new Neighbourhood Resource Centres were opened during the year, bringing together care management, therapy and day services under the same roof for adults with learning disabilities.

Schools assessments and GCSE results continue to be excellent. A new Hindu school was opened during the year. The Council's child adoption rate was the most improved in the country through a partnership with Coram.

Despite the economic climate, the collection team maintained their performance of collecting Council Tax and Business Rates.

The Council adopted new organisational values as set out below:

- **Customer First**
- **Respect**
- **Engaged Communication**
- **Actively 'one Council'**
- **Taking responsibility**
- **Energise and improve**

The Legal and Governance Services secured Investors in People accreditation with special commendations for departmental leadership and staff well-being.

During the year the Council committed to a Better Deal for Residents programme. This programme is the Council's response to the need to meet the rising expectations of residents whilst recognising the constraints on public funds. The programme has five workstreams:

- Cross Council Efficiency Review;
- Better Together;
- Future Operating Model;
- Service Efficiency Programme; and
- Place Shaping and Property.

2009-10 also saw recognition of the Council's performance. The Audit Commission judged the Council to have improved against their new tighter inspection regime, improving to an overall score of 3 out of 4. The Council's improvement journey was also recognised by being short-listed for the Best Achieving Council award in the prestigious Municipal Journal awards and in a similar category in the Local Government Chronicle awards.

These results are a major step towards achieving the Corporate Vision to be one of the best London Councils by 2012.

## FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

### 3.2 Financial Summary for the year

#### 3.2.1 General Fund Revenue Account (GF)

The Council's revenue budget outturn for 2009-10 confirmed an under spend of £1.678m. This represented 1% of the total net expenditure of £171.2m.

	2009-2010		Outturn	Outturn
	Budget	Outturn	Variation	Variation
	£m	£m	£m	%
Departmental Costs	336.139	<b>335.093</b>	-1.046	-0.3
Non Departmental Costs	-164.935	<b>-169.001</b>	-4.066	2.5
Carry forward for future commitments and pressures	0.000	<b>2.153</b>	2.153	0.0
Contributions to Provisions and Reserves	0.000	<b>1.281</b>	1.281	0.0
<b>Net Expenditure</b>	<b>171.204</b>	<b>169.526</b>	<b>-1.678</b>	<b>-1.0</b>
<b>Contribution to</b>				
Carry forward for future commitments and pressures	0.000	<b>1.600</b>	1.600	
General reserve	0.500	<b>0.578</b>	0.078	
<b>Total</b>	<b>0.500</b>	<b>2.178</b>	<b>1.678</b>	

#### Departmental Costs

The outturn position for the directorates of a £1m under spend, representing a variance of 0.3% against a net budget of £336.1m is a key achievement. The directorates have made considerable improvements in the robustness of monthly monitoring and forecasting. The under spend was due mainly to:

- Adult services delivering a £0.860m under spend spread over a number of service areas;
- Community and Environment producing an under spend of £0.820m, of which £0.235m was from a rebate in respect of waste tonnages; and
- Under spends in other areas which mainly resulted from vacancy management and projects not completed during the year.

This enabled pressures of £1.931m in Childrens services to be offset overall. These resulted mainly from Special Needs Transport and the children in care budgets on placements and safeguarding.

#### Non Departmental Costs

The remaining under spend of £4.1m on Non Departmental Costs mainly relates to:

- Capital Financing budgets resulting from borrowing delayed until the latter part of the financial year, lower borrowing rates obtained and higher returns on investments than anticipated given market conditions;
- The surplus on pay inflation; and
- Backdated VAT refunds, routine clearance of suspense account, Smart Water project commitments and Local Area Agreement projects not yet delivered.

#### Carry forwards

The under spend of £1.134m has been carried forward for the commitments on the uncompleted projects and £1.019m has been carried forward to fund potential known pressures on care costs, Local Area Agreement project and other projects across the board.

## FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

### Contributions to Provisions and Reserves

In addition to the above, contribution to the provisions and reserves as required are being made for:

- Bad debts (including Housing Benefit overpayments);
- Insurance; and
- Litigation and Employment.

### Net Expenditure

From the Total net under spend of £1.678m, £1.600m had been allocated to:

- Children's Services;
- Special Projects Fund; and
- The Transformation Programme.

The balance of £0.078m has been transferred to general reserves. The total contribution to general reserves was £0.578m, exceeding the planned contribution by £0.078m. The balance carried forward into 2010-11 now stands at £6.294m.

The net cost of service for the year was £287.2m (£211.1m in 2008/09). The main reason for the significant increase is the impairment charge, following valuation of the council's whole property portfolio. The impairment of the property portfolio 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.

### 3.2.2 Capital

Actual capital spend in the year was £96m, compared with an original capital programme of £61m. The increase in the programme was due to commitments, carried forward from 2008-09 and additions during the year, mainly in Childrens Services. The commitments brought forward from the previous year and the additions during the year were mainly funded from grants. At year end there were projects which were not completed and therefore commitments of £18m were carried forward to 2010-11, of which £11m were grant funded projects.

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;
- The redevelopment of the Town Centre; and
- Continued investment in new technology to improve Council Services.

Expenditure during the year was funded from grants (£58m), usable capital receipts (£1m), revenue contributions (£4m) and borrowing from UK banks (£33m). The total capital programme including Housing Revenue Account (HRA) for 2010-11 is £46m. This will be funded from government grants (£11m), revenue contributions (£4m), capital receipts (£6m) and borrowing (£25m).

### Housing Revenue Account

The Council provides rented accommodation of 5,058 units. In 2009-10 average Council rents were £84.00 per week, an increase of 3% from 2008-09.

The HRA outturn confirmed a deficit of £0.358m in 2009-10. This was lower than planned and resulted in a decrease in the HRA balance from £5.1m to £4.8m.

## FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

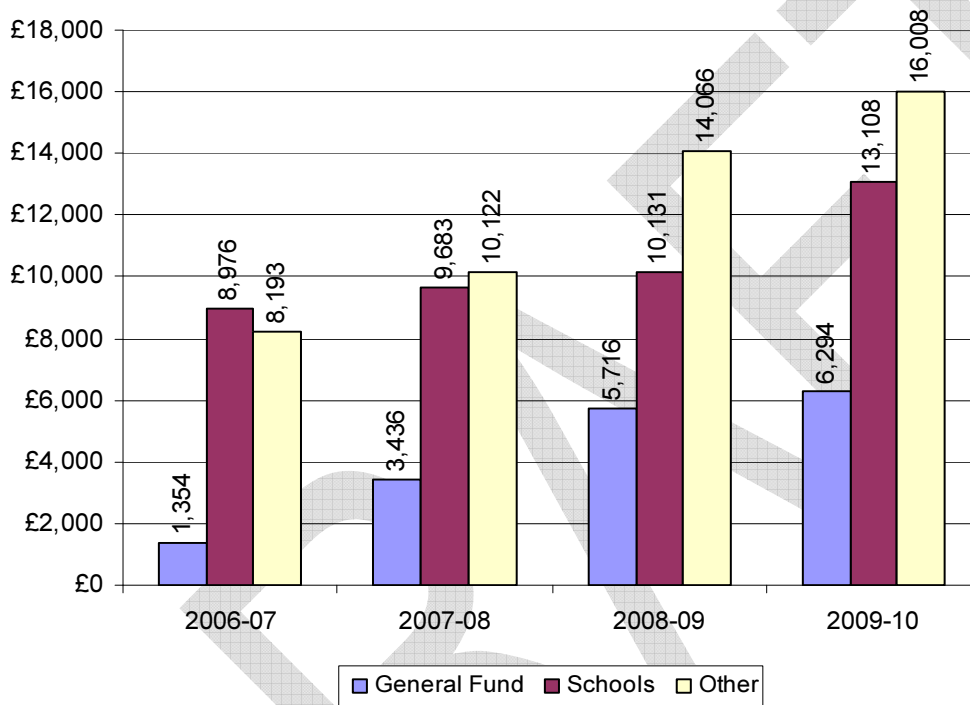
### Collection Fund

The outturn surplus on the Collection Fund at year end is £1.772m compared to the estimated figure of £1.826m. This is a movement of £1.417m from last year when there was a surplus of £0.355m. The Council's share of the surplus is £1.405m and the Greater London Authority (GLA) share is £0.367m.

### 3.3 Financial Data

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

#### 3.3.1 Council Revenue Balances

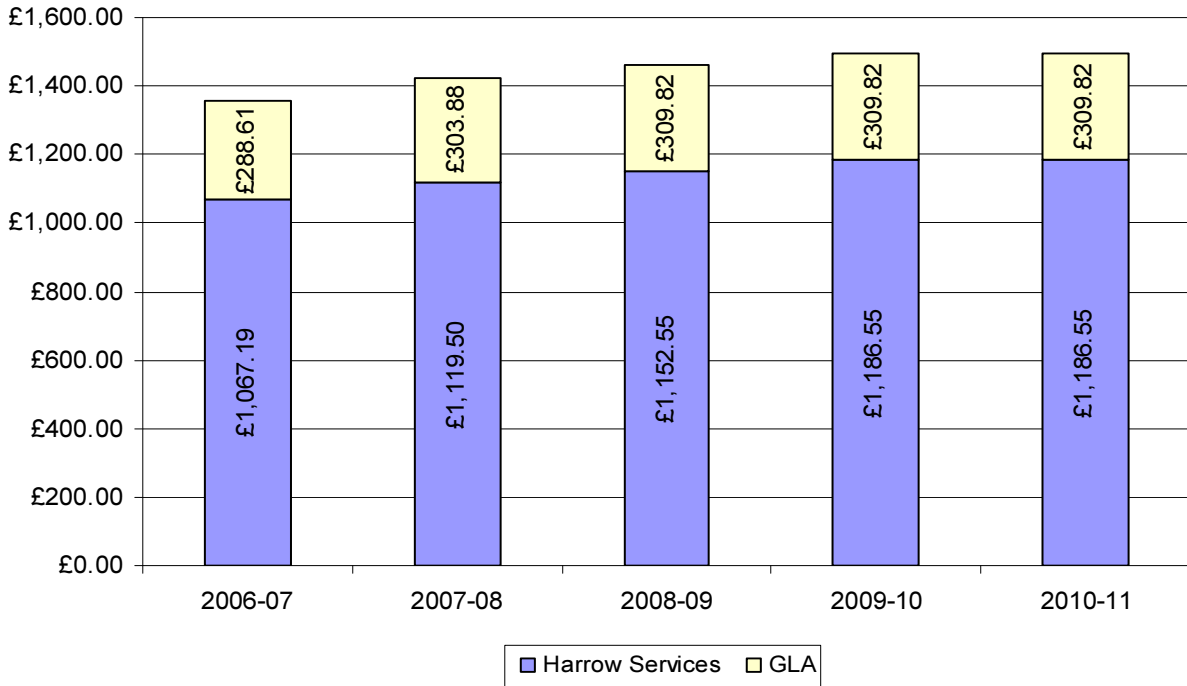


Note: the above balances, excluding General Fund, are ring fenced.

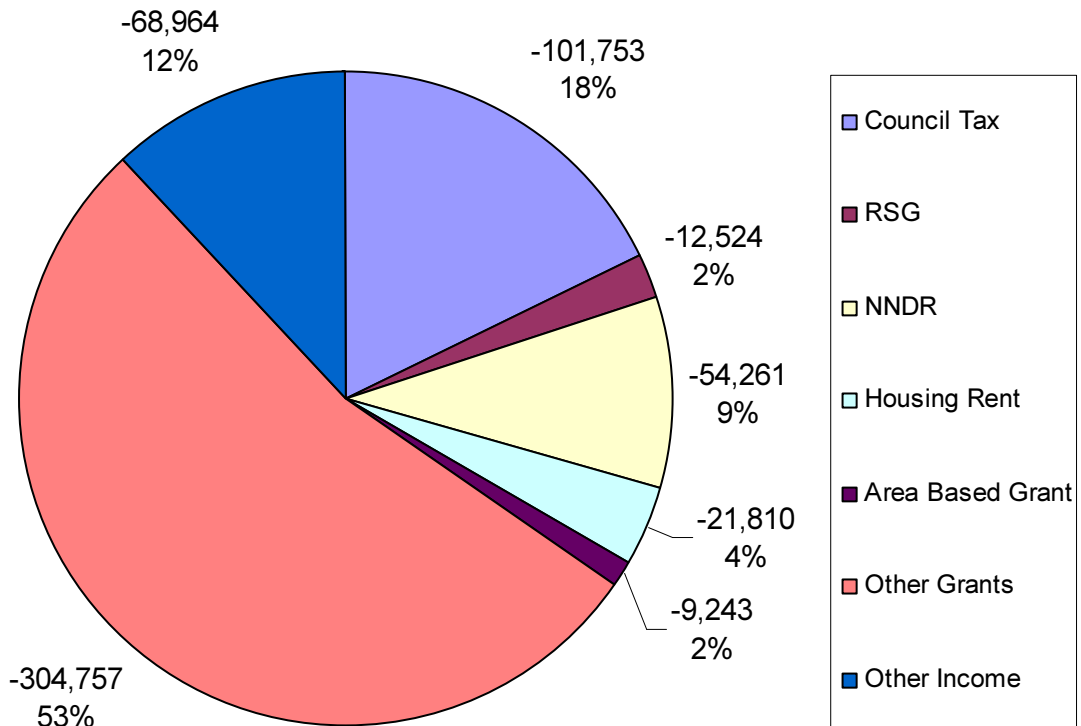
## FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

### 3.3.2 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 £1,496.37, an increase of 2.32% in 2009-10.

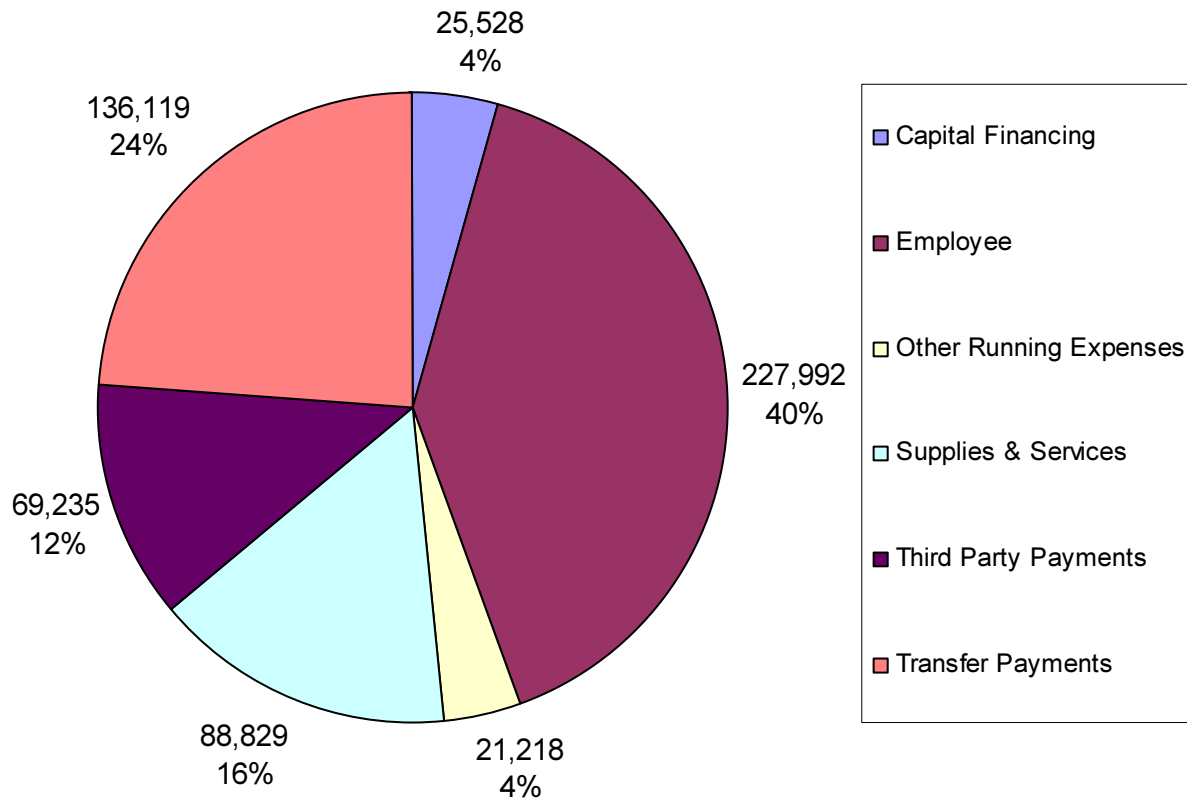


### 3.3.3 Analysis of Revenue Income (£000's)

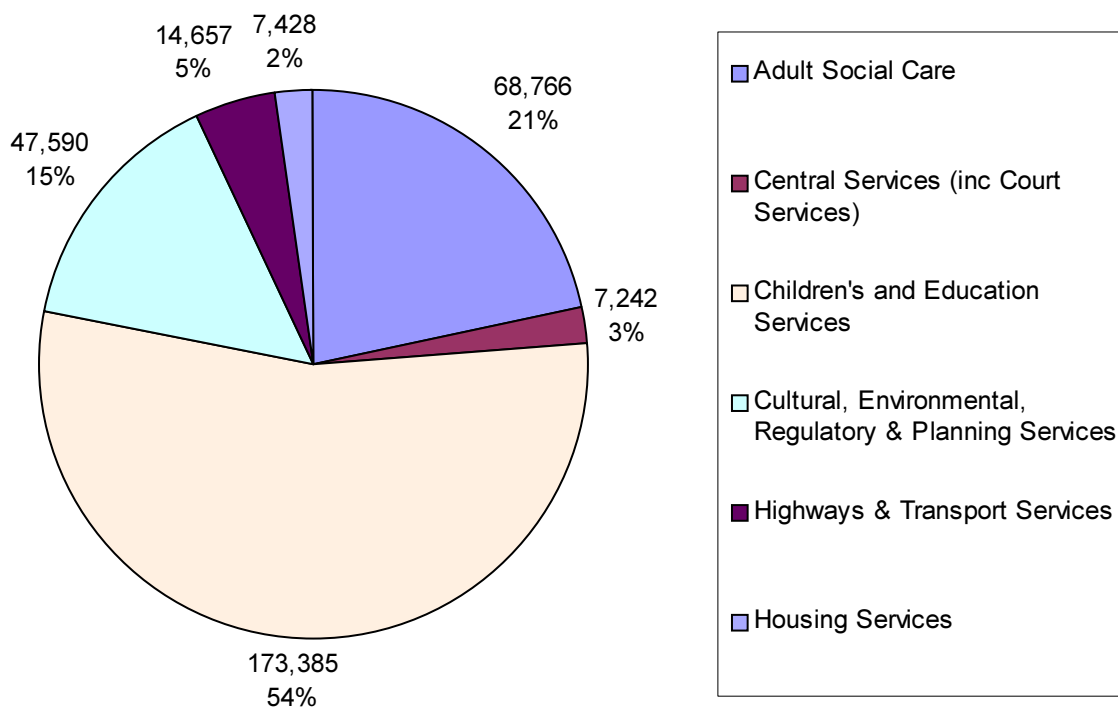


## FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

### 3.3.4 Analysis of Revenue Expenditure (£000's)



### 3.3.5 The Services Provided – analysis of expenditure

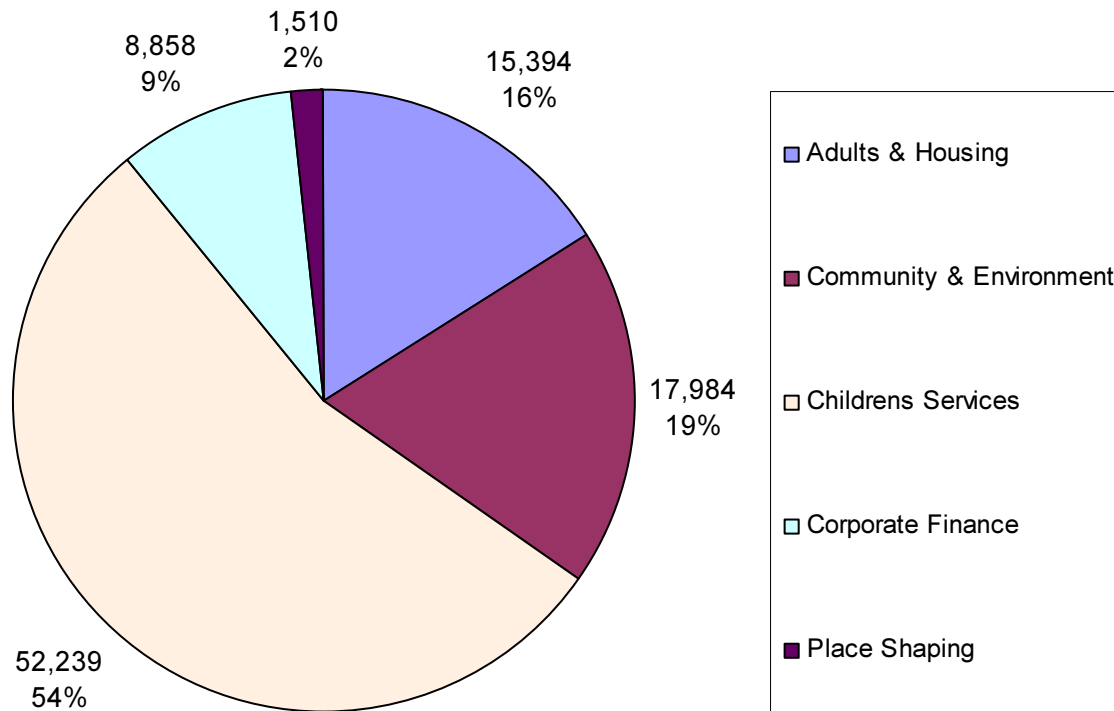




## FOREWORD BY THE CORPORATE DIRECTOR OF FINANCE

### 3.3.6 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.



Further information about the accounts is available from:

Corporate Finance  
Civic 6, Civic Centre  
Station Road  
Harrow  
Middx  
HA1 2UJ

Under the Audit Commission Act 1998, sections 15-16, and the Accounts and Audit Regulations 2003 regulations 13,14 & 16, members of the public have a statutory right to inspect the Accounts before the Audit is completed. The period of availability of the Accounts for inspection is advertised in the local press and anyone wishing to do so may make objection to any item of the account to the Council's auditor. The auditors report on the Accounts will precede this foreword.



## 4 Annual Governance Statement

### 4.1 Scope of Responsibility

- 4.1.1 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.
- 4.1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 4.1.3 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

- 4.2.1 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.
- 4.2.2 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.
- 4.2.3 The governance framework has been in place at Harrow Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

### 4.3 The Governance Framework

#### 4.4 Identifying, communicating and reviewing the authority's vision

- 4.4.1 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".
- 4.4.2 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.

## ANNUAL GOVERNANCE STATEMENT

- 4.4.3 The Council's vision and corporate priorities are consistent with the Sustainable Community Strategy.
- 4.4.4 The Sustainable Community Strategy is developed by the Harrow Strategic Partnership together with the local community, with local agencies, stakeholders and residents involved in identifying its priorities. The Strategy shows how the organisations making up the Harrow Strategic Partnership will try to shape the effects of global, national regional and local trends and events to work towards successful outcomes for Harrow. These successful outcomes include making Harrow a better place to live and work over the long term.
- 4.4.5 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.
- 4.4.6 The Better Deal for Residents: Shaping Harrow for the Future (BDfR) programme has been developed to significantly reduce costs each year for the foreseeable future, whilst radically considering the manner and scale of services offered, given the changing needs of residents. The BDfR programme will, in the first instance, include a fundamental review of how the council can deliver more integrated services to local taxpayers across all the public sector partners in the borough. It will focus on how the council can better-align services with residents' needs, whilst being more cost effective. The BDfR will act as the first phase of the Council's Change Management Programme, which will be undertaken over the next two to three years. The programme includes the follow 5 workstreams:
- Future Operating Model
  - Place Shaping and Property
  - Cross Council Efficiency Review
  - Service Efficiency/BPR Programme - LEAN
  - Better Together
- 4.4.7 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.
- 4.4.8 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. Improvement boards also monitor risks to the achievement of Directorate objectives each quarter.
- 4.4.9 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.
- 4.4.10 The corporate priorities are reviewed annually and the priorities for 2009/10 were to:
- Deliver cleaner and safer streets
  - Improve support to vulnerable people
  - Build stronger communities.

## 4.5 Measuring the quality of services and ensuring best use of resources

- 4.5.1 The Council has an integrated planning and budget 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.
- 4.5.2 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.
- 4.5.3 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 2008-11.
- 4.5.4 Performance against plans, key indicators and targets and budgets are 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.
- 4.5.5 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.
- 4.5.6 A Use of Resources Assessment was carried out annually up to and including 2008/09 by the Audit Commission which was wide ranging and covered financial management, performance management, internal control and value for money. The outcome of the assessment resulted in actions being built into service plans and the Council's Improvement Programme. This assessment has been abandoned by the new government and as a consequence there will not be an assessment relating to 2009/10 and a new assessment/self-assessment regime has yet to be announced.

## 4.6 Defining roles

- 4.6.1 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
- 4.6.2 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. The role of the Finance Director complies with CIPFA guidance.
- 4.6.3 Democratic services maintain a register of Members' interests which is published on-line via the Council's web-site.

4.6.4 The Constitution is reviewed on an on-going basis, with full Council making amendments as and when required. During 2009/10 the Constitution was reviewed and a Code of Corporate Governance was included along with updated Financial regulations and Contract Procedure Rules.

## 4.7 Standards of behaviour and codes of conduct

4.7.1 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. Following the local elections in May 2010 a new administration was elected and an induction programme for the new council members was organised by the Council's Democratic Services team which involved training on ethical governance and was well received by members.

4.7.2 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. Proposals to abolish Standards for England will reinforce the Committee's role in leading on the local Ethical Governance agenda.

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

4.7.4 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. The Member's register is available on-line via the Council's web-site.

4.7.5 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;
- Energise and improve.

4.7.6 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.

## 4.8 Decision making

4.8.1 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

## ANNUAL GOVERNANCE STATEMENT

proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process, call-in. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.

- 4.8.2 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.
- 4.8.3 The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery.
- 4.8.4 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 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.
- 4.8.5 All formal meetings are clerked by well trained and experienced Democratic Services Officers who also provide advice on constitutional procedure. Lawyers are present when appropriate to provide advice on law.
- 4.8.6 Members are required to make sound decisions based on written reports which are prepared in accordance with report writing guidelines and all Cabinet reports 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.
- 4.8.7 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.
- 4.8.8 The Constitution details those decisions that may not be taken by the Executive and those decisions that have been formally delegated to officers.

### **4.9 Internal control and risk management**

- 4.9.1 The Council's internal control and risk management arrangements are assessed every year by the Audit Commission as part of Use of Resources. 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. (As covered in 3.16 this assessment has now been abolished).
- 4.9.2 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 and the Improvement boards quarterly.
- 4.9.3 The corporate Risk Steering Group, consisting of nominated directorate risk champions and chaired by the Assistant Chief Executive, met four times during 2009/10 and provide challenge on the robustness of the strategic and corporate operational risk registers and

## ANNUAL GOVERNANCE STATEMENT

the adequacy of controls to mitigate the risk. It also reviewed its Terms of Reference and provided input and comment on the risk management strategy and guidance.

- 4.9.4 All risk registers identify risks to the achievement of objectives, the impact and likelihood of current and target risk scores, mitigating actions to control the risks and assign risk owners/champions and control owners.
- 4.9.5 Business as usual projects are managed through the corporate risk management process, with dedicated risk registers in place to ensure risks are being managed throughout the life of a change programme/project.
- 4.9.6 All committee reports requiring decisions 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.

### **4.10 Audit arrangements**

- 4.10.1 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.
- 4.10.2 The Council's External Auditors, Deloitte LLP, rely on the Internal Audit team's work on the authority's core financial systems.
- 4.10.3 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.
- 4.10.4 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 further training is planned for September 2010.

### **4.11 Compliance with statute and internal policies and procedures**

- 4.11.1 3.45 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.
- 4.11.2 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.
- 4.11.3 Key internal policies and procedures are reviewed and communicated regularly, such as the Council's Financial Regulations and Contract Procedure Rules both updated during 2009/10.
- 4.11.4 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 which maintains the Council's corporate anti-fraud policy and corruption strategy.



## 4.12 Whistle blowing and complaints

- 4.12.1 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 also explicitly encompasses contractors, councillors and agents outside the authority. A register of complaints is maintained by the Monitoring Officer.
- 4.12.2 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.

## 4.13 Training and development

- 4.13.1 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.
- 4.13.2 A staff appraisal programme (IPAD) 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 2009/10 Management Assurance process highlighted that managers consider that the appraisal process is working well in only 44% of departments across the Council i.e. only 44% reported that 100% of IPADs had been completed. However action has been identified in the action plan arising from the Staff Survey in November 2009 and the IPAD process is currently being reviewed with senior management to address the cultural challenges in ensuring effective performance management in preparation for a re-launch in April 2011.
- 4.13.3 The appraisals process is monitored at Divisional Management Team level, at Council Improvement Boards and as part of the annual management assurance exercise.
- 4.13.4 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.
- 4.13.5 A managers development programme was attended by most middle managers during 2008/09 and professional qualification opportunities are provided within Directorates.
- 4.13.6 All service areas have a budget allocated for training and development of staff.

## 4.14 Communication and consultation

- 4.14.1 The Council has a corporate consultation strategy which was launched in 2008/09. Consultations are therefore managed through a number of channels, including the Residents Panel.
- 4.14.2 The Council magazine "Harrow People", which is delivered to every household in Harrow seven times a year, is used to communicate important messages

- 4.14.3 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.
- 4.14.4 The Council's communications strategy was reviewed in 2007/08 and a new corporate communications team was established. A new strategy was agreed by Cabinet in March 2010, but given the change in administration, this is now under review.
- 4.14.5 Protocols for 2 way communication between the Council and the Trade Unions are well established.
- 4.14.6 All Committee meetings are held in public except where items on the agenda are exempt from publication due to confidentiality.

### **4.15 Partnerships**

- 4.15.1 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 and all but one, relating to HREC have now been implemented. It is expected that there will not be an LAA in the future, given the Coalition Government's decision to abolish CAA and reduce the reward grant in-year.
- 4.15.2 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.
- 4.15.3 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 and joint registers established during 2009/10.
- 4.15.4 The initiatives established during 2008/09 with commercial and voluntary partners to support businesses and residents of the borough specifically in relation to the economic downturn continued throughout 2009/10.

### **4.16 Review of Effectiveness**

- 4.16.1 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, the Corporate Governance Working Group, the Internal Audit annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.
- 4.16.2 The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework in the 2009/10 financial year is described below.

## 4.17 The Council

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

## 4.18 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.

## 4.19 The Audit Committee (GARM)

- Met 6 times during 2009/10 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 updated Internal Audit self assessment against the CIPFA Code of Practice for 2009/10;
- 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 approved the Annual Governance Statement.

## 4.20 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.

## 4.21 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.

## 4.22 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 Council's 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 drafting of the annual governance statement;
- Implemented an escalation procedure to the Corporate Strategy Board and Audit Committee on audit reviews that gave 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 2009/10 was approved by the Audit Committee in June 2009 and 93% of the plan was completed which included all the key financial system reviews relied upon by the External Auditors. A total of 335 recommendations were made during the audit year and 327 (98%) 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). 83% 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 2009/10 was assessed as "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 2010.

## 4.23 Corporate anti-fraud team

- Reviewed and updated the Council's corporate anti-fraud policy and corruption strategy which was adopted by cabinet in September 2009;
- Investigated allegations of fraud both from external and internal sources;
- Worked closely with Police partners to secure convictions where appropriate;
- Published successful prosecutions as part of a deterrent communication strategy.

## 4.24 Management Assurance Exercise

4.24.1 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.

4.24.2 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 was increased to 75% for the 2008/09 exercise and was increased to 80% for 2009/10. Contained within this year's exercise there

## ANNUAL GOVERNANCE STATEMENT

are also a number of new 'stretch' areas of assurance that have an assurance level of 50%. This is not a lowering of standards but recognition of the emerging nature of these areas and a realisation that time is needed for managers to embed new requirements. The assurance level for these areas will be raised to match all other areas in following years providing up to 2 years for them to become embedded.

- 4.24.3 Overall the 2009/10 management assurance exercise confirmed that 73% of the areas of assurance covered by the self-assessment process are working well across the Council i.e. above the assurance level set, (80% for established areas of assurance and 50% for the new/emerging areas) and have been given a green assurance rating. This is a 7% decrease on areas given a green assurance rating in 2008/2009 however bearing in mind the increase in the assurance level set for the established areas of assurance, the removal of areas working well for at least the past two years and the inclusion of the new/emerging areas of assurance this is a reasonable result that the Council will be able to build on in future years.
- 4.24.4 Action points were agreed as part of the management assurance statements sign off by the 3<sup>rd</sup> tier managers for all areas of assurance identified as working towards or where a gap was identified. These will be monitored throughout 10/11 by the quarterly Improvement Boards as proposed by the Corporate Governance Group.

### 4.25 Significant Governance Issues/Progress on previous agreed actions

- 4.25.1 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 2008/09 AGS Action Plan shows that the governance gaps identified in 2008/09 were closed fully or substantially in 2009/10 for 79% of gaps identified. Six actions from 2008/09 have been carried forward to the 2009/10 AGS Action Plan attached to this statement one of which relates to IT Disaster Recovery which was recognised as a significant governance gap in the 2008/09 Annual Governance Statement and remained a gap throughout 2009/10.
- 4.25.2 Seven new gaps in governance arrangements were identified as part of the 2009/10 annual governance review, one of which has already been identified and action planned as part of the Strategy for People 2010-2012 and another, whilst acknowledged is considered reasonable by Senior Management and the Corporate Governance Group and no action is planned. None of the gaps identified are considered to be significant by the Corporate Governance Group.
- 4.25.3 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.

### 4.26 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 Bill Stephenson**  
Leader of the Council

**Michael Lockwood**  
Chief Executive



## 5 Statement of Accounting Policies

### 5.1 Introduction

#### Accounting Policies

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

- The appropriate accounting policies have been adopted, given the Council'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 Council 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 2009/10 financial year and its position at the year-end of 31 March 2010.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (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 £141.3m of certain categories of tangible fixed assets.

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

#### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

# STATEMENT OF ACCOUNTING POLICIES

## 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 the Council's accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

### 5.3 Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The key features relevant to accounting for Council Tax in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself;
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors;
- Up to 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be that specified under regulation; and
- From the year commencing 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year is to be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount specified by regulation to be credited to the Collection Fund is to be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax and NNDR Income is in substance an agency arrangement:

- Cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers; and
- Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government, therefore a debtor/creditor position is recognised in the balance sheet.

### 5.4 Exceptional and Extraordinary items and Prior Year adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if required to give a fair presentation of the accounts.

Extraordinary items are disclosed and described on the face of the Income and Expenditure Account.

Account is taken of material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors by restating the comparative figures for the preceding period. The cumulative effect of prior period adjustments is included within the Statement of Total Recognised Gains and Losses for the current period.



## 5.5 Financial Instruments

A financial instrument is any transaction that generates an asset in the accounts of one entity and a liability in the accounts of another entity. All Financial Instruments are either classified as Financial Assets or Financial Liabilities and insofar as the Council is concerned this covers our borrowings, loans, investments, trade debtors and creditors.

The Council's financial liabilities and financial assets are carried on the balance sheet at amortised cost. The Amortised Cost on initial recognition is at equivalent fair value. However, the SORP requires that the Fair Value of these instruments is disclosed in the notes to the account. The Fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows.

Premiums paid on the early settlement of debt are also classified as Financial Instruments. Regulations allow such premiums to be charged to general fund balances over the number of years equal to that which was remaining on the original loan, or to charge such premiums over a shorter time frame if desired. The council's policy is to spread the premium over the term that was remaining on the original loan which gave rise to the premium. Further information on the council's Financial Instruments is set out in the Notes to the Core Statements.

## 5.6 Government Grants & 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 in line with depreciation. As per depreciation, these amounts are reversed in the reconciliation of general fund balance to avoid impact on local taxation.

## 5.7 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.

## 5.8 Leases

### 5.8.1 Finance Leases

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

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

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

## STATEMENT OF ACCOUNTING POLICIES

### 5.8.2 Operating Leases

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

### 5.9 Minimum Revenue Provision

Minimum Revenue Provision (MRP) is the amount of money the council has to set aside each year in respect of its capital borrowing debt. The MRP is a technical accounting entry which impacts on General Fund balances and Council Tax levels. The Capital Financing and Accounting Regulations place a duty on Local Authorities to make an MRP which is considered to be prudent and places a responsibility with the council to approve an Annual MRP Strategy.

The Regulations allow four different methods to be used for the calculation of MRP. The Council's Policy is to use:-

- Option 1 (the 'Regulatory method') for borrowings entered into before 1 April 2008 and for any future supported borrowing\* after 1 April 2008. Under this method, MRP is set at a uniform rate of 4% of the adjusted CFR on a reducing balance method; and
- Option 3 (the 'Asset Life Method') for any unsupported borrowing\*\* entered into after 1 April 2008. Under this method, MRP is spread over the estimated useful life of the asset created and is calculated using the equal instalment basis.

*\* Supported borrowing – borrowing for which the Government provides support through the Revenue Support Grant to meet the cost of borrowing for capital expenditure*

*\*\* Unsupported Borrowing – borrowings for capital expenditure for which the Government will not provide support through the Revenue Support Grant*

### 5.10 Overheads & 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

## STATEMENT OF ACCOUNTING POLICIES

of the scheme liabilities. The Council's triennial valuation takes a longer term view and provides a more appropriate measure of pension obligations.

### 5.13 Private Finance Initiative (PFI)

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

A substantive change introduced into the 2009 SORP is that the accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS). The new requirement is based on IFRIC 12 Service Concession Arrangements interpreted for concession grantors and is consistent with the approach adopted by the Government's IFRS-based Financial Reporting Manual (the iFReM). Under IFRIC 12, a service concession arrangement exists where a private sector operator provides the services, related to an infrastructure, to the public on behalf of the Council and the asset is controlled by the Council. To be considered as controlled the local Council must regulate both, what services must be provided and control through beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of the arrangement.

Two of the Council's PFI contracts which were previously 'off Balance Sheet' are now required to be recognised on the Balance Sheet along with a liability for the financing provided by the PFI operator. The Council is therefore required at the inception of the contracts to recognise the fair value of the fixed assets on the Balance Sheet and for this to be matched by a lease liability to the provider. This liability is written down over the life of the contract. Following initial recognition, the fixed assets relating to these PFI arrangements are treated in line with the 'Tangible Fixed Assets' policy noted below.

The unitary charge payable to the PFI operators each year is now analysed as follows:

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the relevant service in the Income and Expenditure Account;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator; and
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

Details of the change in accounting policy as applied to each PFI arrangement, and the effect of the change on prior periods and the current year can be found in note 7.2 - Notes to the Core Financial Statements.

### 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 Provision for bad and doubtful debt

No provision is made for debts that are secured or are with other Public Sector Bodies except in exceptional circumstances. Of all remaining debts, the Council makes a provision for bad debts based upon continuous reviews on likely recovery undertaken by service managers and supporting finance staff.

### 5.16 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.

### 5.17 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. However statutory regulations allow such expenditure to be funded from available capital resources. Therefore a technical accounting adjustment is made which results in the charges to the Income & Expenditure Account not impacting on General Fund balances and which reduces the level of Capital Reserves held by the Council.

### 5.18 Stocks

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

### 5.19 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.

#### 5.19.1 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.

#### 5.19.2 Measurement

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).

There is a rolling programme of valuations intended to embrace the whole of the property asset portfolio of the Council 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 re-valued accordingly.

- Non-specialised operational properties are valued on the basis of existing use value;
- Specialised operational properties are valued on the basis of depreciated replacement cost;
- Council dwellings are valued on the basis of existing use for social housing in accordance with Department of Communities and Local Government (DCLG) Guidance for Stock Valuation for Resource Accounting;
- Car parks, where charges are made, have been valued by capitalising the net receipts receivable;
- Non-operational properties have been valued at market value;
- Community assets are recorded at nominal value; and

## STATEMENT OF ACCOUNTING POLICIES

- 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 re-valued 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.

### 5.19.3 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.

### 5.19.4 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, 50% for land & other assets, net of statutory deductions & allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. In accordance with DCLG regulations, no amounts are payable to the Government where the Council earmarks the receipts for affordable housing or regeneration.

### 5.19.5 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 dwellings have 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:
  - Other operational buildings: 20-80 yrs;
  - Vehicle plant and equipment: 5 yrs; and
  - Infrastructure assets: 10-60 yrs.
- Freehold land and non-operational properties have not been depreciated; and
- Newly acquired or completed assets are depreciated in the year following acquisition or completion.



# FINANCIAL STATEMENTS

## 6 Financial Statements

### 6.1 Income and Expenditure Account

For The Year Ended 31 March 2010

		2009-10		2008-09
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure (restated, n7.2) £000 #
			Net Expenditure £000	
<b>Continuing Service</b>				
Adult Social Care		90,626	-21,860	68,766
Central Services to the Public		33,086	-26,014	7,072
Court Services		170	0	170
Children's and Education Services		359,917	-186,532	173,385
Cultural, Environmental, Regulatory & Planning Services		59,978	-12,388	47,590
Highways & Transport Services		28,104	-13,447	14,657
Housing Services (General Fund)		129,432	-119,810	9,622
Housing Services (HRA)		22,726	-24,920	-2,194
Impairment on Council Housing Stock		-34,801		-34,801
<b>Net Cost of Services</b>		<b>689,238</b>	<b>-404,971</b>	<b>284,267</b>
Contribution to Housing Capital Receipts Pool				1,346
Gains on disposal of Fixed Assets				-1,853
Interest payable and similar charges				11,665
Interest and investment income				-1,559
Levies by other authorities	7.11			7,816
Pension Interest costs and expected return on Pension Assets				13,684
<b>Net Operating Expenditure</b>				<b>315,366</b>
Income from the Collection Fund				-103,177
Revenue Support Grant				-12,524
Area Based Grant				-9,243
Distribution from non-domestic rate pool				-54,262
<b>Net Deficit for the year</b>				<b>136,160</b>
				<b>58,602</b>

# The comparative figures for 2008-09 have been restated to accommodate changes in accounting for PFI's and local taxes (note 7.2).

# FINANCIAL STATEMENTS

## 6.2 Statement Of Movement On The General Fund Balance

	Notes	2009-10 £000	2008-09 (restated, n7.2) £000 #
Deficit for year on the Income & Expenditure Account		136,160	58,602
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year	7.14	-139,715	-61,330
Increase in General Fund Balance for the year		-3,555	-2,728
General Fund balance brought forward		-15,847	-13,119
General Fund balance carried forward		-19,402	-15,847
Amount of General Fund balance held by schools under local management schemes		-13,108	-10,131
Amount of General Fund balance carried forward		-6,294	-5,716
		-19,402	-15,847

# The comparative figures for 2008-09 have been restated to accommodate changes in accounting for PFI's and local taxes (note 7.2).

## 6.3 Statement of Total Recognised Gains and Losses (STRGL)

	Notes	2009-10 £000	2008-09 (restated, n7.2) £000 #
Deficit on the Income and Expenditure Account for the year		136,160	58,602
Surplus arising on revaluation of fixed assets	7.37	11,152	-7,884
Actuarial losses on Pension Fund assets and liabilities	7.44	152,081	76,813
Total recognised losses for the year		299,393	127,531

# The comparative figures for 2008-09 have been restated to accommodate changes in accounting for PFI's and local taxes (note 7.2).



# FINANCIAL STATEMENTS

## 6.4 Balance Sheet as at 31 March 2010

	Notes	2009-10		2008-09 (restated, n7.2)
		£000	£000	£000 #
<b>Tangible Fixed Assets</b>	7.15			
<b>Operational Assets</b>				
Council Dwellings		399,533		355,621
Other land and buildings		463,952		605,290
Vehicles, plant, furniture and equipment		39,700		40,538
Infrastructure assets		105,990		98,606
Community assets		1		1
		<u>1,009,176</u>		1,100,056
<b>Non Operational Assets</b>				
Investment properties		42,472		40,906
Assets under construction		59,538		43,601
Surplus assets, held for disposal		19		104
		<u>102,029</u>		84,611
		<u>1,111,205</u>		1,184,667
Long Term investments			0	16,345
Long Term debtors	7.24		3,713	3,897
<b>Total Long Term assets</b>			<u>1,114,918</u>	1,204,909
<b>Current Assets</b>				
Stocks		26		91
Debtors	7.25	28,205		32,242
Investments	7.26	95,676		69,212
Cash and Bank		398		1,060
		<u>124,305</u>		102,605
<b>Current Liabilities</b>				
Short term borrowing	7.27	-16,181		-17,594
Creditors	7.28	-63,041		-69,376
Bank Overdraft		-8,058		-7,036
		<u>-87,280</u>		-94,006
<b>Total Assets less Current Liabilities</b>			<u>1,151,943</u>	1,213,508
Long term borrowing	7.30	-242,108		-212,217
Deferred liabilities	7.31	-18,902		-12,942
Government grants deferred	7.32	-107,422		-70,116
Capital Grants Unapplied	7.33	-65,338		-55,426
Deferred Credits	7.34	-126		-156
Provisions	7.35	-7,175		-9,249
Pension liability	7.44	-346,438		-189,575
<b>Total Assets less Liabilities</b>			<u>364,434</u>	663,827
<b>Reserves</b>				
Capital Adjustment Account	7.36	-643,991		-782,362
Financial Instruments Adjustment Account		4,416		4,397
Collection Fund Adjustment Account		-1,405		-280
Revaluation Reserve	7.37	-27,245		-39,338
Pension Reserve		346,438		189,575
Capital Receipts Reserve	7.38	-6,167		-5,906
Fund Balances and Reserves				
General Fund		-6,294		-5,716
Locally Managed Schools		-13,108		-10,131
Housing Revenue Account		-4,784		-5,142
Other Reserves		-12,294		-8,924
<b>Total Equity</b>	7.39 & 7.40		<u>-364,434</u>	-663,827

# The comparative figures for 2008-09 have been restated to accommodate changes in accounting for PFI's and local taxes (note 7.2).

# FINANCIAL STATEMENTS

## 6.5 Cash Flow Statement for Year Ended 31 March 2010

	Notes	2009-10 £000	2008-09 £000 #
<b>Revenue Activities</b>			
<b>Cash outflows</b>			
Cash paid to and on behalf of employees		224,049	224,140
Other operating payments		248,180	209,215
Housing benefit paid out		93,825	78,535
Payment to the Capital Receipts Pool		1,346	465
		567,400	512,355
<b>Cash inflows</b>			
Rents (after rebates)		-7,479	-7,523
Council Tax receipts		-89,298	-88,144
Receipts from NNDR Pool		-54,262	-57,670
Revenue Support Grant		-12,524	-8,028
DWP grants for benefits		-128,411	-107,414
Other Government grants	7.45	-179,906	-174,370
Cash received for goods and services		-41,100	-19,267
Other operating cash receipts		-70,856	-85,784
		-583,836	-548,200
<b>Revenue Activities - Net Cashflow</b>	7.46	-16,436	-35,845
<b>Returns on Investments &amp; Servicing of Finance</b>			
Interest Paid		10,004	8,523
Interest element for finance lease payments		1,608	1,227
Interest Received		-2,030	-4,160
<b>Servicing of Finance net cash outflow</b>		9,582	5,590
<b>Capital Activities</b>			
<b>Cash Outflows</b>			
Purchase of fixed assets		88,239	93,717
Purchase of Long term investments		0	5,183
Other capital cash payments		6,299	85
		94,538	98,985
<b>Cash Inflows</b>			
Sale of fixed assets		-2,922	-4,044
Capital grants received		-64,101	-49,925
Other capital cash receipts		-185	-325
		-67,208	-54,294
<b>Capital Activities - Net cashflow</b>		27,330	44,691
<b>Net cash outflow/(-)inflow before financing</b>	7.48	20,476	14,436
<b>Management of liquid resources</b>			
Net increase/decrease in other liquid resources		-1,077	2,622
Net increase in short-term deposits	7.50	10,464	646
<b>Financing</b>			
<b>Cash outflows</b>			
Repayment of amounts borrowed		1,522	5,118
Capital element of finance lease rental payments		299	199
<b>Cash Inflows</b>			
New loans raised		-30,000	-10,000
New short term loans		0	-10,148
		-30,000	-20,148
<b>Financing net cash inflow(-)/outflow</b>		-28,179	-14,831
<b>Net decrease in cash</b>	7.47	1,684	2,873

# The comparative figures for 2008-09 have been restated to accommodate changes in accounting for PFI's and local taxes (note 7.2).

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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). Appendix 10.2 sets out a detailed analysis.

### 7.2 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 2008-09. These are:

- Accounting for Private Finance Initiative and similar contracts are now based on IFRIC12; and
- Accounting for local taxes now require to include appropriate share of debtors in the billing authorities' and major preceptors' Balance Sheets.
  - Cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers; and
  - Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government, therefore a debtor/creditor position is recognised in the balance sheet.

These changes have had the following impact on the comparative figures for 2008-09 compared with those published in the 2008-09 Statement of Accounts.

	2009-10 £000 Post Adj	2008-09 £000 Post Adj	2008-09 £000 Adj	2008-09 £000 Pre Adj
<b>Income &amp; Expenditure Account</b>				
Adult Social Care (PFI)	68,766	0	0	0
Children's and Education Services (PFI)	173,385	42,874	-905	43,779
<b>Net Cost of Services</b>	<b>284,267</b>	<b>211,707</b>	<b>-905</b>	<b>212,612</b>
Gains on disposal of Fixed Assets	-1,853	-406	-8	-398
Interest payable and similar charges (PFI)	11,665	10,944	1,227	9,717
<b>Net Operating Expenditure</b>	<b>315,366</b>	<b>231,778</b>	<b>314</b>	<b>231,464</b>
Income from the Collection Fund (Local Taxes)	-103,177	-98,836	-1,697	-97,139
<b>Deficit for the year</b>	<b>136,160</b>	<b>58,602</b>	<b>-1,383</b>	<b>59,985</b>
<b>Statement of Movement on the General Fund Balance</b>				
Deficit for the year	136,160	58,602	-1,383	59,985
Net additional amount required to be credited to Council Fund Balance for the year	-139,715	-61,330	1,383	-62,713
Increase in General Fund Balance	-3,555	-2,728	0	-2,728
General Fund balance brought forward	-15,847	-13,119	0	-13,119
General Fund balance carried forward	-19,402	-15,847	0	-15,847

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2009-10 £000 Post Adj	2008-09 £000 Post Adj	2008-09 £000 Adj	2008-09 £000 Pre Adj
<b>Breakdown of reconciling items in the Statement of Movement on the General Fund Balance</b>				
Amounts included in the Income & Expenditure account but required by statute to be included or excluded				
Depreciation and Impairment	-152,002	-69,335	-614	-68,721
Council Tax Income Adjustment (Local Taxes)	1,125	1,697	1,697	0
Statutory provision for repayment of debt (PFI)	9,002	6,393	292	6,101
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>-139,715</b>	<b>-61,330</b>	<b>1,383</b>	<b>-62,713</b>
<b>Statement of Total Recognised Gains and Losses</b>				
Deficit for year on the Income & Expenditure Account	136,160	58,602	-1,383	59,985
Collection Fund		0	2,157	-2,157
Surplus arising on revaluation of fixed assets (PFI)	11,152	-7,884	-1,091	-6,793
<b>Total recognised gains for the year</b>	<b>299,393</b>	<b>127,531</b>	<b>-317</b>	<b>127,848</b>
<b>Balance Sheet</b>				
<b>Tangible Fixed Assets</b>				
- Other land and buildings (PFI)	441,504	605,290	13,502	591,788
<b>Current Assets</b>				
Debtors (Local Taxes)	28,205	32,242	-432	32,674
<b>Current Liabilities</b>				
Creditors (PFI)		-199	-199	0
Creditors (Local Taxes)	-63,041	-69,177	356	-69,533
<b>Total Assets less Current Liabilities</b>	<b>1,151,943</b>	<b>1,213,508</b>	<b>13,227</b>	<b>1,200,281</b>
Deferred Liabilities (PFI)	-18,902	-12,942	-12,942	0
Capital Grants Unapplied	-65,338	-55,426	5,906	-61,332
<b>Total Assets less Liabilities</b>	<b>364,434</b>	<b>663,827</b>	<b>6,191</b>	<b>657,636</b>
Capital Adjustment Account (PFI)	-643,991	-782,362	704	-783,066
Collection Fund Adjustment Account (Local Taxes)	-1,405	-280	-280	0
Revaluation Reserve (PFI)	-27,245	-39,338	-1,064	-38,274
Capital Receipt Reserve	-6,167	-5,906	-5,906	0
Fund balances and reserves (Local Taxes)	-36,480	-29,913	355	-30,268
<b>Total Equity</b>	<b>-364,434</b>	<b>-663,827</b>	<b>-6,191</b>	<b>-657,636</b>

### 7.3 Private Finance Initiative (PFI) transactions

The Council has entered into three PFI contracts.

#### Sancroft Hall

This is a residential and day care facility. The contract is for both the provision of the facilities and the care of the residents, and day care attendees. The site was sold by the Council to the provider and the establishment became operational in November 1999. The Council pays a unitary charge for these services which are subject to payment deductions for service and availability failures and

## NOTES TO THE CORE FINANCIAL STATEMENTS

to indexation based on the GDP deflator. The Council receives an annual Government grant which is credited to revenue in the year of receipt.

The contract ends in October 2024 and at the end of the contract the provider retains the assets. The Council is entitled to step in rights in the event of default by the provider.

The assets under the Sancroft contract do not revert back to the Council and therefore cannot be treated as a Service Concession Arrangement under IFRIC 12. Under the current accounting rules the contract does not also meet the requirements of a finance lease under SSAP 21, and has been treated as an operating lease during the year. The unitary payments are therefore treated as being expended during the year and the asset remains off the Council's balance sheet.

The annual payment under the contract was £1.367m in 2009-10 (£1.348m in 2008-09).

The table below shows the amount the Council is committed to make for the duration of the contract. These payments will vary subject to actual inflation.

	Within One Year £000	Within Two to Five Years £000	Within Six to Ten Years £000	Within Eleven to Fifteen Years £000	Total £000
Payments due under contract	1,406	6,024	8,519	8,909	24,858
Nominal prices based on 2.8% inflation					

### Special Schools & Neighbourhood Resource Centres

The special schools PFI arrangement relates to two new schools for pupils with learning disabilities, and the refurbishment of a first and middle school. The contract is for the provision of the facilities on Council sites under licence to the provider. The works were phased in and the three schools were fully operational by February 2006.

Three neighbourhood resource centres (NRCs) which have been provided under the Local Improvement Finance Trust (LIFT) initiative on Council sites under licence to the provider. These became operational in May 2009 with the contract lasting for 25 years. NRC PFI are LIFT contracts and are forced onto the balance sheet as a result of Audit Commission Guidance of 13 March 2009: Accounting for LIFT Schemes under International Financial Reporting Standards.

Under both arrangements, the Council pays a unitary charge which is subject to payment deductions for service and availability failures, and increases each year for inflation based on RPI. The Council receives a Government Grant on an annuity basis with the impact of the grant evened out over the contract period by use of a sinking fund.

At the end of the contracts the assets and all rights under the agreements revert to the Council at no additional cost. The providers are required to undertake regular benchmarking exercises for certain operational costs and market test these where necessary. In the event of default by the provider the Council has the option to either, re-tender the contract and pay the contractor the highest compliant tender price, or to take over the contract and pay the contractor the estimated fair value of the agreement. In the event of voluntary termination the provider is entitled to a termination sum based on the debt outstanding. The Council is entitled to receive a 50% share of any refinancing gain.

The contracts for the schools and the NRCs both fall within the scope of service concession arrangements under IFRIC 12 as the use of the assets is controlled by the Council and the assets revert back to the Council on the expiration of the contracts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is committed to make the payments shown in the table on next page to the providers for the duration of the contract. These payments will vary depending on actual inflation, performance and any agreed variations. The movements in the liabilities vary from year to year as the repayments are affected by the finance lease interest and the fluctuating lifecycle replacement costs.

See note 7.20 and 7.31 for disclosures on PFI assets and liabilities.

### PAYMENTS DUE UNDER PFI CONTRACTS

	Within One Year £000	Within Two to Five Years £000	Within Six to Ten Years £000	Within Eleven to Fifteen Years £000	within Sixteen to Twenty Years £000	Within Twenty one to Twenty Five Years £000	Total £000
<b>SCHOOLS</b>							
<b>Minimum Lease Charge</b>							
Interest	1,189	4,534	5,082	4,149	2,959	936	18,849
Repayment of Liability	238	1,016	1,658	2,362	3,518	4,150	12,942
	1,427	5,550	6,740	6,511	6,477	5,086	31,791
<b>Other Payments</b>							
Lifecycle Costs	101	628	1,160	1,709	1,951	652	6,201
Service Charge	695	2,959	4,135	4,678	5,293	4,220	21,980
Contingent Rental	35	151	204	126	193	631	1,340
Total Unitary Charge	2,258	9,288	12,239	13,024	13,914	10,589	61,312
<b>NRCs</b>							
<b>Minimum Lease Charge</b>							
Interest	515	2,005	2,248	1,842	1,265	440	8,315
Repayment of Liability	2	468	842	1,231	1,607	2,050	6,200
	517	2,473	3,090	3,073	2,872	2,490	14,515
<b>Other Payments</b>							
Lifecycle Costs	0	41	246	302	661	317	1,567
Service Charge	305	809	943	1,067	1,208	1,363	5,695
Contingent Rental	18	250	713	1,207	1,650	1,892	5,730
Total Unitary Charge	840	3,573	4,992	5,649	6,391	6,062	27,507

Other Payments at Nominal prices based on inflation of 2.5% per annum

### 7.4 Agency Services

There were no agency services carried out during 2009-10 (none in 2008-09).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7.5 Parking Control

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

	2009-10 £000	2008-09 £000
Income	-6,486	-6,067
Expenditure	2,670	2,599
<b>Total Surplus for year</b>	<b>-3,816</b>	<b>-3,468</b>
<b>Use of surplus</b>		
Design and implementation of traffic management schemes	1,087	2,268
Concessionary Fares	2,729	1,200
<b>Total</b>	<b>3,816</b>	<b>3,468</b>

### 7.6 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 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.

	2009-10 £000	2008-09 £000
<b>Gross Income</b>		
Harrow's Contribution	-277	-277
Schools Contribution	-19	-21
Harrow Primary Care Trust	-671	-423
	<b>-967</b>	<b>-721</b>
Gross Expenditure	1,095	804
<b>Deficit for year</b>	<b>128</b>	<b>83</b>

### 7.7 Members' Allowances

The total amount of Members' allowances paid in 2009-10 was £0.813m (£0.796m in 2008-09). Additional information on the Members' Allowance Scheme 2009-10 may be found in a leaflet available at Council libraries.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7.8 Officers Emoluments

The number of employees whose remuneration, excluding employer's pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band	2009-10 Number of employees	2008-09 Number of employees
£50,000 - £54,999	112	114
£55,000 - £59,999	88	95
£60,000 - £64,999	48	30
£65,000 - £69,999	25	38
£70,000 - £74,999	33	11
£75,000 - £79,999	8	8
£80,000 - £84,999	8	7
£85,000 - £89,999	4	6
£90,000 - £94,999	7	6
£95,000 - £99,999	6	3
£100,000 - £104,999	1	2
£105,000 - £109,999	4	1
£110,000 - £114,999	2	3
£115,000 - £119,999	1	0
£120,000 - £124,999	1	0
£125,000 - £129,999	1	2
£130,000 - £134,999	3	1
£135,000 - £139,999	0	1
£140,000 - £144,999	2	1
£170,000 - £174,999	0	1
£185,000 - £189,999	1	0
	<b>355</b>	<b>330</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7.8.1 Senior Officers Emoluments

The following table sets out the remuneration disclosures for Senior Officers whose salary is £150,000 or more per year:

Name of Employee	Position Held	Salary (including fees and allowances)		Benefits in Kind		Total Remuneration excluding pension contributions		Employers pension contributions		Total Remuneration including pension contributions	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
		£	£	£	£	£	£	£	£	£	£
Michael Lockwood	Chief Executive	185,297	172,305	1,204	1,204	186,501	173,509	33,003	31,187	219,504	204,696

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

Position Held	Notes	Salary (including fees and allowances)		Benefits in Kind		Total Remuneration excluding pension		Employers pension contributions		Total Remuneration including pension	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
		£	£	£	£	£	£	£	£	£	£
Corporate Director - Place Shaping		141,795	137,667	0	0	141,795	137,667	26,019	24,918	167,814	162,585
Corporate Director - Childrens Services	1	140,307	133,653	0	0	140,307	133,653	25,262	24,191	165,569	157,844
Corporate Director - Adults & Housing		133,653	129,858	84	84	133,737	129,942	24,525	23,504	158,262	153,446
Corporate Director - Finance		133,653	129,858	0	0	133,653	129,858	24,525	23,504	158,178	153,362
Director of Legal & Governance Services		127,157	114,468	1,186	1,186	128,343	115,654	23,413	20,719	151,756	136,373
Corporate Director - Community & Environment	2	122,138	0	1,528	0	123,666	0	22,218	0	145,884	0
Assistant Chief Executive		106,137	104,739	1,178	1,178	107,315	105,917	19,797	18,958	127,112	124,875
		<b>904,840</b>	<b>750,243</b>	<b>3,976</b>	<b>2,448</b>	<b>908,816</b>	<b>752,691</b>	<b>165,759</b>	<b>135,794</b>	<b>1,074,575</b>	<b>888,485</b>

\*Note 1: The Corporate Director for Children's Services left the Council on 31 March 2010

\*Note 2: The Corporate Director for Community & Environment joined the Council on 5 May 2009. The above disclosures only relate to amounts actually paid in the year.

\*Note 3: A senior officer is a person who has power to direct or control the major activities of the Council.

\*Note 4: A more detailed disclosure is available on our website at [www.harrow.gov.uk](http://www.harrow.gov.uk)

Employee pension contributions for the above officers towards their Local Government Pension Scheme during the year were 7.5% of their pensionable earnings.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 7.9 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 Treasurers position 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 the Edward Harvist Trust.

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

### 7.9.1 West London Waste Authority

	2009-10 £000	2008-09 £000
Payments to WLWA	6,517	5,872
Payments from WLWA	759	590
Cash balances invested with the Council as at 31 March 2009	11,521	8,828
Long Term lending to WLWA	3,297	3,415

### 7.9.2 London Borough of Harrow Pension Fund

	2009-10 £000	2008-09 £000
Employers pension contribution to the Fund	16,622	15,794
Administration expenses paid by the Fund	-690	-790
Cash due to the Fund	4,378	3,473

### 7.9.3 Other Funds

	2009-10 £000	2008-09 £000
Cash due to Harrow Weald Common Conservators	22	15
Cash due to Edward Harvist Trust	82	106
Cash due to Harrow Recreation Trust	82	80
Cash due to Middlesex Guildhall Collection	57	56
Cash due to Pinner Memorial Park	24	24

### 7.9.4 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 7.45.

## 7.10 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2009-10 £000	2008-09 £000
External audit services	343	396
Inspection fees	82	87
Statutory certification of grant claims and returns	100	110
<b>Total audit fees</b>	<b>525</b>	<b>593</b>
Audit of Harrow Pension Fund	35	38
Non-audit work	20	19
<b>Total non audit fees</b>	<b>55</b>	<b>57</b>

### 7.11 Levies

	2009-10 £000	2008-09 £000
London Boroughs Grants Committee	748	753
London Pension Fund Authority	348	360
WLWA	6,284	5,306
Lee Valley	264	261
Environment Agency	172	173
<b>Total</b>	<b>7,816</b>	<b>6,853</b>

### 7.12 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 a Council-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 2009-10 are as follows:

	Central Expenditure £000	Individual Schools £000	2009-10 Total £000
Final DSG for 2009/10	0	0	-137,869
Deficit Brought Forward from 2008/09	0	0	454
Carry Forward to 2010/11 agreed in advance	0	0	382
Agreed Budget Distribution in 2009/10	-14,382	-122,651	-137,033
Actual Central Expenditure for the Year	14,254	0	14,254
Actual ISB deployed to schools	0	123,591	123,591
Deficit excluding agreed carry forward	-128	940	812
<b>Deficit Carry forward to 2010/11 including agreed carry forward</b>			<b>430</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7.13 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.

### 7.14 Breakdown of reconciling items in the Statement of Movement on the General Fund Balances

	2009-10 £000	2008-09 £000
Amounts included in the Income & Expenditure account but required by statute to be excluded		
Depreciation and impairment	-152,002	-69,335
Government Grants deferred	4,498	4,198
Revenue Expenditure Funded from Capital under statute	-1,178	-3,865
Net gain on sale of fixed assets	1,853	406
Premiums and Discount	-19	21
Equal Pay Back Pay Account	0	867
Charges made for retirement benefits in accordance with FRS17	-24,336	-20,183
Council Tax Income Adjustment	1,125	1,697
	-170,059	-86,194
Amounts not included in the Income & Expenditure account but required by statute to be included		
Statutory provision for repayment of debt	9,002	6,393
Capital expenditure charged to the General Fund balances	122	1,000
Transfer from usable capital receipts	-1,346	-465
Employer's contributions payable to the Pension Fund	19,554	15,794
	27,332	22,722
Transfers to or from the General Fund balance		
Transfer from HRA	-358	-1,117
Transfer to Earmarked Reserves	3,370	3,259
	3,012	2,142
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>-139,715</b>	<b>-61,330</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7.15 Tangible Fixed Assets

Movement of Fixed Assets	Council Dwellings £000	Other Land and Buildings £000	Operational			Non Operational			Total £000
			Vehicles and Plant £000	Infra-structure £000	Community Assets £000	Investment Properties £000	Asset Under Construction £000	Surplus Asset held for disposal £000	
<b>Certified Valuation as at 1 April 2009</b>									
- (re-stated)	<b>369,849</b>	<b>635,681</b>	<b>72,476</b>	<b>148,384</b>	<b>1</b>	<b>40,906</b>	<b>43,601</b>	<b>104</b>	<b>1,311,002</b>
Additions	11,107	21,033	12,306	9,775	566	3,174	41,468	0	99,429
Disposals	-722	0	0	0	0	0	0	-347	-1,069
Reclassifications	0	13,592	49	4,842	0	6,786	-25,531	262	0
Revaluations	37,305	8,813	0	0	0	1,503	0	0	47,621
<b>At 31 March 2010</b>	<b>417,539</b>	<b>679,119</b>	<b>84,831</b>	<b>163,001</b>	<b>567</b>	<b>52,369</b>	<b>59,538</b>	<b>19</b>	<b>1,456,983</b>
<b>Depreciation and impairments</b>									
At 1 April 2009 - (re-stated)	-14,228	-30,391	-31,938	-49,778	0	0	0	0	-126,335
Charge for 2009-2010	-3,778	-6,368	-13,193	-7,233	0	0	0	0	-30,572
Impairments	0	-178,408	0	0	-566	-9,897	0	0	-188,871
<b>At 31st March 2010</b>	<b>-18,006</b>	<b>-215,167</b>	<b>-45,131</b>	<b>-57,011</b>	<b>-566</b>	<b>-9,897</b>	<b>0</b>	<b>0</b>	<b>-345,778</b>
<b>Balance Sheet amount as at 31 March 2010</b>	<b>399,533</b>	<b>463,952</b>	<b>39,700</b>	<b>105,990</b>	<b>1</b>	<b>42,472</b>	<b>59,538</b>	<b>19</b>	<b>1,111,205</b>
<b>Balance Sheet amount as at 1 April 2009 - (re-stated)</b>	<b>355,621</b>	<b>605,290</b>	<b>40,538</b>	<b>98,606</b>	<b>1</b>	<b>40,906</b>	<b>43,601</b>	<b>104</b>	<b>1,184,667</b>
<b>Nature of asset holding</b>									
Owned	399,533	437,856	39,700	105,990	1	42,472	59,538	19	1,085,109
PFI	0	26,096	0	0	0	0	0	0	26,096
	<b>399,533</b>	<b>463,952</b>	<b>39,700</b>	<b>105,990</b>	<b>1</b>	<b>42,472</b>	<b>59,538</b>	<b>19</b>	<b>1,111,205</b>



# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 7.16 Capital Financing

Capital expenditure in 2009-10 was financed as follows:

	Notes	2009-10 £000	2008-09 Restated (n7.2) £000
Opening Capital Financing Requirement		<b>257,094</b>	217,206
<b>Capital Investment</b>			
Fixed Assets - Operational		<b>43,827</b>	54,292
Fixed Assets - Non-Operational		<b>44,412</b>	39,425
Fixed Assets - PFI		<b>6,299</b>	0
Revenue Expenditure funded from Capital under Statute		<b>7,746</b>	5,183
<b>Sources of finance</b>			
Capital Receipts	7.38	<b>-1,315</b>	-3,355
Capital Grants		<b>-57,516</b>	-44,707
Revenue financing		<b>-3,900</b>	-4,557
Minimum Revenue Provision		<b>-9,002</b>	-6,393
<b>Closing Capital Financing Requirement</b>		<b>287,645</b>	257,094
<u>Explanation for Movements in year</u>			
Increase in supported borrowing		<b>6,872</b>	8,322
Increase in unsupported borrowing		<b>26,382</b>	37,959
Notional Borrowing for PFI		<b>6,299</b>	
Minimum Revenue Provision		<b>-9,002</b>	-6,393
Increase in Capital Financing Requirement		<b>30,551</b>	39,888

## 7.17 Revenue Expenditure funded from Capital under statute

	2009-10 £000	2008-09 £000
Balance as at 1 April	0	0
Additions		
Improvement Grants	<b>1,925</b>	2,313
Petts Hill Project (Contri. From Ealing)	<b>1,568</b>	0
Supported Housing - HIV Grant	<b>1,012</b>	148
VA Schools	<b>2,055</b>	0
Single Status	<b>0</b>	910
Other	<b>1,186</b>	1,812
Written off during year	<b>-7,746</b>	-5,183
<b>Balance as at 31 March</b>	<b>0</b>	0
of which:		
Funded by Grants	<b>6,568</b>	1,309
Funded by borrowing	<b>1,178</b>	3,874
	<b>7,746</b>	5,183

## 7.18 Fixed Asset Valuation

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

Valuations carried out after 1 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.

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

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.

During 2009-10, 20% of the portfolio for Other Land & Buildings, Community Assets and Non-Operational Properties was re valued as at 1 April 2009 in line with the 5 year rolling programme and a desk top review taken of the remaining 80%.

The HRA portfolio was valued in line with the 5 year rolling programme. The Land Registry index was used to calculate any material adjustments required to effect the movement in the property price index for operational HRA properties between 1 April 2009 and 31 March 2010. This has resulted in an upward revaluation during the year of £86.3m (2008-09 resulted in £56.8m downward revaluation).

	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles and Plant 39,700	Non-operational Assets £000's	Total £000's
Valued at historical cost					39,700
Valued at current value in:					
<b>2009-2010</b>	<b>399,533</b>	<b>463,952</b>		<b>102,029</b>	<b>965,514</b>
2008-2009	355,621	591,788		84,611	1,032,020
2007-2008	400,441	550,300		59,818	1,010,559
2006-2007	369,188	564,965		50,483	984,636
2005-2006	352,854	555,563		36,305	944,722
2004-2005	358,561	567,988		29,012	955,561
2003-2004	241,040	449,925		27,236	718,201

### 7.19 Depreciation

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

Council Dwellings	Amount equal to Major Repair Allowance in line with CIPFA recommended practice
Other Operational Buildings	20 - 80 years
Vehicles, Plant & Equipment	5 years
Infrastructure assets	10 - 60 years



## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

### 7.20 Changes in the value of PFI assets since inception and during 2009-10

The PFI arrangements only refer to the building assets. When considering the impact of a revaluation or impairment, both the land and building element are considered together and the net adjustments processed.

#### Analysis of Movements in PFI Assets during 2009-10

	School Building £000	NRC Building £000	Total £000
<b>Valuation brought forward as at 1 April 2009</b>	13,505	0	<b>13,505</b>
Additions - Lifecycle costs	122	0	<b>122</b>
Additions - New Construction	0	6,299	<b>6,299</b>
Revaluations/Impairments	-386	0	<b>-386</b>
Depreciation brought forward as at 1 April 2009	-710	0	<b>-710</b>
Depreciation charge for 2009-2010	-197	-97	<b>-294</b>
Value carried forward as at 31st March 2010	12,334	6,202	<b>18,536</b>
<b>Balance Sheet amount as at 1 April 2009</b>	12,795	0	<b>12,795</b>

### 7.21 The Council is committed to Capital Investment Plan for the next 3 years contains the following major schemes and initiatives:

	2010-11 £000	2011-12 £000	2012-13 £000
BTP	5,200	2,000	2,000
LBH Anywhere	3,400	1,000	1,000
Social Care Sites	1,000	700	0
Autistic Spectrum Disorder and School Amalgamation	560	600	0
Catering in schools	3,191	0	0
Whitmore High School	1,250	0	0
Schools Capital Projects	8,977	700	500
Disabled Facilities Grants	845	845	845
Affordable Warmth, Empty Property and Renovation Grants	765	765	765
Major Works Corporate Buildings	790	790	790
Public Realm Infrastructure	4,410	4,410	4,410
Prosperity Action Teams	210	210	210
School Landlord Works	750	750	750
Transport for London Schemes	3,970	3,970	3,970
Sports and Leisure Sites	100	100	100
Strategic Development	2,000	2,000	2,000
Housing Improvement (HRA)	7,610	6,160	6,160
Other	610	500	500

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 7.22 Fixed Assets Statistical Analysis

Fixed Asset	31-Mar-10 Number	31-Mar-09 Number
Primary Schools	42	45
High Schools	8	8
Special Education	4	4
Teachers Centre	1	1
Youth Club Premises	2	3
Day Nurseries	3	3
Misc Education Properties	9	9
Children's Services	5	5
Disability Services	9	6
Mental Health Services	8	8
Social Services Offices	2	2
Elderly Services	1	1
Dwellings (inc properties managed by LBH)	5058	5,067
Garages	993	993
Community Centres	10	10
Car Ports	59	59
Travellers' Caravan Site	1	1
Hostels for the Homeless	1	2
Highways (km)	481	480
Depots	1	1
Off Street Car Parks	18	18
Public Conveniences	10	10
Civic Centre	1	1
Swimming Pool (unattached)	1	1
Leisure Centre	1	1
Libraries	11	11
Misc Shops	34	34
Misc Offices	1	3
Community Halls	3	3
Community Assets - Cemeteries	8	8
Community Assets - Allotments	32	32
Community Assets - Parks & Open Spaces (hectares)	579	579
Voluntary aided schools not included in the assets of the authority, as shown below:		
High Schools	2	2
Primary Schools	7	7

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

### 7.23 Leasing

The amount charged to revenue in respect of Rentals Payable under operating lease was £0.418m for Land & Buildings and £4.612m for Vehicles, Plant & Equipment (2008-09 £0.285m for Land & Buildings and £4.137m for Vehicles, Plant & Equipment).

The Council was committed at 31 March 2010 to making payments of £3.781m in the next financial year, analysed as follows:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000
Leases expiring within 1 year	0	218
Leases expiring between 2 to 5 years	228	1,747
Leases expiring after 5th year and subsequent	190	1,398
	418	3,363

Under operating leases, the Council has total commitments at 31 March 2010 of £18.088m over their remaining term.

### 7.24 Long Term Debtors

	31-Mar10 £000	31-Mar-09 £000
Employees Car Loans	153	187
House Purchase Loans to Individuals	126	156
West London Waste Authority	3,297	3,415
Other Loans	137	139
<b>Total</b>	<b>3,713</b>	<b>3,897</b>

### 7.25 Debtors

	31-Mar-10 £000	31-Mar-09 (restated n7.2) £000
Employees	42	45
Government Departments	12,343	16,845
Rate and Council Tax Payers	5,257	5,351
Sundry	18,731	16,991
Housing Rents	1,504	1,407
<b>Gross Debts</b>	<b>37,877</b>	<b>40,639</b>
Provision for Doubtful Debt	-9,672	-8,397
<b>Net Current Debts</b>	<b>28,205</b>	<b>32,242</b>

### 7.26 Investments

	31-Mar-10 £000	31-Mar-09 £000
Temporary Lending:		
Managed in-house	95,316	68,855
Deposits - with Council's Bank	357	354
Internal Investments	3	3
<b>Total</b>	<b>95,676</b>	<b>69,212</b>

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 7.27 Short Term Borrowing

	31-Mar-10 £000	31-Mar-09 £000
Public Works Loan Board	-15	-5,012
West London Waste Authority	-11,521	-8,828
Pension Fund	-4,377	-3,473
Other Loans	-268	-281
<b>Total</b>	<b>-16,181</b>	<b>-17,594</b>

## 7.28 Creditors

	31-Mar-10 £000	31-Mar-09 (restated n7.2) £000
Government Departments	-6,342	-8,312
Receipts in advance:		
Tenants	-513	-468
Other	-9,151	-12,133
Council Tax Payers	-2,808	-3,051
Trust Funds	-43	-42
Sundry	-44,184	-45,370
<b>Total</b>	<b>-63,041</b>	<b>-69,376</b>

## 7.29 Analysis of Bequest Funds

	31-Mar-10 £000	31-Mar-09 £000
Education Scholarship Funds	-12	-12
Libraries and Arts	-29	-28
George Hallam Bequest	-2	-2
<b>Total</b>	<b>-43</b>	<b>-42</b>

## 7.30 Long Term Borrowing

	31-Mar-10 £000	31-Mar-09 £000
Source of Loan:		
Public Works Loan Board	-130,308	-130,417
Other Financial Institutions	-111,800	-81,800
<b>Total</b>	<b>-242,108</b>	<b>-212,217</b>
Analysis of loans by maturity:		
1-2 years (1.4.2011 - 31.3.2012)	-40	-39
2-5 years (1.4.2012 - 31.3.2015)	-16,158	-10,192
5-10 years (1.4.2015 - 31.3.2020)	-32,015	-26,088
More than 10 years (1.4.2020+)	-193,895	-175,898
<b>Total</b>	<b>-242,108</b>	<b>-212,217</b>

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 7.31 Changes in the PFI liability since inception and during 2009-10

### Analysis of movement in PFI Liability

	Special Schools £000	NRC £000	Total £000
As at 1 April 2009	13,141	0	13,141
Additional liability for asset recognition	0	6,299	6,299
Lease repayment	-1,406	-500	-1,906
Finance charge	1,207	401	1,608
As at 31 March 2010	<u>12,942</u>	<u>6,200</u>	<u>19,142</u>

### 2009-10

Analysed as follows:	£000	£000	£000
Due within one year	238	2	240
Due after more than one year	12,704	6,198	18,902
	<u>12,942</u>	<u>6,200</u>	<u>19,142</u>

### 2008-09

Analysed as follows:	£000	£000	£000
Due within one year	199	0	199
Due after more than one year	12,942	0	12,942
	<u>13,141</u>	<u>0</u>	<u>13,141</u>

## 7.32 Government Grants Deferred

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

	31-Mar-10 £000	31-Mar-09 £000
Implementing Electronic Government	-139	-342
National Lottery	-2,292	-2,258
Department of Children, Schools and Families	-29,520	-17,943
Transport Supplementary and Transport for London	-44,666	-38,020
Waste Management	-294	-566
Learning Skills Council	-23,438	-3,963
Department of Health	-189	0
Other	-6,884	-7,024
<b>Total</b>	<u>-107,422</u>	<u>-70,116</u>

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

### 7.33 Capital Grants Unapplied

Capital grants unapplied represents capital grants received, which will be credited to revenue in future years in line with the related fixed assets.

	31-Mar-10 £000	31-Mar-09 £000
National Lottery	-53	-59
Department of Childrens, Schools and Families	-56,919	-25,380
Transport Supplementary and Transport for London	-1,922	-5,918
Learning Skills Council	-3,091	-21,387
Department of Health	-2,171	-2,273
Other	-1,182	-409
<b>Total</b>	<b>-65,338</b>	<b>-55,426</b>

The presentation of the above note has changed by separate disclosures for Capital Grants Unapplied and Capital Receipts Reserve (see note 7.38).

### 7.34 Deferred Credits

Deferred Capital Receipts of £0.126m (£0.156m 2008-09) refer to amounts derived from the sale of assets that will be received in instalments over agreed periods of time.

### 7.35 Provisions

	As at 01-Apr-09 £000	Provided in year £000	Payment/ releases in year £000	As at 31-Mar-10 £000
Insurance Provision	-5,600	-1,648	2,087	-5,161
Employee Related Provision	-1,971	-332	1,604	-699
Disrepair Provision	-80	-84	0	-164
Litigation Provision	-1,169	0	276	-893
Refunds under the Mental Health Act (s117)	-429	0	171	-258
<b>Total</b>	<b>-9,249</b>	<b>-2,064</b>	<b>4,138</b>	<b>-7,175</b>

Some economic benefits are expected to transfer during the 2010/11 financial year although the exact timing of the remaining transfers cannot be anticipated.

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 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).

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 7.36 Capital Adjustment Account

	31-Mar-10		31-Mar-09 (restated n7.2)
	£000	£000	£000
<b>Opening Balance</b>		<b>-782,362</b>	<b>-842,387</b>
Capital Financing :			
Capital Receipts Applied	-1,315		-166
Minimum Revenue Provision	-9,002		-6,393
Major Repairs Allowance	-3,778	-14,095	-3,557
Amortisation of Government Grants Deferred - General Fund		-4,498	-4,198
Direct Revenue Financing		-122	-1,000
Asset Impairment - General Fund		162,066	6,626
Asset Impairment - Housing Revenue Account		-36,858	38,776
Asset Depreciation - General Fund		26,794	24,135
Asset Depreciation - Housing Revenue Account		3,778	3,557
Fixed Assets Written out		1,069	232
Revenue Expenditure Funded from Capital		1,178	3,865
Revaluation Reserve depreciation write down		-410	-792
Revaluation Reserve disposals		-531	-1,060
<b>Closing Balance</b>		<b>-643,991</b>	<b>-782,362</b>

## 7.37 Revaluation Reserve

	2009-10	2008-09 (restated n7.2)
	£000	£000
Balance at 1st April	-39,338	-33,306
Revaluation gain - General Fund	-10,316	-25,892
Revaluation gain - HRA	-37,305	0
Recognition of assets not previously on balance sheet	-4,889	0
Impairments charged to the revaluation reserve - GF	26,804	0
Impairments charged to the revaluation reserve - HRA	36,858	18,008
Write out Asset on Disposal	531	1,060
Historic cost depreciation adjustment	410	792
<b>Balance at 31 March 2010</b>	<b>-27,245</b>	<b>-39,338</b>

## 7.38 Capital Receipts Reserve

	2009-10	2008-09
	£000	£000
Balance unapplied at 1 April	-5,906	-5,697
Receipts in year	-2,922	-840
Pooling payment to the DCLG	1,346	465
Applied during the year	1,315	166
<b>Balance unapplied at 31 March</b>	<b>-6,167</b>	<b>-5,906</b>

The presentation of the above note has changed by separate disclosures for Capital Grants Unapplied (see note 7.33) and Capital Receipts Reserve.

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## Affordable Housing

Also included in capital receipts unapplied is £3.761m 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 2009-10.

## 7.39 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-09 (restated n7.2) £000	Net Movement In Year £000	Balance as at 31-Mar-10 £000
Capital Adjustment Account	-782,362	138,371	-643,991
Financial Instruments Adjustment Account	4,397	19	4,416
Collection Fund Adjustment Account	-280	-1,125	-1,405
Revaluation Reserve	-39,338	12,093	-27,245
Pensions Reserve	189,575	156,863	346,438
Capital Receipts Reserve	-5,906	-261	-6,167
General Fund	-5,716	-578	-6,294
School Delegated Funds	-10,131	-2,977	-13,108
Housing Revenue Account	-5,142	358	-4,784
<b>Earmarked Reserves</b>			
Employee Related - CAYS Provision *	0	-1,070	-1,070
Transformation Programme	-500	-556	-1,056
Borough Elections	-151	-76	-227
Building Schools for Future	-400	0	-400
Harvist Reserve - Harrow's Share	-26	16	-10
NW London Education Business Partnership	-93	0	-93
PFI Schools	-4,017	46	-3,971
Personal Injury Reserve	-103	-7	-110
Carry Forwards	-2,369	-1,245	-3,614
Bad Debt Reserve	-250	75	-175
Insurance Reserve	-500	0	-500
Litigation and Employment Related Reserve	-515	-261	-776
PFI Neighbourhood Resource Centre	0	-292	-292
<b>Total</b>	<b>-663,827</b>	<b>299,393</b>	<b>-364,434</b>

\* This is transferred from provision in the general fund

## 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.



## 7.40 Analysis of Net Assets Employed

	<b>31-Mar-10</b>	<b>31-Mar-09</b>
	<b>£000</b>	<b>£000</b>
General Fund	<b>-36,494</b>	<b>-372,514</b>
Housing Revenue Account	<b>-327,940</b>	<b>-291,313</b>
<b>Total Equity</b>	<b>-364,434</b>	<b>-663,827</b>

## 7.41 Contingent Liabilities

- There is a provision of £0.257m 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 contingent liability in relation to Municipal Mutual Insurance (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.

## 7.42 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 29 June 2010 and authorised for issue on 28 September 2010.

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).

## 7.43 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.

	<b>31-Mar-10</b>	<b>31-Mar-09</b>
	<b>£000</b>	<b>£000</b>
Harrow Recreation Trust	<b>82</b>	<b>80</b>
Edward Harvist	<b>82</b>	<b>106</b>
Middlesex Guildhall Collection	<b>57</b>	<b>56</b>
Pinner Memorial Park	<b>24</b>	<b>24</b>

## 7.44 Pension Liability

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

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

There have been no changes in the scheme during the year.

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 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-10 £000	31-Mar-09 £000
<b>Net cost of services:</b>		
Current service cost	10,076	11,597
Past service costs	532	4,094
Curtailments and settlements	44	589
<b>Net operating expenditure</b>		
Interest cost	33,601	34,435
Expected return on scheme assets	-19,917	-27,680
<b>Net Charge to the Income and Expenditure Account</b>	<b>24,336</b>	<b>23,035</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £152.081m were included in the STRGL. The cumulative amount of actuarial losses recognised in the STRGL is £232.751m.

### Amounts recognised in STRGL

	31-Mar-10 £000	31-Mar-09 £000	31-Mar-08 £000	31-Mar-07 £000	31-Mar-06 £000
Actuarial (Losses)/Gains	-152,081	-76,813	5,425	22,329	4,945
<b>Cumulative Actuarial Losses</b>	<b>-238,909</b>	<b>-86,828</b>	<b>-10,015</b>	<b>-15,440</b>	<b>-37,769</b>

### Reconciliation of present value of the scheme liabilities

	31-Mar-10 £000	31-Mar-09 £000
<b>Opening Defined Benefit Obligation</b>	<b>490,023</b>	496,877
Current service cost	10,076	11,597
Interest cost	33,601	34,435
Contributions by Members	5,977	5,796
Actuarial Gains/(Losses)	258,136	-41,671
Past Service Costs	532	4,094
Losses on Curtailments	44	589
Estimated Unfunded Benefits Paid	-2,931	-2,852
Estimated Benefits Paid	-19,920	-18,842
<b>Closing Defined Benefit Obligation</b>	<b>775,538</b>	490,023

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## Reconciliation of fair value of the scheme assets

	31-Mar-10	31-Mar-09
	£000	£000
<b>Opening Fair Value of Employer Assets</b>	<b>300,448</b>	388,504
Expected Return on Assets	19,917	27,680
Contributions by Members	5,977	5,796
Contributions by the Employer	16,622	15,794
Contributions in respect of Unfunded Benefits	2,931	2,852
Actuarial Gains/(Losses)	<b>106,056</b>	<b>-118,484</b>
Unfunded Benefits Paid	<b>-2,931</b>	<b>-2,852</b>
Benefits Paid	<b>-19,920</b>	<b>-18,842</b>
<b>Closing Fair Value of Employer Assets</b>	<b>429,100</b>	300,448

## Scheme history

	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	<b>429,100</b>	300,448	388,504	414,643	390,200
Present Value of Defined Benefit Obligations	<b>-775,538</b>	<b>-490,023</b>	<b>-496,877</b>	<b>-530,900</b>	<b>-527,200</b>
Deficit	<b>-346,438</b>	<b>-189,575</b>	<b>-108,373</b>	<b>-116,257</b>	<b>-137,000</b>
Experience (Losses)/Gains on Assets	<b>106,056</b>	<b>-118,484</b>	<b>-57,599</b>	<b>-6,572</b>	58,568
Experience (Losses)/Gains on Liabilities	<b>-1,244</b>	<b>-1,659</b>	<b>-19,958</b>	181	1,904

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £775m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council 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 2011 will be approximately £17m.

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 2009, 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 41.8%.

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## Breakdown of the expected return on Assets

	Long Term		Long Term	
	Return at 31-Mar-10 % p.a.	Assets £000	Return at 31-Mar-09 % p.a.	Assets £000
<b>Assets</b>				
Equities	7.8%	347,571	7.0%	234,349
Bonds	5.0%	47,201	5.4%	39,058
Property	5.8%	25,746	4.9%	24,036
Cash	4.8%	8,582	4.0%	3,005
<b>Estimated Employer Assets</b>		<b>429,100</b>		<b>300,448</b>

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	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

	31-Mar-10 %p.a.	31-Mar-09 %p.a.
Price Increases	3.8%	3.1%
Salary Increases	5.3%	4.6%
Pension Increases	3.8%	3.1%
Discount rate	5.5%	6.9%

The above figures are based on long term assumptions.

## 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 2009-10 the Council paid £9.131m (£8.430m in 2008-09) 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 2009-10 these amounted to £0.732m (£0.713m in 2008-09) representing 1.07% (1.17% in 2008-09) 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 2010 was nil (£1.041m 2008-09).

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 7.45 Other Government Grants

		2009-10 £000	2008-09 £000
Standards Fund	Department for Children, Schools & Families	-12,019	-14,065
Schools Standard Fund	Department for Children, Schools & Families	-6,084	-5,949
Dedicated Schools Grant	Department for Children, Schools & Families	-137,869	-132,762
Asylum Seekers	Home Office	-488	-1,322
LSC	Business Innovation & Skills	-7,104	-5,092
Housing Benefits Administration Grant	Department for Work & Pensions	-2,472	-1,916
Supporting People	Department of Communities & Local Government	-3,833	-3,833
Area Based Grant	Department of Communities & Local Government	-9,243	-8,642
Other Grants		-794	-789
<b>Total Government Grants</b>		<b>-179,906</b>	<b>-174,370</b>

## 7.46 Reconciliation of Income & Expenditure Account to Net Cash Flow

	2009-10 £000	2008-09 (restated) £000
Deficit per I&E Account	136,160	58,602
Interest payable & similar charges	-11,665	-10,944
Interest and Investment income	1,559	4,541
<b>Non-Cash Transactions</b>		
Movement in Provisions and Reserves	800	-2,051
Capital Financing charges	-152,549	-71,701
Contribution from Pension Reserve	-4,782	-4,389
Gains on disposal of Fixed Assets	1,853	406
Collection Fund	1,425	-1,365
Other adjustments	906	-1,569
<b>Items on an accrual basis:</b>		
Decrease in Stock	-66	-48
Increase/Decrease(-) in Debtors	3,193	-5,468
Increase(-)/Decrease in Creditors	6,730	-1,859
<b>Net cash outflow from revenue</b>	<b>-16,436</b>	<b>-35,845</b>

## 7.47 Analysis of Balances of Cash

	As at 31-Mar-10 £000	As at 31-Mar-09 £000	Movement £000
Cash and Bank	398	1,060	662
Cash Overdrawn	-8,058	-7,036	1,022
	<b>-7,660</b>	<b>-5,976</b>	<b>1,684</b>

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 7.48 Reconciliation of movement in Cash to movement in Net Debt

	As at 31-Mar-10 £000	As at 31-Mar-09 (restated n7.2) £000
Decrease in Cash	1,684	2,873
Increase in Investments	-10,464	-646
Increase/Decrease (-) in other liquid resources	1,077	-2,622
Increase in Debt	28,179	14,831
<b>Movement in net debt</b>	<b>20,476</b>	<b>14,436</b>

## 7.49 Reconciliation of Financing and Management of Liquid Resources

	As at 31-Mar-10 £000	As at 31-Mar-09 £000	Movement £000
External Investments	95,676	85,212	10,464
Short Term Borrowing	-16,180	-17,581	1,401
Long Term Borrowing	-242,108	-212,229	-29,879

## 7.50 Analysis of Liquid Resources

	As at 31-Mar-10 £000	As at 31-Mar-09 £000	Movement £000
Contractors Deposits	357	354	3
Education Investments	3	3	0
Banks	60,395	31,955	28,440
Other Bodies	14,921	0	14,921
Building Societies	20,000	52,900	-32,900
	<b>95,676</b>	<b>85,212</b>	<b>10,464</b>

## 7.51 Financial Instruments

### Amortised Costs

The Council's Financial Instruments consist of:

	31-Mar-10		31-Mar-09	
	Long-term £000	Current £000	Long-term £000	Current £000
Financial liabilities at amortised cost	-261,010	-76,744	-225,159	-75,012
Loans and receivables	3,713	107,986	20,242	78,883

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 £95.3m.

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

For further details of gross amounts held under debtors and creditors, and the corresponding provisions for bad debt, please refer to notes 7.25 and 7.28. These 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 063/10;
- Accrued interest has been included in the fair value calculations;
- For other market debt and investments the rate used was obtained from the market on 31<sup>st</sup> 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:

	31-Mar-10		31-Mar-09	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	-242,123	-254,604	-212,217	-225,477
Financial Assets	95,292	97,226	84,852	87,102

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.

### 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 2009-10 approved by the Council in February 2009.

### 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 AAA sovereign rating 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. Investments are diversified across institutions to ensure an even spread of risk throughout the counterparty list. Information relating to the counterparties is constantly monitored and action taken should any institution fail to meet the minimum criteria

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

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

	Amount at 31-Mar-10	Historical experience of default	Historical experience of adjusted for market conditions at 31-Mar-10	Estimated exposure to default and uncollectibility
	£000	%	%	£000
Deposits with Banks and Other financial Institutions				
UK Banks	<b>60,758</b>	0.00	2.09	1,268
UK Building Societies	<b>20,000</b>	0.00	2.09	418
UK Money Market Funds	<b>14,918</b>	0.00	2.09	312
Customers	<b>21,542</b>	20.17	44.90	9,672
<b>Total</b>	<b><u>117,218</u></b>			<b><u>11,670</u></b>

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.

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-10 £000	Amount at 31-Mar-09 £000
Less than Three months	<b>9,236</b>	5,290
Three to six months	<b>552</b>	528
Six months to one year	<b>593</b>	665
More than one year	<b>11,161</b>	18,324
<b>Total Debtors</b>	<b><u>21,542</u></b>	<b><u>24,807</u></b>

### 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 7.30 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 Council does not hold any variable rate loans as most of the higher rate variable loans were replaced by fixed interest rate loans when a major debt restructuring exercise was carried out. Also, further Lenders Option Borrowers Option (LOBOs) totalling £30m were taken out at a favourable rate during the year. This along with the ones taken out in earlier years brings the cumulative total of LOBOs to £63.8m (approximately 26.35% of the total debt portfolio). 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.

The Council had a weighted average balance of loans during 2009-10 of £217.5m. A movement of 1% in the rate payable would not have exposed the Council to any additional interest cost as currently the Council does not hold any variable rate loans.

The Council had an average balance of investments for 2009-10 of £94.9m. A movement of 1% in the rate received on average investment balances would have exposed the Council to £0.9m movement on investment income.

### **7.52 Post balance sheet events**

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 8 Supplementary Single Entity Financial Statements

### 8.1 Housing Revenue Account (HRA)

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	2009-10 £000	2008-09 £000
<b>Income</b>			
Dwelling Rents (Gross)	8.2.1	-21,809	-21,202
Non-Dwelling Rents (Gross)	8.2.2	-800	-815
Charges for services and facilities		-1,963	-1,909
Leaseholder charges for services and facilities		-238	-232
Other charges for services and facilities		-26	-22
Contributions towards expenditure		-84	-83
<b>Total Income</b>		<b>-24,920</b>	<b>-24,263</b>
<b>Expenditure</b>			
Repairs and Maintenance	8.2.4	5,118	5,066
Supervision and management		6,762	6,462
Rent, Rates, Taxes and Other charges		45	43
Negative HRA subsidy payable (including MRA element)	8.2.3	6,847	6,821
Depreciation of fixed assets	8.2.5	3,778	3,557
Reversal of past impairment (losses)		-34,801	38,776
Debt management costs		40	45
Increase in bad debt provision		136	173
<b>Total Expenditure</b>		<b>-12,075</b>	<b>60,943</b>
<b>Net cost of HRA Services as included in the whole Authority Income &amp; Expenditure Account</b>			
		<b>-36,995</b>	36,680
HRA services share of Corporate and Democratic Core		197	168
<b>Net cost of HRA services</b>		<b>-36,798</b>	<b>36,848</b>
Gain on sale of HRA Fixed Assets		-1,080	-398
Interest payable and similar charges	8.2.6	2,107	2,011
Interest and Investment Income		-115	-320
<b>(Surplus)/Deficit for the year</b>		<b>-35,886</b>	<b>38,141</b>

#### Statement of Movement on the HRA Balance

	Notes	2009-10 £000	2008-09 £000
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account		-35,886	38,141
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	8.2.12	36,244	-37,024
(Increase) or decrease in the HRA Balance		358	1,117
HRA surplus brought forward		-5,142	-6,259
<b>HRA Surplus carried forward</b>		<b>-4,784</b>	<b>-5,142</b>

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 8.2 Notes to the Housing Revenue Account

### 8.2.1 Dwelling Rents Income

This is the total income due for the year after allowance is made for voids etc. At year-end 1.13% of lettable properties were vacant; in 2008-09 the figure was 1.30%. The average depooled rents were £84.00 per week in 2009-10 (£81.55 in 2008-09). There was an average rent increase of 3.00% over the previous year.

### 8.2.2 Non-dwelling Rents

This includes garages. At the year-end 46.39% of garages were vacant compared with 36.69% in 2008-09.

### 8.2.3 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.

	2009-10 £000	2008-09 £000
<b>Notional Expenditure</b>		
Management and maintenance	9,118	8,640
Major Repairs Allowance	3,778	3,557
Charges for capital	2,217	2,430
<b>Total notional expenditure</b>	<b>15,113</b>	<b>14,627</b>
<b>Notional Income</b>		
Rents	-21,946	-21,344
Other	-10	-12
<b>Total notional income</b>	<b>-21,956</b>	<b>-21,356</b>
<b>Other</b>		
HRA subsidy	6,843	6,729
Prior year adjustment	4	92
<b>Total Subsidy payable</b>	<b>6,847</b>	<b>6,821</b>

### 8.2.4 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-09 £000	Net Expenditure £000	Contribution s from HRA £000	Balance 31-Mar-10 £000
Movements	0	5,118	-5,118	0

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

### 8.2.5 Depreciation

	House £000	Other Properties £000	Total 2009-10 £000
Net book value as at 1 April 2009	339,667	22,242	<b>361,909</b>
Revaluations and restatements	49,393	<b>-3,160</b>	<b>46,233</b>
Value at 31 March 2010	389,060	19,082	<b>408,142</b>
Disposals	<b>-722</b>	<b>-243</b>	<b>-965</b>
Gross book value as at 31 March 2010	388,338	18,839	<b>407,177</b>
Depreciation for year	<b>-3,778</b>	0	<b>-3,778</b>
Net book value as at 31 March 2010	384,560	18,839	<b>403,399</b>

Basis of valuation : Existing Use Value (Social Housing)  
In accordance with Guidance on Stock Valuation (DCLG 2005)

The valuation of HRA fixed assets has been prepared on the basis of Existing Use Value and calculated in accordance with the Guidance on Stock Valuation published by the DCLG in July 2005 (This recognises their value as social housing). The HRA portfolio has been adjusted in line with the 5 year rolling programme of valuations as set out in Accounting Policies 5.16 Tangible Fixed Assets.

A vacant possession valuation for dwellings at 1 April 2009 would have been £894.663m (£1046.869m at 1 April 2008), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £563.638m.

Although the SORP requires disclosure of Economic cost of providing Council housing at less than open market rent by resource accounting, the equivalent cost based on Land Registry index as at 1 April 2009 is £540.984m.

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. No non-operational land his held within the HRA

### 8.2.6 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.

### 8.2.7 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-09 £000	Transfer to Reserve £000	Capital Expenditure £000	Balance 31-Mar-10 £000
Movements	0	3,778	<b>-3,778</b>	0

## SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

### 8.2.8 Capital Expenditure and Funding Statement

	2009-10 £000	2008-09 £000
<b>HRA Capital Expenditure</b>		
Dwellings	11,163	15,590
<b>Total</b>	11,163	15,590
<b>Financed by:</b>		
Borrowing	6,895	10,673
Revenue Contributions	0	1,000
Capital Grant	39	100
Capital Receipt Reserve	451	260
Major Repairs Reserve	3,778	3,557
<b>Total</b>	11,163	15,590

### 8.2.9 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.

	2009-10 £000	2008-09 £000
<b>Balance at 1 April</b>	0	0
Receipts in year:		
Houses	1,797	621
Paid to ODPM Pool	-1,346	-465
Applied in the year	-451	-156
<b>Balance at 31 March</b>	0	0

### 8.2.10 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 7.44 gives further details.

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 8.2.11 Housing Revenue Account Statistics

Housing Stock	Houses	Flats	Bungalows	2009-10 Total	2008-09 Total
4 or more bedrooms	97	1	1	99	99
3 bedrooms	1300	108	1	1,409	1,416
2 bedrooms	562	926	26	1,514	1,515
1 bedroom	1	1899	136	2,036	2,037
LBH managed stock as at 1 April *				<b>5,058</b>	5,067
Garages				<b>1,052</b>	1,052
<b>Summary of change in stock</b>					
Stock as at 1 April				<b>5,067</b>	5,070
<b>Less</b>					
Sales				<b>-9</b>	<b>-3</b>
Conversions				<b>0</b>	0
<b>Total HRA stock at 31 March</b>				<b>5,058</b>	5,067

### Measures of performance & information for disclosure notes to HRA

Average weekly costs per dwelling of management and maintenance	<b>£45.13</b>	£43.74
Rent arrears (current and former tenants)	<b>£1.397m</b>	£1.311m
Rent collection rate [BVPI 66a]	<b>97.19%</b>	96.17%
Tenant arrears as percentage of the authorities rent roll (whether dwellings occupied or not)	<b>3.46%</b>	3.77%
Rent loss through voids	<b>0.80%</b>	0.86%
Write offs in year	<b>£0.013m</b>	£0.092m
Provision for bad debts	<b>£1.010m</b>	£0.887m

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

## 8.2.12 Statement of Movement on the HRA Balance

	2009-10 £000	2008-09 £000
<b>Items included in the HRA Income &amp; Expenditure Account but excluded from the movement on Balance for the year</b>		
Impairment	<b>34,801</b>	<b>-38,776</b>
Difference between amounts charged to Income & Expenditure for premiums & discounts and charge for year determined in accordance with statute	<b>230</b>	270
Gain on sale of fixed assets	<b>1,080</b>	398
Net charges made for retirement benefits in accordance with FRS 17	<b>-337</b>	<b>-316</b>
	<b>35,774</b>	<b>-38,424</b>
<b>Items not included in the Income &amp; Expenditure Account but included in the movement on HRA balance for the year</b>		
Employers contributions payable to London Borough of Harrow pension scheme	<b>470</b>	400
Capital expenditure funded by HRA	<b>0</b>	1,000
	<b>470</b>	1,400
Net additional amount required to be debited/(credited) to HRA balance for the year	<b>36,244</b>	<b>-37,024</b>

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 8.3 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).

### Statement of Income and Expenditure

	Notes	2009-10 £000	2008-09 £000
<b>Income</b>			
Income from Council Tax		-112,795	-110,715
Council Tax Benefits (transfer from General Fund)		-18,802	-16,510
Income collectable from business ratepayers		-46,528	-45,848
<b>Contributions</b>			
Towards previous year's Collection Fund deficit		0	-1,735
<b>Total Income</b>		<b>-178,125</b>	<b>-174,808</b>
<b>Expenditure</b>			
Precepts and demands	8.4.2	128,321	124,983
<b>Business Rates</b>			
Payment to the National Pool		46,268	45,594
Costs of Collection		260	254
<b>Contributions</b>			
Towards previous year's Collection Fund surplus		380	0
<b>Bad and Doubtful Debts</b>			
Write offs		1,000	930
Provisions		479	891
<b>Total Expenditure</b>		<b>176,708</b>	<b>172,652</b>
Movement on fund balance: Surplus for the year		-1,417	-2,156
Deficit/Surplus(-) brought forward		-355	1,801
<b>Surplus(-)/Deficit carried forward</b>		<b>-1,772</b>	<b>-355</b>

# SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

## 8.4 Notes to the Collection Fund

### 8.4.1 Income from Council Tax

The 2009-10 Council Tax Base was 85,755 with a Band D of £1,496.37. The Council Tax, as shown, reflects both Harrow Council and GLA services:

Valuation Bands	Band D Ratio	2009-10		2008-09	
		Property Numbers	Council Tax £	Property Numbers	Council Tax £
A= Not exceeding £40,000	6/9	284	997.58	278	974.92
B= £40,001 - £52,000	7/9	3,210	1,163.84	3,157	1,137.40
C= £52,001 - £68,000	8/9	18,018	1,330.11	17,627	1,299.89
D= £68,001 - £88,000	1	27,227	1,496.37	26,952	1,462.37
E= £88,001 - £120,000	11/9	21,659	1,828.90	21,624	1,787.34
F= £120,001 - £160,000	13/9	7,638	2,161.42	7,572	2,112.31
G= £160,001 - £320,000	15/9	6,021	2,493.95	6,013	2,437.29
H= £320,001 plus	18/9	1,131	2,992.74	1,118	2,924.74
<b>Total</b>		<b>85,188</b>		<b>84,341</b>	

### 8.4.2 Precepts and Demands

	2009-10 £000	2008-09 £000
1. Local Demand (Harrow)	101,753	98,504
2. Greater London Authority	26,568	26,479
	<b>128,321</b>	<b>124,983</b>

### 8.4.3 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 £128.84m (£113.84m in 2008-09) and the national non-domestic rate multiplier for 2009-10 was 0.485 (0.462 in 2008-09).



**9 Pension Fund & Notes to the Pension Fund**

**9.1 Pension Fund Certificate**

**Harrow Council  
Pension Fund Accounts 2009-10**

I certify that the accounts set out in Section 9 present fairly the financial position of the Pension Fund as at 31 March 2010 and its income and expenditure for the year.

**Myfanwy Barrett  
CPFA  
Corporate Director of Finance**

## 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.

### Scheduled:

This is a statutorily defined body listed within Local Government Pension Scheme (LGPS) Regulations and has a statutory obligation to participate in the LGPS (e.g. a local authority, a further or higher education establishment).

- Harrow Council;
- St Dominic's Sixth Form College;
- Stanmore College; and
- Harrow College.

### Admitted:

There are two types of admission body:

1. Community Admission Body – These are typically charities or other public sector bodies providing a public service otherwise than for profit and which has sufficient links with the Scheme Employer to be regarded as having a community of interest.
2. Transferee Admission Body – These are typically private sector companies or charities who will have taken on staff from a local authority as a result of an outsourcing of services.

- Care UK;
- Harrison Catering;
- Haywards Services;
- Hughes Gardner;
- Kier;
- North London Collegiate School; and
- Supporta Care.

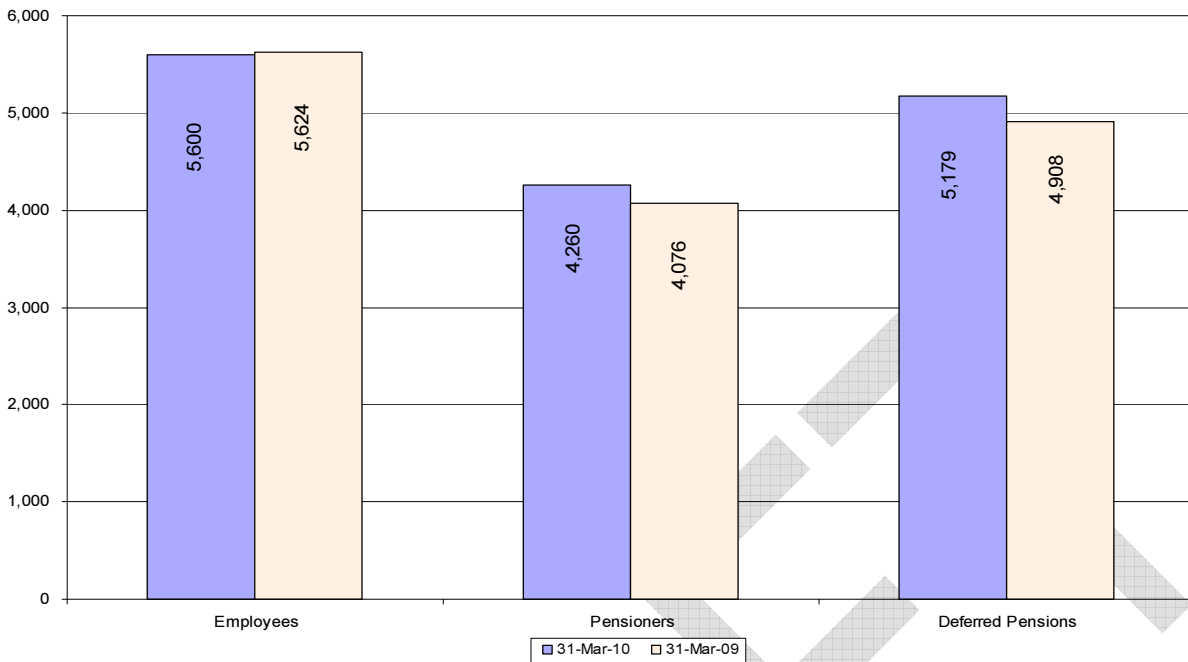
Responsibility for the overall direction of the Fund's investment policy rests with a Council Panel. In implementing the Fund's investment policy, the Council has appointed nine investment managers with responsibility to deal at discretion within broad investment objectives laid down by the Council. These are: UBS, BlackRock, Fidelity, Longview, Wellington, State Street, Pantheon, Mellon and Record Currency Management. The UK and Global equities mandate with Baillie Gifford was terminated in November 2009.

This statement sets out the Pension Fund's annual accounts for the year 2009-10.

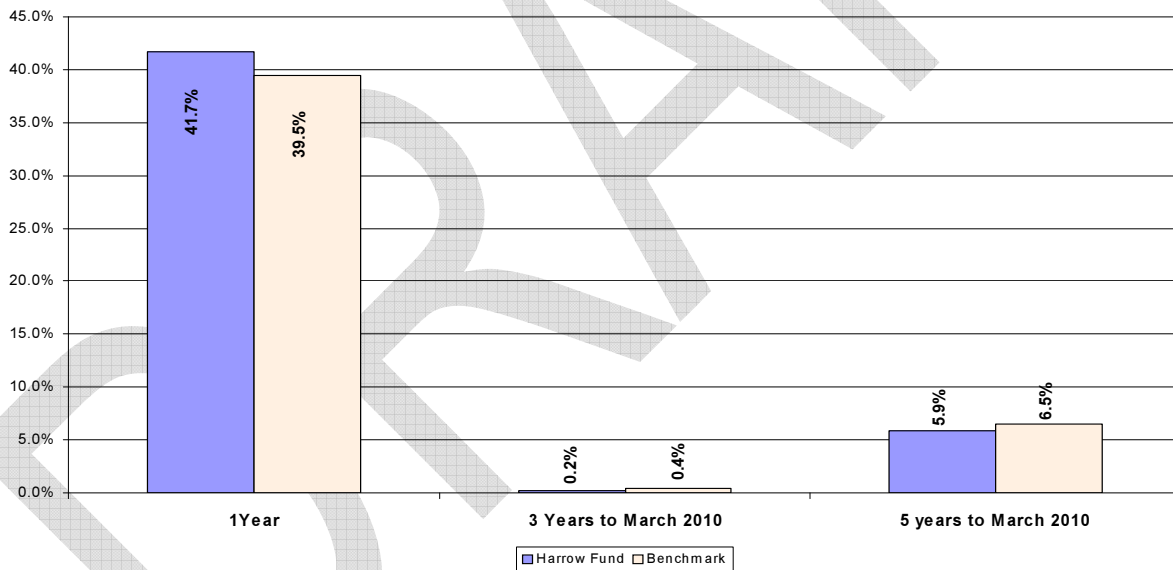
The objective of this financial statement of the Pension Fund generally, is to provide information about the financial position, performance and financial adaptability of the Fund. This statement shows the accountability of management for the resources entrusted to it, and of the disposition of its assets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

# PENSION FUND AND NOTES TO THE PENSION FUND

## Membership of the Fund



## Pension Fund Performance



The Fund benefited from the recovery in financial markets described above together with its high allocation to equity markets and achieved a return of 41.7% in the year to 31<sup>st</sup> March 2010, exceeding the benchmark by 1.6% (calculated on a geometric basis). The excess return was derived from superior returns from the equity and bond portfolios but suffered from manager underperformance in the property and private equity portfolios.

The average fund in the local authority universe (as per WM performance services) returned 35% - the best ever performance, bringing 10 year returns back above inflation. The Harrow Fund was the 11<sup>th</sup> best performing fund out of 99 local authorities.

The longer term performance continues to disappoint with underperformance of 0.2% and 0.6% over three and five years. The Panel expect that the changes to the investment manager structure implemented in the year will support improved 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") and the CIPFA code of practice on local authority accounting in the United Kingdom 2009. 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 of each financial year;
- Other unlisted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information adjusted to reflect cash transactions up to 31 March 2010;
- 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 2010; 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.

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 of each financial year.

### **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.

### **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.

# PENSION FUND AND NOTES TO THE PENSION FUND

## 9.4 Pension Fund Account

	Notes	2009-10 £000	2008-09 £000
<b>Dealings with members, employers and others directly involved in the scheme</b>			
<b>Contributions - Normal</b>	9.6.13		
From employers		-18,520	-17,892
From members		-6,650	-6,523
Individual Transfers in from other schemes		-4,315	-2,250
Other Income (including Capital cost)	9.6.1	-93	-104
<b>Benefits payable</b>	9.6.13		
Pensions		18,119	16,698
Commutation of pensions and lump sum retirement benefits		4,778	4,000
Lump sum death benefits		629	317
<b>Payments to and on account of leavers</b>			
Refunds of contributions		9	8
Individual transfers out to other schemes		3,797	2,082
NI contributions: equivalent premium		-1	-1
Administrative expenses borne by the scheme	9.6.2	816	1,109
<b>Net additions from dealings with members</b>		-1,431	-2,556
<b>Returns on Investments</b>			
Investment Income	9.6.3	-5,668	-8,813
Change in market value of investments	9.6.4	-122,033	112,346
Investment management expenses	9.6.2	630	1,005
<b>Net returns on investments</b>		-127,071	104,538
Net Increase(-)/decrease in Fund during the year		-128,502	101,982
Opening net assets of the scheme		-307,421	-409,403
<b>Closing net assets of the scheme</b>	9.5	-435,923	-307,421

## 9.5 Net Assets Statement

	Notes	2009-10 £000	2008-09 £000
<b>Investment Assets</b>			
Fixed interest securities		0	2,584
Equities		0	167,386
Pooled investment vehicles	9.6.8	432,893	133,702
Derivative contracts	9.6.9	1,354	3,642
		434,247	307,314
<b>Investment Liabilities</b>			
Derivative contracts	9.6.9	-3,245	-8,452
	9.6.4	431,002	298,862
<b>Cash deposits</b>		517	4,655
<b>Net Investment Assets</b>	9.6.6	431,519	303,517
Current Assets	9.6.11	5,122	4,740
Current Liabilities	9.6.11	-718	-836
<b>Closing net assets of the scheme</b>		435,923	307,421

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.

# PENSION FUND AND NOTES TO THE PENSION FUND

## 9.6 Notes to the Pension Fund Accounts

### 9.6.1 Other Income (including Capital cost)

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

	2009-10 £000	2008-09 £000
Investment management expenses	630	1,005
Scheme administration		
Harrow Council	690	790
Misc. (including Actuary Fees)	126	319
	<u>816</u>	<u>1,109</u>
	<u>1,446</u>	<u>2,114</u>

### 9.6.3 Investment Income

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

	2009-10 £000	2008-09 £000
Interest from fixed interest securities	-889	-731
Dividends from equities	-3,534	-5,037
Income from index-linked securities	-310	-340
Income from pooled investment	-1,371	-1,682
Interest on cash deposits	-168	-531
Income from derivatives	0	-190
Foreign exchange	604	-302
	<u>-5,668</u>	<u>-8,813</u>

### 9.6.4 Analysis of Investments at Market Value

	Value at 01- Apr-09 £000	Purchases at Cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value £000	Value at 31-Mar-10 £000
Public Sector Overseas Fixed Interest Securities	2,584	0	-2,286	-298	0
Equities					
UK	97,251	205,681	-436,359	133,427	0
Overseas	70,135	40,625	-88,152	-22,608	0
Pooled Investment Vehicles					
Property	24,808	5,513	-4,861	980	26,440
Other	108,894	591,426	-303,905	10,038	406,453
Derivatives (Note 9.6.9)	-4,810	7,408	-4,983	494	-1,891
<b>Total</b>	<u>298,862</u>	<u>850,653</u>	<u>-840,546</u>	<u>122,033</u>	<u>431,002</u>
Cash Deposits	4,655				517
	<u>303,517</u>				<u>431,519</u>

## PENSION FUND AND NOTES TO THE PENSION FUND

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 increase in equity values as the global economic background improved over the last year. Both the UK and Global equity markets rose in the range of 42% to 47%. £85.1m of the change was in respect of unrealised net gains at 31 March 2010.

Derivative payments (£7.4m) and receipts (£5.0m) are in respect of realised losses and profits on forward foreign exchange trades settled during the period.

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.

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

### 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

	2009-10		2008-09	
	£000	%	£000	%
Black Rock	64,956	15	39,921	13
UBS	12,771	3	134,880	44
Baillie Gifford	0	0	117,813	39
State Street Global Advisors	117,459	27	0	0
Longview Partners	32,736	7	0	0
Fidelity International	85,927	20	0	0
Wellington Management	98,251	23	0	0
Record Currency	1,499	0	-2,333	-1
Pantheon	15,509	4	11,784	4
Bank of New York Mellon	2,411	1	1,452	1
Total Fund	431,519	100	303,517	100

The above amounts include the investment assets, cash deposits and the negative valued derivative. The full names and mandates of each fund manager are set out on the next page.

The Record balance of £1.499m includes net derivative liabilities of £1.891m shown under assets (£1.354m) and liabilities (£3.245m), being the value of forward currency contracts comprising the 50% currency hedge on non-sterling investments. The hedge is designed to reduce volatility due to currency movements. The recent weakness in sterling has had a positive impact on the value of non-sterling assets, partially offset by losses on the currency hedge.

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 £0.279m (£0.369m in 2008-09). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on

## PENSION FUND AND NOTES TO THE PENSION FUND

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

The table below shows the type of investment held in the mandate for each manager.

BlackRock Investment Management (UK) Limited	Global bonds and property
Fidelity International	Global Equities
Longview Partners Investments	Global Equities
BNY Mellon Asset Management	Active Currency
Pantheon Private Equity	Private Equity
Record Currency Management Limited	Active and passive currency
State Street Global Advisors Limited	UK Equities Passive
UBS Global Asset Management (UK) Limited	Property
Wellington Management International Limited	Global Equities

### 9.6.7 Investments Exceeding 5% of the Total Value of Net Assets

	2009-10 £m	2008-09 £m
SSGA MPF UK Equity Index Sub-Fund	117.6	0.0
Wellington Global Pooled Value Equity Portfolio	98.2	0.0
Fidelity Inst Select Global Pooled Equities	74.9	0.0
BlackRock Institutional Bond Fund-Corp Bond 10 Yrs A class	40.4	0.0
Longview Partners Invest - Global Pooled Equities FD K Class	32.7	0.0
UBS Life Global Optimal Thirds 'A' Units	0.0	51.1
	363.8	51.1

### 9.6.8 Pooled Investment Vehicles

	Market Values	
	2009-10 £000	2008-09 £000
UK Managed Funds - Property	26,440	24,808
UK Managed Funds - Other	174,030	37,338
Overseas Other	232,423	71,556
	432,893	133,702

### 9.6.9 Derivatives

	31-Mar-10 £000	31-Mar-09 £000
<b>Investment Assets</b>		
Forward Foreign exchange contracts	1,354	3,551
Equitisation account	0	91
	1,354	3,642
<b>Investment Liabilities</b>		
Forward Foreign exchange contracts	-3,245	-8,452
	-1,891	-4,810
<b>Net Derivatives</b>		



# PENSION FUND AND NOTES TO THE PENSION FUND

Counterparty	Duration	No. of Contracts	Value at 31-Mar-10	
			Assets £000	Liabilities £000
HSBC Bank - London	7 days - 6 mths	6	178	-24
Northern Trust - London	7 days - 6 mths	6	98	-191
Royal Bank of Canada - London	7 days - 6 mths	11	418	-228
Royal Bank of Scotland-London	3 mths - 6 mths	5	90	-808
UBS AG - London	7 days - 6 mths	9	553	-1,977
Westpac - Sydney	7 days - 4 mths	2	17	-17
		39	1,354	-3,245

The scheme objective in using derivatives is to reduce risk in the portfolio by entering into forward contracts 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 overseas equity portfolio is 50% hedged against the currency risk, and the value of the economic exposure is £59.9m.

## 9.6.10 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.

	2009-10 £000	2008-09 £000
Value of AVC Fund at 1 April	2,120	2,298
Employee contributions	223	191
Investment income and change in market value	166	-86
Benefits paid and transfers out	-276	-283
<b>Value of AVC Fund at 31 March</b>	<b>2,233</b>	2,120

## 9.6.11 Current Assets & Liabilities

	31-Mar-10 £000	31-Mar-09 £000
<b>Current Liabilities</b>		
Unpaid Benefits	-516	-302
Other Unpaid liabilities	-202	-534
	<b>-718</b>	-836
<b>Current Assets</b>		
Cash balances held by London Borough of Harrow	4,378	3,473
Contributions due from employers #	114	200
Other Current Assets	630	1,067
	<b>5,122</b>	4,740

# Contributions due from employers is received in line with the regulations and timings.

## 9.6.12 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.

## PENSION FUND AND NOTES TO THE PENSION FUND

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 as at 31-Mar-07 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.

The next triennial actuarial valuation will be carried out as at 31 March 2010. The results will be known in November 2010 and the employer's contribution rate will be adjusted in the light of this.

### 9.6.13 Analysis of Contributions and Benefits

	Administering Body £000	Admitted Bodies £000	Scheduled Bodies £000	Total £000
Contributions - 2010	-22,600	-702	-1,868	-25,170
Contributions - 2009	-21,821	-769	-1,825	-24,415
Benefits - 2010	22,657	190	679	23,526
Benefits - 2009	20,179	345	491	21,015

### 9.6.14 Related Party Transactions

	2009-10 £000	2008-09 £000
Employer's pension contribution to the fund	-16,623	-15,794
Administration expenses paid to the Council	690	790
Cash in hand held by Council	4,378	3,473

### 9.6.15 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.harlow.gov.uk](http://www.harlow.gov.uk).

The Fund's Statement of Investment Principles (SIP) will be updated to include control ranges around the strategic asset allocations and the policy on rebalancing. Pending this update, the Fund is technically not in compliance with the SIP as the impact of market movements has moved actual allocations away from the strategic benchmark. The Pension Fund Investment Panel monitor actual against strategic allocations and take action when appropriate.

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## 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 Council 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 Council 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 the Council's revenue account and set aside as provision for credit liabilities.

## **National Non Domestic Rate (NNDR)**

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 the Council 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 Council 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 Council 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 the Council.

## Abbreviations

ABG	Area Based Grant
ASB	Accounting Standards Board
AVC	Additional Voluntary Contributions
BTP	Business Transformation Partnership
BVACOP	Best Value Accounting - Code of Practice
BVPP	Best Value Performance Plan
CDC	Corporate and Democratic Costs
CFR	Capital Financing Regulations
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)
DSG	Dedicated Schools Grant
EMU	European Monetary Union
ERP	Enterprise Resource Planning
FRS	Financial Reporting Standards
FRS 5	Financial Reporting Standard in respect of substance over form.
FRS 8	Financial Reporting Standard in respect of Related Party Disclosure
FRS 12	Financial Reporting Standard in respect of Provisions, Contingent Liabilities and Contingent Assets
FRS 15	Financial Reporting Standard in respect of tangible fixed assets.
FRS 17	Financial Reporting Standard in respect of retirement benefits.



## APPENDIX

FRS 25	Financial Instruments: Disclosure & Presentation
FRS 26	Financial Instruments: Recognition & Measurement
FRS 27	Financial Reporting Standard in respect of Life Assurance
FRS 29	Financial Instruments: Disclosures
GARM	Governance, Audit & Risk Management Committee
GDP	Gross Domestic Product
GLA	Greater London Authority
HRA	Housing Revenue Account
ICES	Integrating Community Equipment Service
ICT	Information & Communication Technology
iFReM	International Financial Reporting Manual
IFRIC	International Financial Reporting Interpretations Committee
IFRIC 12	International Financial Reporting Interpretations Committee relating to Service Concession Arrangements
LAA	Local Area Agreement
LAML	London Authorities' Mutual Ltd
LASAAC	Local Authority Scotland Accounts Advisory Committee
LBH	London Borough of Harrow Council
LGPS	Local Government Pension Scheme
LIFT	Local Improvement Finance Trust
LOBO	Lenders Option Borrowers Option
MIS	Management Information Service
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
NDC	Non Distributed Costs
NI	National Insurance
NNDR	National Non-Domestic Rate
NPV	Net Present Value
NRC	Neighbourhood Resource Centre

## APPENDIX

PFI	Private Finance Initiative
PWLB	Public Works Loan Board
RCCO	Revenue Contribution to Capital Outlay
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
SETS	Stock Exchange Electronic Trading Service
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
SSAP 21	Statement of Standard Accounting Practice relating to Accounting for Leases and Hire Purchase Contracts
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	2009-10 Gross Expend. £000	2009-10 Gross Income £000	2009-10 Net Expend. £000	2008-09 Net Expend. £000
<b>Best Value Service Analysis Summary</b>				
Adult Social Care	90,626	-21,860	68,766	59,625
Central Services	33,086	-26,014	7,072	12,369
Court Services	170	0	170	150
Children's and Education Services	359,917	-186,532	173,385	42,874
Cultural, Environmental, Regulatory & Planning Services	59,978	-12,388	47,590	36,826
Highways & Transport Services	28,104	-13,447	14,657	14,631
Housing Services	117,357	-144,730	-27,373	45,232
<b>Net cost of services</b>	<b>689,238</b>	<b>-404,971</b>	<b>284,267</b>	<b>211,707</b>
Other items	34,511	-3,412	31,099	20,071
<b>Net operating expenditure</b>	<b>723,749</b>	<b>-408,383</b>	<b>315,366</b>	<b>231,778</b>
<b>Adult Social Care</b>				
Service Strategy	353	-5	348	344
Older people(Aged 65 or over) including older mentally ill	40,581	-9,039	31,542	27,916
Adults aged under 65 with a physical disability or sensory impair	11,215	-779	10,436	8,791
Adults aged under 65 with a learning disabilities	27,345	-10,081	17,264	16,202
Adults aged under 65 with mental health needs	10,162	-1,691	8,471	6,121
Other adult services	970	-265	705	251
	<b>90,626</b>	<b>-21,860</b>	<b>68,766</b>	<b>59,625</b>
<b>Central Services</b>				
Corporate and Democratic Core	11,017	-4,343	6,674	6,245
Non Distributed Costs	-242	-251	-493	4,947
Local Tax Collection	20,818	-20,335	483	588
Registration of Births, Deaths and Marriages	405	-416	-11	83
Elections	708	-278	430	359
Emergency Planning	197	-6	191	109
Local Land Charges	183	-385	-202	38
	<b>33,086</b>	<b>-26,014</b>	<b>7,072</b>	<b>12,369</b>
<b>Court Services</b>				
Coroners' Court Services	170	0	170	150
	<b>170</b>	<b>0</b>	<b>170</b>	<b>150</b>
<b>Children's and Education Services</b>				
Nursery Schools	5,295	-4,320	975	40
Primary Schools	167,884	-88,106	79,778	7,668
Secondary Schools	115,715	-71,465	44,250	5,043
Special Schools	21,735	-9,501	12,234	-75
Non School Funding	11,409	-4,138	7,271	5,440
Management and Support Services	9,494	-2,682	6,812	298
Service Strategy	729	-436	293	2,958
Children's services-commissioning and social work	3,567	-773	2,794	2,356
Children looked after	14,287	-2,443	11,844	10,934
Family support services	3,429	-900	2,529	3,819
Youth justice	1,712	-907	805	818
Asylum seekers	1,865	-810	1,055	943
Other children's and families' services	2,796	-51	2,745	2,632
	<b>359,917</b>	<b>-186,532</b>	<b>173,385</b>	<b>42,874</b>

## APPENDIX

Division of Service	2009-10 Gross Expend. £000	2009-10 Gross Income £000	2009-10 Net Expend. £000	2008-09 Net Expend. £000
<b>Cultural, Environmental and Planning Services</b>				
Culture and Heritage	4,757	-533	4,224	1,492
Recreation and Sport	8,877	-583	8,294	1,586
Open Spaces	4,375	-876	3,499	3,982
Tourism	46	-4	42	43
Library Service	7,964	-499	7,465	5,382
Cemetery, cremation and mortuary services	1,106	-428	678	1,804
Environmental Health	3,009	-386	2,623	2,136
Community safety (Crime Reduction)	1,520	-140	1,380	1,488
Flood Defence and Land Drainage	1,070	-210	860	887
Trading Standards	865	0	865	911
Street Cleansing (Not chargeable to highways)	5,982	-1,107	4,875	3,598
Waste Collection	5,596	-1,642	3,954	4,624
Trade Waste	1,183	-1,098	85	-39
Recycling	2,722	-162	2,560	3,384
Building Control	1,145	-1,040	105	219
Development Control	2,984	-869	2,115	1,647
Planning Policy	2,757	-777	1,980	1,365
Environmental initiatives	194	-86	108	23
Economic Development	616	-220	396	504
Community Development	3,210	-1,728	1,482	1,790
	<b>59,978</b>	<b>-12,388</b>	<b>47,590</b>	<b>36,826</b>
<b>Highways and Transportation Services</b>				
Transport planning, policy and strategy	127	-61	66	148
Structural Maintenance	3,220	-313	2,907	2,259
Environment Safety and Routine Maintenance	4,526	-573	3,953	3,823
Street Lighting	1,627	-17	1,610	2,045
Winter Service	351	-102	249	110
Traffic Management and Road Safety	6,186	-3,584	2,602	1,944
Parking Services	5,501	-8,764	-3,263	-3,793
Public Transport	6,566	-33	6,533	8,095
	<b>28,104</b>	<b>-13,447</b>	<b>14,657</b>	<b>14,631</b>
<b>Housing Services</b>				
Housing strategy	858	0	858	457
Housing advice	150	0	150	140
Private sector housing renewal	1,636	-207	1,429	2,143
Licensing of Private Sector Landlords	211	0	211	205
Homelessness	4,317	-427	3,890	2,827
Housing benefits payments	111,490	-111,110	380	-706
Housing benefits administration	4,436	-2,485	1,951	2,998
Contribution to the HRA re: items shared by the whole community	88	0	88	85
Other council property	18	-3	15	49
Supporting People	5,982	-5,557	425	354
Other Welfare services	246	-21	225	0
Housing Revenue Account	-12,075	-24,920	-36,995	36,680
	<b>117,357</b>	<b>-144,730</b>	<b>-27,373</b>	<b>45,232</b>

# APPENDIX

## 10.3 Members Allowances

Councillor Name	Payments to Members	Councillor Name	Payments to Members
Husain Akhtar	£10,200.00	Christopher Noyce	£10,200.00
Nana Asante	£11,220.00	Phillip O'Dell	£10,200.00
David Ashton	£39,270.00	Asad Omar	£8,160.00
Marilyn Ashton	£28,050.00	Paul Osbourn	£28,050.00
Camilla Bath	£8,160.00	Anjana Patel	£28,050.00
Mavis Champagnie	£13,531.45	David Perry	£8,160.00
Christine Bednell	£28,050.00	Radika Ray	£8,160.00
Robert Benson	£8,160.00	Richard Romain	£0.00
Don Billson	£8,160.00	Paul Scott	£8,160.00
Mrinal Choudhury	£8,160.00	Anthony Seymour	£11,220.00
Golam Choudhury	£10,200.00	Navin Shah	£8,160.00
John Cowan	£10,200.00	Rejeshri Shah	£11,220.00
Bob Currie	£10,200.00	Stanley Sheinwald	£16,830.00
Margaret Davine	£11,220.00	Eric Silver	£17,571.37
Mano Dharmarajah	£8,160.00	Dinesh Solanki	£11,220.00
Tony Ferrari	£28,050.00	William Stephson	£16,830.00
Keith Ferry	£8,628.87	Sasikala Suresh	£8,160.00
Archie Foulds	£8,160.00	Yogesh Teli	£10,200.00
Brian Gate	£14,790.00	Keeki Thammaiah	£8,160.00
David Gawn	£8,160.00	Mark Versallion	£14,790.00
Mitzi Green	£14,790.00	Thomas Weiss	£10,200.00
Susan Hall	£28,050.00	Jeremy Zeid	£10,200.00
Graham Henson	£8,160.00		
Thaya Idaikkadar	£12,750.00		
Nisam Ismail	£8,160.00	<b>Co-opted Members</b>	
Krishna James	£8,160.00	Despo Speel	£444.96
Manji Kara	£10,200.00	Howard Bluston	£444.96
Eileen Kinnear	£8,160.00	Ramji Chauhan	£444.96
Ashok Kulkarni	£8,160.00	Sheila Darr	£444.96
Jean Lammiman	£20,660.49		
Barry MacLeod-Cullinane	£28,050.00		
Julia Merison	£10,200.00		
Salim Miah	£8,160.00		
Myra Michael	£8,160.00		
Jerry Miles	£11,220.00		
Vina Mithani	£11,220.00		
Chris Mote	£17,589.51		
Janet Mote	£11,220.00		
Narinder Singh Mudhar	£10,200.00		
John Nickolay	£13,328.16		
Joyce Nickolay	£10,200.00		

Details of all Council services may be found on the Council's website: [www.harrow.gov.uk](http://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](mailto:corporatefinance@harrow.gov.uk))